

**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**

華 晨 汽 車



Annual Report

**2021**

\*for identification purposes only



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# Corporate Information

(as at 26th August, 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)

	2021 RMB'000	Year Ended and as at 31st December,				2017 RMB'000
		2020 RMB'000	2019 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000	
<b>Statement of Profit or Loss Data:</b>						
Revenue	<b>2,141,946</b>	3,123,210	3,861,949	4,377,263	5,304,723	
Profit (Loss) before Income Tax Expense	<b>10,459,611</b>	(828,590)	6,196,989	5,359,046	3,899,766	
Income Tax Expense	<b>(18,817)</b>	(128,956)	(215,454)	(64,552)	(33,953)	
Profit (Loss) for the Year	<b>10,440,794</b>	(957,546)	5,981,535	5,294,494	3,865,813	
<b>Attributable to:</b>						
Equity Holders of the Company	<b>11,960,525</b>	11,219	6,667,240	5,820,909	4,376,120	
Non-controlling Interests	<b>(1,519,731)</b>	(968,765)	(685,705)	(526,415)	(510,307)	
	<b>10,440,794</b>	(957,546)	5,981,535	5,294,494	3,865,813	
Basic Earnings per Share	<b>RMB2.37064</b>	RMB0.00222	RMB1.32148	RMB1.15374	RMB0.86776	
Diluted Earnings per Share	<b>RMB2.37064</b>	RMB0.00222	RMB1.32148	RMB1.15374	RMB0.86738	
<b>Statement of Financial Position Data:</b>						
Non-current Assets	<b>44,993,801</b>	36,627,367	30,355,523	32,818,148	28,824,292	
Current Assets	<b>4,957,194</b>	11,347,346	19,019,014	9,281,708	9,031,839	
Current Liabilities	<b>(8,613,068)</b>	(14,079,401)	(14,805,123)	(10,131,964)	(10,964,975)	
Non-current Liabilities	<b>(163,588)</b>	(538,182)	(189,429)	(143,070)	(190,949)	
Non-controlling Interests	<b>1,154,360</b>	(71,349)	(549,919)	(745,078)	(177,256)	
Shareholders' Equity	<b>42,328,699</b>	33,285,781	33,830,066	31,079,744	26,522,951	

# 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, 2021.

After a strong rebound in the first half of 2021 due to low base effect, economic activity in China cooled down in the second half of the year, bringing in full year GDP growth of 8.1% for 2021. According to the China Association of Automobile Manufacturers, total vehicle sales in the Chinese market increased by 3.8% to 26.3 million units in 2021, marking the first full-year increase in four years. Sales of passenger cars increased by 6.4% to 21.5 million units. Sales of new energy vehicles (“**NEVs**”) (including battery electric vehicles, plug-in hybrid electric vehicles and fuel cell vehicles) increased significantly to 3.5 million units, up 157.5% from the previous year. Premium passenger vehicle sales had once again outperformed the overall market, and registered unit sales growth of approximately 7.3% during the year. The strong performance of premium passenger vehicle sales was driven by new product launches and an unremitting demand for premium automobile in China.

In spite of industry-wide shortage in chip supply and rising prices of raw materials, BMW Brilliance Automotive Ltd. (“**BBA**”) continued to deliver remarkable results with both record sales volumes and profits for 2021. With strong dedication of the teams and support from BMW AG, BBA was able to maintain sufficient production to meet strong customer demands. BBA also took advantage of market opportunities to further improve price realization. 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 new models can be launched as planned in the coming years. BBA’s dealer network nationwide also reached 605 full service 4S/5S shops as at 31st December, 2021.

# Chairman's Statement (Cont'd)

The new X3 facelift model was successfully launched in August 2021. BBA is also committed to be a leader in premium e-mobility in China, and is working with BMW Holding B.V. (“**BMW**”) to explore new technologies and accelerate sustainability throughout the entire NEV value chain. By the end of 2021 the BMW public charging network already comprised of over 360,000 charging pillars across China. Sales of the iX3, which is the very first pure electric model of BBA debuted late last year produced by BBA for China and for the world, had ramped up steadily during the year. 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 2021, Ling Yue Digital Information Technology Co., Ltd. (“**Ling Yue**”), the wholly owned subsidiary of BBA responsible for digital solutions and management of digital business operations, enabled realization of the end-to-end premium digital customer journey. It continued to work on the built-up of China-specific software development competencies within the BBA group of companies, to 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.

Our minibus and light commercial vehicle (“**LCV**”) business carried out by Renault Brilliance Jinbei Automotive Company Limited (“**RBJAC**”) has been hard hit by the coronavirus pandemic resulting in a further decrease in sales volume during 2021. A new strategic plan “Transformation” was launched in 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 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 Shenyang Intermediate People's Court on 30th December, 2021 for a restructuring. The restructuring is still ongoing.

Brilliance-BEA Auto Finance Co., Ltd. (“**BBAFC**”), our auto finance subsidiary in China, has been experiencing some negative impact due to the restructuring process of Huachen Automotive Group Holdings Company Limited (“**Huachen**”). Despite a challenging start in 2021, BBAFC was able to gain traction in the second half of the year through strategic long-term partnerships with key brand partners, namely Jaguar Land Rover and Tesla. This was further supported by the improved liquidity status from various funding channels, as well as strengthened retail co-lending and other innovative funding solutions that have been implemented.



## Chairman’s Statement (Cont’d)

In 2021, Ningbo Yumin Machinery Industrial Co., Ltd (“**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. It has plans to expand into self-manufacture and processing of upstream and downstream industry chain. Moreover, in view of the current rapid development in lightweight product for NEVs, Ningbo Yumin is also expanding into the business of related lightweight aluminum alloy components.

Mianyang Brilliance Ruian Automotive Components Co., Ltd. (“**Mianyang Ruian**”), another wholly-owned subsidiary of the Company, also continued to engage in the research and development (“**R&D**”) as well as manufacture of camshafts for petrol vehicle engines. 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 NEVs 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 on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and trading of the shares of the Company was suspended with effect from 31st March, 2021. The Stock Exchange of Hong Kong Limited (the “**SEHK**” or 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 SEHK 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 announcements published by the Company from time to time. The Company has already completed an independent investigation and an independent forensic investigation into the unauthorised guarantees, pledged deposits and additional fund transfers. The Company has also completed internal control reviews and has taken appropriate remedial measures to rectify weaknesses identified.



# Chairman's Statement (Cont'd)

Amidst global headwinds and COVID-related uncertainties, 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 dedicated efforts and proper steering, 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 teams and employees for their continued support and dedication to the Group.



**Wu Xiao An**  
**(also known as Ng Siu On)**  
*Chairman*  
26th August, 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, 2021.

## 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 in the PRC. The principal activities of the Company’s subsidiaries are set out in note 39 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 Xincheng Engine Co., Ltd. (“**Mianyang Xincheng**”), 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 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.

# Report of Directors (Cont'd)

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 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**”) 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 Xincheng China Power Holdings Limited (“**Power Xincheng**”) 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 Xincheng in April 2013, the indirect shareholding of the Company in Power Xincheng decreased from 42.54% to 31.07%. Currently, the Company is indirectly holding 31.20% equity interest in Power Xincheng, while Power Xincheng is in turn indirectly holding the entire equity interest of Mianyang Xincheng.

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 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.

# Report of Directors (Cont'd)

## REVENUE AND CONTRIBUTION

The Group's revenue and contribution to profit from operations for the year ended 31st December, 2021, 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
<b>Segment sales</b>	<b>1,750,985</b>	<b>213,629,487</b>	<b>390,961</b>	<b>(213,629,487)</b>	<b>2,141,946</b>
<b>Segment results</b>	<b>(3,865,460)</b>	<b>36,700,840</b>	<b>26,644</b>	<b>(36,669,019)</b>	<b>(3,806,995)</b>
<b>Unallocated costs net of unallocated income</b>					<b>(52,814)</b>
<b>Interest income</b>					<b>49,801</b>
<b>Finance costs</b>					<b>(125,667)</b>
<b>Share of results of:</b>					
<b>A joint venture</b>	-	<b>14,514,482</b>	-	-	<b>14,514,842</b>
<b>Associates</b>	<b>(119,556)</b>	-	-	-	<b>(119,556)</b>
<b>Profit before income tax expense</b>					<b>10,459,611</b>

## FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2021 are set out in the financial statements of the Group on pages 90 and 91.

## 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 2021, BBAFC was the Company's major operating subsidiary in the PRC, which contributed about 18% of the revenue of the Group in 2021.

# Report of Directors (Cont'd)

## Business discussion and analysis

The consolidated revenues 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, 2021 was RMB2,141.9 million, representing a decrease of 31.4% from the RMB3,123.2 million generated during the year ended 31st December, 2020. The decrease in revenues was mainly due to a drop in the number of vehicle units sold by RBJAC, as well as reduced revenue contribution from BBAFC.

RBJAC sold 13,406 vehicles in 2021, which was 48.8% lower than the 26,184 vehicles sold in 2020. Out of these vehicles sold, 13,394 units of Jinbei Haise King and Haise minibuses were sold in 2021, representing a decrease of 45.2% from 24,461 units sold in 2020. Furthermore, sales volume of the Granse MPV also decreased by 99.3% from 1,723 units in 2020 to 12 units in 2021. The decrease in the sales volumes of Haise and Granse were due to direct impact to these matured models caused by the launch of the Jinbei Haise King, as well as increasingly intensive market competition.

Revenues of BBAFC decreased by 31.3% from RMB568.8 million in 2020 to RMB391.0 million in 2021 due to the company exercising more caution in providing auto financing services in view of the tightening capital financing market.

Cost of sales decreased by 36.8% from RMB3,104.6 million in 2020 to RMB1,961.2 million in 2021. The gross profit margin of the Group improved from 0.6% in 2020 to 8.4% in 2021 due to intermittent suspension of RBJAC production during the year which reduced costs.

Other income decreased by 66.7% from RMB160.6 million in 2020 to RMB53.4 million in 2021. The decrease was due to lesser sales of scrap materials as a result of lower RBJAC sales volumes. In addition, other income in 2020 included an income of RMB80 million derived from offsetting the amount due to Huachen against the ECL allowance provided for amounts due from Huachen.

Interest income decreased by 73.1% from RMB185.1 million in 2020 to RMB49.8 million in 2021 due to a decrease in bank deposits in 2021.

Selling expense decreased by 37.2% from RMB223.8 million in 2020 to RMB140.5 million in 2021. As a result, selling expense as a percentage of revenue has dropped from 7.2% in 2020 to 6.6% in 2021. The lower selling expense ratio in 2021 was caused by an over-provision of transportation expense in prior year which was reversed in 2021.

General and administrative expenses (excluding net ECL allowance on loans and receivables and loss on unauthorised guarantees) increased by 33.6% from RMB2,201.1 million in 2020 to RMB2,941.5 million in 2021, primarily due to the increase of impairment losses on intangible assets and property, plant and equipment.

Net ECL allowance on loans and receivables decreased by 84.3% from RMB6,459.4 million in 2020 to RMB1,011.9 million in 2021. The substantial net ECL allowance recorded in 2020 was mainly to provide for the unauthorised pledged short-term deposits deducted by banks, and receivable balances from certain fund outflows identified. In addition, in 2020 the Group also recognised a provision for unauthorised guarantees of RMB1,917.1 million.

Finance costs decreased by 7.2% from RMB135.5 million in 2020 to RMB125.7 million in 2021 due to the decrease of bank borrowings during the period.

# Report of Directors (Cont'd)

Net profits contributed to the Group by BBA increased by 43.8% from RMB10,091.9 million in 2020 to RMB14,514.8 million in 2021. The BMW joint venture achieved sales of 652,000 BMW vehicles in 2021, an increase of 7.8% as compared to 605,050 units sold in 2020. The sales volumes of the BMW models produced and sold by BBA were as follows:

<b>BMW Models</b>	<b>2021</b>	<b>2020</b>	<b>% Change</b>
1-series	<b>36,350</b>	38,695	-6.1%
2-series	-	15	-100%
3-series	<b>173,000</b>	154,350	12.1%
5-series	<b>172,854</b>	158,957	8.7%
X1	<b>95,089</b>	93,176	2.1%
X2	<b>23,300</b>	25,672	-9.2%
X3	<b>151,407</b>	134,185	12.8%
<b>Total</b>	<b>652,000</b>	605,050	7.8%
<b>Of which BEVs</b>	<b>22,452</b>	-	n/a

The Group's share of results of associates recorded a loss of RMB119.6 million in 2021 compared to a loss of RMB348.0 million in 2020. This was primarily attributable to improvement of the financial results of Power Xinchun in 2021.

The Group's profit before income tax expense amounted to RMB10,459.6 million in 2021, as compared to a loss before income tax expense of RMB828.6 million in 2020. Income tax expense decreased by 85.4% from RMB129.0 million in 2020 to RMB18.8 million in 2021, primarily due to PRC dividend withholding tax charged in 2020 as a result of dividends distributed by a subsidiary of the Company during 2020.

As a result of the above, the Group recorded net profit attributable to equity holders of the Company of RMB11,960.5 million for the year 2021, representing an increase of over 1,000 times from the RMB11.2 million realised in 2020. Basic earnings per share in 2021 amounted to RMB2.37064, compared to RMB0.00222 in 2020. In addition, return on capital employed (as defined by the EBITDA ÷ average capital employed) for 2021 was 29.2%, compared to -0.7% for 2020.

## 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

BBAFC was invested by the Company, Credit Gain Finance Co., Ltd., and Caixabank Payments, & Consumer E.F.C., E.P., S.A. (formerly known as Caixabank Consumer Finance, E.F.C., S.A.) as a joint venture in the PRC. BBAFC has been the major operating subsidiary of the Company since late 2021. It contributed 18% revenue to the Group in 2021.

BBAFC is exposed to various risks in its financial business operations. The company manages all types of risk through ongoing risk identification, assessment and monitoring, including market risk, credit risk, reputational risk, operational risk, legal and compliance risk, liquidity risk, and strategy risk.

The company implemented timely and effective measures to improve in the total risk environment including the updated risk guidelines and policies, operational procedures, risk monitoring tools and risk averse organizational structures. Ongoing adjustments are continuously made based on business and market developments as well as the risk performance.



# Report of Directors (Cont'd)

BBAFC's risk management involves the engagement of all employees in the company, including the board of directors, the senior management, internal audit, internal control, risk management, legal & compliance, and all employees in other functions.

In 2021, BBAFC continued to focus on enterprise risk management as its main work content. According to the enterprise risk management framework, the company optimized the enterprise risk management policy, established three lines of defense for risk prevention and control, defined the roles and functions of the three lines of defense, and clarified responsibilities.

Under corporate governance, risk management and internal controls measures, BBAFC is committed to maintain its good risk management environment and culture to help the implementation of the company's strategic focus.

## ***Market risk***

Market risk includes interest rate risk and other price risk. BBAFC's risk management objectives are to properly balance risks and yield, and operate prudently under an appropriate risk profile to ensure a sustainable growth.

On the basis of the company's actual status such as company scale, business model and so on, the key work in 2021 was to continuously assess the interest rate risk and formulate the rules for interest rate risk management. Sensitivity analysis is BBAFC's major method to assess and measure the market risks.

At present, the overall level of market risks is judged to be stable and controllable. BBAFC will closely monitor future market risks to ensure that the company takes effective actions to safeguard the profitability of the company's operations.

## ***Credit risk***

Since 2020, BBAFC strategic focus has been shifted towards the retail business in order to reduce the liquidity and concentration risks as well as to enhance the profitability, and all the outstanding wholesale has been fully settled in 2021.

The company standardizes its credit risk management, including investigation and reporting, review and approval of credit line, loan disbursing, post-lending monitoring and non-performing loan management. In retail business, the company performs the complete assessment of customers with the external/internal data, scorecard, decision engine, comprehensive documentation as the proof of sustainability, and telephone or on-site check to avoid any fraud. There is also risk alert in the system for high-risk dealers. Furthermore, car mortgage, higher down payment, additional guarantors and other all possible measures are often requested to its customers to mitigate the risks.

By the end of 2021, BBAFC's risk exposure to single largest-value borrower (RMB3.25 million) was 0.19% of the net capital, and the risk exposure to single group customer was 0% of the net capital, both of which were lower than the regulatory requirements of 10% and 20% respectively. Therefore, the concentration risk is low.

As at 2021 year-end, the non performing loan ("NPL") ratio was 0.40%, lower than the average market level, but higher than 0.23% at the end of 2020. This increase is mainly driven by (a) COVID-19 impact and (b) significant decrease of asset size which was RMB5.6 billion (2020) vs RMB3.5 billion (2021). The absolute NPL amount increased to RMB1.03 million in 2021 which is relatively small when comparing to that in 2020.

Up to the end of 2021, BBAFC booked total loan loss reserves up to 1.8% of total outstanding portfolio, which aligns with the 1.8% of proposal to China Banking and Insurance Regulatory Commission for 2021 year-end. By the end of 2021, the loan provision coverage rate (loan loss reserve on NPL, 1.80%/0.40%) is 450%.

# Report of Directors (Cont'd)

## ***Reputational risk***

BBAFC effectively prevents itself from potential financial risks and major reputational events, maintains the stability of the company's daily operations, established the "Measures for the Management of Reputation Risk and Major Public Opinion" and "Reputation Risk and Media Crisis Management Policy" in order to respond to sudden and reputational events in an orderly manner according to the law, and to promptly minimize the damage caused by such events.

As a result, BBAFC's reputation risk has been stabilized, and which is also benefited from strong support from shareholders, bank partners and regulatory authorities, and this lays a good foundation for the company's sustainable growth into its future.

## ***Operational risk***

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. With the fast internal and external environment changes, expected increase of new business and number of new staff, the forecasted operational risks in the company are also rising.

Each department of BBAFC has assigned an in-charge person who is responsible for specific affairs of the department to establish a relatively complete system, and various operation procedures are carried out in accordance with the operation manuals and the management system. Besides strict risk management by the board of directors and senior management, BBAFC has also set up a risk management and an internal control department.

In order to maintain a healthy business environment, BBAFC strives for continuous improvements in professional skills of the employees, enhancing work ethics, completeness of the operational procedures and risk controls.

With the growing business scale of the company, the market demand is becoming increasingly complicated, and the internal and external requirements for risk management and control are getting increasingly stricter. Therefore, the operational risk may rise slightly in some links. However, with strong risk management in the company, the development trend of operational risk in the future is still stable.

## ***Legal and compliance risks***

BBAFC has set up a legal and compliance team which is independent from other business departments with a clear responsibility different from that of other internal control departments.

In addition, the legal and compliance team is responsible for assisting the internal control department to organize and coordinate various departments to sort out and revise the company's current internal regulations and policies, to ensure completeness and consistency of the internal control system aligned with external regulatory requirements.

BBAFC has set up various functions to manage its daily operation. Except for various departments, the company has also established the following committee: the board of directors (including the audit and compliance committee, the related party transaction committee, and the nomination and remuneration committee), the management committee (the product committee as a subordinate), the risk committee (the loan committee as a subordinate) and the funding committee.

BBAFC has formulated a number of compliance policies, including compliance management policies, anti-laundering money policies, consumer rights protection management method, determined basic principle and organizational structure for the company's compliance management, and clarify compliance management responsibilities.

The overall legal risk is stable considering the stability of politics, economics, legal environment and supervisions. BBAFC will closely follow the changes of laws and regulations to assess the effects and to control the legal risks.

# Report of Directors (Cont'd)

## *Liquidity risk*

BBAFC strengthens its daily liquidity monitoring, conducts more reasonable and prudent liquidity stress tests on a regular basis, formulates contingency plans, and maintains cooperative relationships with bank partners.

At the end of 2021, BBAFC incorporated the liquidity risk management into the comprehensive risk management system, improved the liquidity risk management structure, clarified the liquidity risk management model and responsible divisions, standardized the procedures, monitoring and reporting paths of liquidity risk management.

As a result, the overall liquidity risk management level of BBAFC has significantly improved, and the cash flow can fully repay all maturing loans, and is sufficient to support the daily business and operational expenses. The cash balance at the end of 2021 was RMB490 million, up 119.73% from the cash balance at the end of 2020 of RMB223 million.

In terms of new financing, BBAFC achieved RMB2.056 billion of new inter-bank loans in 2021, RMB405 million of asset backed loan financing via the Yindeng Center, and the scale of shareholder deposits maintained at RMB650 million through continuous renewals.

In terms of the usage of funds, BBAFC significantly increased the proportion of co-lending in the new business with bank partners. In 2021, BBAFC disbursed RMB1.932 billion in new business, which includes RMB679 million from co-lending bank. The co-lending has significantly lowered the company's liquidity demand for new business while generating fee-based income, ensuring the company's liquidity stability and profitability enhancement.

In 2021, BBAFC has improved the various liquidity risk key performance indicators as shown below by implementing all the possible initiatives, and with the improved internal risk controls and liquidity risk management.

<b>Liquidity Risk Indicator</b>	<b>2020 H1</b>	<b>2020 H2</b>	<b>2021 H1</b>	<b>2021 H2</b>
Within 30 days liquidity assets (%)	121%	195%	139%	584%
Negative liquidity planning (survival days)	51 days	196 days	63 days	329 days
Liquidity coverage ratio (%)	83%	103%	111%	144%

At present, the overall level of liquidity risk is judged to be stable and controllable, and the main liquidity monitoring indicators are significantly improved compared with 2020.

# Report of Directors (Cont'd)

## ***Strategy risk***

BBAFC has successfully shifted its new business focus away from a combined wholesale and retail product mix and is now purely engaged in developing its retail portfolio with the focus on NEV financing. This shift was influenced by both current liquidity and concentration risk management as well as the ongoing profitability expectations of its senior management and shareholders. BBAFC will continue to develop its business with its key original equipment manufacturer partners, the different brands that it co-operates with are complimentary and support its current asset, customer, and risk diversification strategies – which reduce its strategic reliance on any single brand or segment.

Whilst BBAFC is stabilizing its financial position and business operations under the ongoing Huachen restructuring process, there is no significant liquidity risk for insolvency to external debts, however, the limited funding resources and high costs, have not yet normalized. This situation poses a risk for the business growth opportunities, which need to be carefully monitored and managed, as well as restricting the overall profit opportunities. In addition to this, the COVID-19 impact to its business partners, is affecting their production capacity through distorted supply chains, which is bound to impact BBAFC's new business growth.

BBAFC strives to diversify its funding through various innovative channels, and to maximize the co-lending with existing bank partners which will increase its fee-based income without fully consuming the company's liquidity.

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 business**

There is a strong expectation that the local premium, and NEV auto segments will continue to develop positively in the near future, and these trends will support BBAFC objectives of 'Profitability through Sustainability'.

BBAFC business strategy builds on from what it has learned, and this is to maintain its current original equipment manufacturers ("OEM") partners as its base, whilst the company grows and develops its NEV portfolio with established and new innovative partners. The NEV segment is gaining traction, and the addition of new 'up and coming' NEV brands supports both BBAFC's diversity and sustainability goals, whilst keeping it relevant in the marketplace and with its customers and ensuring that any concentration risks are well managed.

The next phase of BBAFC's strategy would engage with additional NEV partners whilst further developing its reputation as a 'Green Finance' specialist. BBAFC has already initiated discussions with carefully selected local and international brands, and these are in various stages of progress.

Research of BBAFC confirms that the majority of NEV OEM partners do not have their own 'Captive Auto Finance Company' which further supports BBAFC's strategic direction. The company is cognizant of the high growth potential of this segment, which is being very well supported by government incentives and initiatives. These NEV partners present a good opportunity to support BBAFC's long term sustainable development and profitability.

BBAFC also places the highest attention on the various risk management topics (including liquidity risk management), continuous process optimization as well as all-round efficiency improvements. The company has numerous and diverse funding initiatives to support its business development, which range from regular vanilla finance loans to more innovative green syndication funding solutions that are supported by foreign banking partners. In addition to this, BBAFC has implemented retail co-lending operations that support OEM relationship development, whilst controlling the own liquidity requirements within acceptable parameters. Responsible liquidity management whilst optimizing available credit structures has been a hallmark of its success during challenging times.

# Report of Directors (Cont'd)

## 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 of directors of the Company 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 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 SEHK*

- (i) Trading in the shares of the Company on the SEHK 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 bills (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 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 SEHK stating that the Listing Committee of the SEHK 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 SEHK's satisfaction and resume trading in its shares by 30th September, 2022. In such case, the Listing Division of the SEHK will recommend the Listing Committee of the SEHK 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 SEHK. For further details, please refer to the Company's announcement dated 14th February, 2022.

# Report of Directors (Cont'd)

- (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 (the “**Independent Forensic Investigation**”) with a view to identifying all unauthorised financial assistance made by the Group since 2019 and produce a report of findings on the Independent Forensic Investigation to the Independent Board Committee. RSMCA issued a report on the Independent Forensic Investigation on 18th August, 2022. Details of the key findings of the Independent Forensic Investigation are set out in the Company’s announcement dated 19th August, 2022.

## 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 (“**Renault**”), 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 as holder of the 25% equity interest originally held by SJAI in BBA. 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 had 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.



# Report of Directors (Cont'd)

- (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.

# Report of Directors (Cont'd)

- (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 Heiping 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. On 3rd August, 2022, the Shenyang Intermediate People's Court issued its judgment in relation to the Huaxia Bank RMB69 million Proceeding (the "**Huaxia Bank RMB69 million Proceeding Trial Judgment**"). The Huaxia Bank RMB69 million Proceeding Trial Judgment stipulates that SJAI shall be liable for (i) up to 50% of RMB68,477,143.79, being the principal amount of the loan, which cannot be discharged by Huachen; and (ii) RMB192,092.50, being approximately 50% of the case acceptance fee.
- (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. On 4th August, 2022, the Shenyang Intermediate People's Court issued its judgment in relation to the Huaxia Bank RMB130 million Proceeding (the "**Huaxia Bank RMB130 million Proceeding Trial Judgment**"). The Huaxia Bank RMB130 million Proceeding Trial Judgment stipulates that SJAI shall be liable for (i) up to 50% of RMB129,561,718.84, being the principal amount of the loan, which cannot be discharged by Huachen; and (ii) RMB344,780, being approximately 50% of the case acceptance fee. Huaxia Bank has filed an appeal to the Liaoning High People's Court in relation to the Huaxia Bank RMB130 million Proceeding Trial Judgment.

# Report of Directors (Cont'd)

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. BBAFC regards environmental protection as an important responsibility and strictly adheres to relevant laws including "Law of the PRC on the Prevention and Control of Atmospheric Pollution", "Environmental Protection Law of the PRC", "Energy Conservation Law of the PRC" and "Water Law of the PRC" etc. BBAFC's core automobile finance products and services business is an asset-light and non-industrial business, which does not emit pollutants and generate hazardous wastes directly, and has immaterial impact on the environment. To mitigate GHG emissions, BBAFC adopts a number of energy-saving and reducing consumption measures.

BBAFC's operations do not generate significant hazardous waste. Its other solid waste is mainly from solid commercial waste in daily office operations which include plastic, paper and domestic garbage. BBAFC implements waste classification and collection. For the wastes generated in daily office operations, the company primary focuses on recycling paper, plastic, wood, metal etc., and converting them into usable resources. Meanwhile, the company also reduces waste from the source by encouraging its staff to reuse old office equipment and reduce disposables. BBAFC strictly controls the use of various resources in operations, and has launched a series of internal monitoring systems relating to the procurement and use of resources. During the year, the main resources BBAFC consumed were electricity, water and paper. The products of the company do not consume packaging material. In order to enhance employees' awareness of environmental protection, BBAFC has set out the prevention of resources wasting such as water-saving and electricity-saving into the company's system in written form. It includes the conditions and principles for using high power consuming equipment such as air conditioners, computers and lights.

Save for the use of resources and emission as discussed above, BBAFC's operations did not have direct and material impact on the environment and natural resources. In 2021, the company was not engaged in any environmental breaches and did not have any complaints from the public or disputes concerning environmental pollution. Looking forward, BBAFC will continue to pay close attention to the global and the PRC environmental protection policies and regulatory trends, and invest in corresponding environmental protection constructions when appropriate to enhance the company's sustainability performance.

### ***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.

# Report of Directors (Cont'd)

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.

As for BBAFC, it is a company incorporated under the laws of the PRC and approved by the China Banking and Insurance Regulatory Commission (the "CBIRC"). BBAFC has formulated the articles of association based on the Company Law of the People's Republic of China, Administrative Measures Governing Automobile Finance Companies and Corporate Governance Guidelines for Banking and Insurance Institutions, in which illustrates the corporate governance structure and operational framework.

According to the related laws and regulations and BBAFC's internal rules, the internal audit department, the audit and compliance committee, the related party transaction committee, and the nomination and remuneration committee are set under its board of directors.

The funding committee, the management committee (the product committee as a subordinate), and the risk committee (the loan committee as a subordinate) are set under BBAFC's senior management.

Legislation also clearly stipulates that each shareholder party shall follow the laws, regulations, and regulatory requirements of the PRC through BBAFC shareholders' meeting, the powers of the shareholders' meeting and the shareholders' commitments. On 9th December, 2021, the board of directors of BBAFC reviewed the "Shareholders' Qualification Assessment Form" and confirmed that each shareholder has passed the qualification requirements, and effectively fulfilled each of the shareholder's obligations during the year.

During 2021, there were no major violations of laws and regulations by BBAFC. The company has set down rules, regulations, and internal control systems, that can support the business according to relevant compliance requirements and has taken the necessary risk prevention and control measures.

In terms of equity management, the equity relationship is clear, and the source of shareholders' contributed capital is accurate and legitimate. There are no significant changes in the relevant laws and regulations in 2021, and all regulatory indicators in BBAFC follow regulatory requirements. The various regulatory reports are produced timely and accurately reported to regulators. There have not been any cases of employee fraud during the year, and the level of compliance risk remains on a stable trend.

## ***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, business partners, 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.

# Report of Directors (Cont'd)

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.
New Business Partners	As for BBAFC, along with its core business strategy to focus on retail finance, which specializes in co-operating with premium branded OEM and selected NEV brands, the key new business partners of BBAFC are Tesla and Jaguar Land Rover with the strategic partnership agreement in between.
Customers	<p>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.</p> <p>The strategic focus of BBAFC is aimed towards the retail customer base, and BBAFC strives to satisfy customer demands with the 'Customer First' principle. BBAFC provides a seamless customer journey from the loan application to contract settlement, by providing innovative digital solutions. Customer feedback is regularly collected and actively handled through various channels, such as the customer call center, company email and social media accounts, company website and regular customer satisfaction surveys. This information is used to further improve the existing products and processes to maximize the customer experience. The consumer rights protection is a key priority of the company, to maintain happy customers, and to avoid any potential legal and compliance risks.</p>
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 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.

During 2021, BBAFC was engaged in communications with its investors and directors through various forums, including shareholder meetings, board of director meetings, regular shareholder steering committees and other ad-hoc meetings. The overriding objective was to keep all parties fully informed about the status, and development of the company, to jointly decide the company's business strategy, to review the internal rules and regulations, and to setup and align the company targets.

Transparent regulatory communication was also a crucial requirement for BBAFC to ensure that it co-operates within a compliant business environment, and to seek for timely advice and guidance, to support our journey towards sustainable growth.

BBAFC has regular communications with its new business partners to look for opportunities that may support the mutual growth and maintain the long-term co-operation relationships. This effort is also extended down to end-customer level, where feedback is collected through various communication channels, to ensure the highest levels of customer satisfaction, with customer rights protection as the primary priority.

## CASH FLOW POSITION

The cash flow position of the Group for the year ended 31st December, 2021 is set out and analysed in the consolidated statement of cash flows on page 96 and in note 36 to the financial statements.



# Report of Directors (Cont'd)

## DIVIDENDS

The directors of the Company did not recommend any dividend payment at the board meeting held on 26th August, 2022 in respect of the Group's 2021 annual results. As disclosed by the Company previously, a special dividend of HK\$0.30 and a dividend of HK\$0.11 per ordinary share of the Company (collectively, the "Dividends") have been declared by the directors of the Company on 13th July, 2020. The Dividends were paid on 6th August, 2020.

## DONATIONS

Charitable and other donations made by the Group for the year ended 31st December, 2021 amounted to approximately RMB1 million.

## ANNUAL GENERAL MEETINGS

Pursuant to bye-law 60 of the Bye-laws, the Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next.

The last annual general meeting of the Company was held on 26th June, 2020, and the Company had not convened any annual general meeting since the suspension of trading in the shares of the Company on the Stock Exchange on 31st March, 2021.

In view of this, the Company is in the process of applying for the sanction from the Bermuda Registrar of Companies for the late holding of the 2021 annual general meeting (the "2021 AGM"). The 2021 AGM will be held on 11th November, 2022 at 9:00 a.m. An ordinary resolution will be proposed to resolve, ratify and confirm the 2021 AGM as the annual general meeting of the Company for the year ended 31st December, 2020.

The Company will also hold an annual general meeting for the year ended 31st December, 2021 on 11th November, 2022 at 9:15 a.m. (or immediately after the conclusion of the 2021 AGM) (the "2022 AGM").

Notices of the 2021 AGM and 2022 AGM, which constitute part of the circular to shareholders, are sent together with this annual report. The notices and the relevant proxy forms are also available on the website of the Company.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 7th November, 2022 to Friday, 11th November, 2022, both days inclusive, during which period no transfer of shares will be registered. The record date for both the 2021 AGM and the 2022 AGM is Monday, 7th November, 2022. Only shareholders of the Company whose names appear on the register of members of the Company on Monday, 7th November, 2022 or their proxies or duly authorised corporate representatives are entitled to attend and vote at the above meetings. In order to qualify for attending and voting at the meetings, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queens Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m., Hong Kong time, on Friday, 4th November, 2022.

## PROXY LODGMENT DEADLINE DATE AND TIME

Whether or not a shareholder is able to attend the 2021 AGM and the 2022 AGM, he/she is requested to complete the relevant forms of proxy in accordance with the instructions printed thereon and return them to the office of the branch registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queens Road East, Wan Chai, Hong Kong before 9:00 a.m., Hong Kong time, on Wednesday, 9th November, 2022, or not less than 48 hours before the time appointed for holding any adjournment of the meetings. Completion and return of the forms of proxy will not preclude shareholders of the Company from attending and voting in person at the said meetings or any adjourned meetings thereof if they so wish and in such event, the forms of proxy will be deemed to be revoked.



# Report of Directors (Cont'd)

## 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, 2021 are set out in notes 34 and 38, 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, 2021 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 39, 16 and 17, respectively to the financial statements.

## SHARE CAPITAL

Details of the Company's share capital as of 31st December, 2021 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.

# Report of Directors (Cont'd)

As at 31st December, 2021, there was no outstanding share option under the Share Option Scheme.

For the period commencing from the Scheme Effective Date to 31st December, 2021:

- (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, 2021, no expenses were recognised by the Group for the period under review (2020: nil).

## DIRECTORS

The directors of the Company who held office during the year ended 31st December, 2021 and up to the date of this report (i.e. 26th August, 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 (*chief executive officer*) (*appointed on 12th August, 2021*)  
Mr. Zhang Wei  
Mr. Sun Baowei  
Ms. Ma Nina (*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 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.

# Report of Directors (Cont'd)

## UPDATE ON DIRECTORS' INFORMATION

There have not been any change in information of the directors of the Company since the date of the 2021 interim report and up to the date of this report (i.e. 26th August, 2022), that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at 31st December, 2021, 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:

Name of shareholders	Long position	%	Number and class of shares held/ Approximate shareholding percentage (Note 1)			
			Short position	%	Lending pool	%
Baillie Gifford & Co (Note 2)	505,060,000 ordinary	10.01	–	–	–	–
Citigroup Inc. (Note 3)	256,764,453 ordinary	5.08	9,763,994	0.19	245,539,358	4.86
Huachen (Note 4)	1,535,074,988 ordinary	30.43	–	–	–	–
Liaoning Provincial Transportation Investment Group Co. Ltd. ("LPTI") (Note 5)	600,000,000 ordinary	11.89	–	–	–	–
Liaoning Transportation Investment Co., Ltd. ("LTI") (Note 5)	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, 2021.
- (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 256,764,453 shares in long position were held as to 11,225,095 shares as corporate interest and as to 245,539,358 shares in the capacity as approved lending agent. The 9,763,994 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) 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.

# Report of Directors (Cont'd)

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

As at 31st December, 2021, 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

Name of director/ chief executives	Type of interests	Number and class of shares held/ Approximate shareholding percentage (Note)				Number of share options granted (Percentage of the Company's issued share capital)
		Long	%	Short	%	
		position		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, 2021.

### Associated Corporation of the Company

Name of director/ chief executives	Name of associated corporations	Type of interests	Number and class of shares held/ Approximate shareholding percentage (Note 1)			
			Long	%	Short	%
			position		position	
Mr. Wu Xiao An	Power Xinchun	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:

- The percentage of shareholding is calculated on the basis of 1,282,211,794 shares in issue of Power Xinchun as at 31st December, 2021.
- As at 31st December, 2021, Power Xinchun 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 Xinchun. The said trust held 33,993,385 shares of Power Xinchun. 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 Xinchun, representing approximately 2.65% of its issued share capital as at 31st December, 2021.
- Mr. Wu Xiao An held 8,320,041 shares of Power Xinchun in the capacity of beneficial owner, representing approximately 0.65% of its issued share capital as at 31st December, 2021.

# Report of Directors (Cont'd)

Save as disclosed above, as at 31st December, 2021, 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, 2021 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, 2021, 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 2021.

## **ANALYSIS OF INTEREST CAPITALISED**

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

# Report of Directors (Cont'd)

## 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 2021, the aggregate sales attributable to the Group's five largest customers, excluding the Group's associates and joint ventures, represented approximately 25.8% 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 13.2% 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 20.4% of the Group's total purchases and the purchases attributable to the Group's largest supplier represented approximately 12.8% 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 2021, 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 (the "Huachen CCTs")

#### – *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 Huachen and its subsidiaries and its 30%-controlled companies (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.

# Report of Directors (Cont'd)

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 minimis 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 an announcement of the Company dated 18th November, 2020 and the circular of the Company dated 5th January, 2021.

## (B) Continuing Connected Transactions with Renault (the “Renault CCTs”)

### – *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 Renault together with its subsidiaries and its 30%-controlled companies (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 an announcement of the Company dated 18th November, 2020.

## (C) Continuing Connected Transaction with The Bank of East Asia (China) Limited (the “BEA CCTs”)

### – *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 an announcement of the Company dated 18th November, 2020.



# Report of Directors (Cont'd)

The actual monetary value of all the above continuing connected transactions (collectively, the “**Continuing Connected Transactions**”) for the financial year ended 31st December, 2021 is set out below.

<b>Continuing Connected Transactions</b>	<b>Actual monetary value for the financial year ended 31st December, 2021 RMB'000</b>
<b>Huachen CCTs</b>	
A Sale of automobiles, materials and/or automotive components by members of the Group to members of the Huachen Group	65,951
B Purchases of materials and/or automotive components by members of the Group from members of the Huachen Group	63,073
C Provision of services by members of the Group to members of the Huachen Group	9,079
D Purchase of services by members of the Group from members of the Huachen Group	8,942
E Lease of premises by the RBJAC Group from the Huachen Group and lease of factory facilities by RBJAC from Huachen	3,813
<b>Renault CCTs</b>	
F Purchases of automobiles, materials, automotive components and/or production related items by the RBJAC Group from the Renault Group	–
G Purchases of services by the RBJAC Group from the Renault Group	31,318
<b>BEA CCTs</b>	
H Provision of co-lending finance management services by BBAFC to BEA China	10,380

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 2021 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.

# Report of Directors (Cont'd)

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.

## CONNECTED TRANSACTIONS

Based on the Independent Investigation and the Independent Forensic Investigation conducted by RSM and RSMCA, respectively, each an independent third party investigator, during the two financial years ended 31st December, 2020, (i) SJAI, an indirect wholly-owned subsidiary of the Company, entered into the Unauthorised Guarantees in favour of certain banks in the PRC as security for bank financing of Huachen in the aggregate sum of RMB5,898,000,000; (ii) SJAI provided deposit pledges to certain banks in the PRC as security for bank acceptance bills issued by Huachen and Brilliance Power, a company owned as to 49% by the Company and 51% by Huachen, respectively, in the aggregate sum of RMB1,040,000,000; and (iii) the Group had transferred funds in the aggregate sum of RMB3,921,020,000 to the Huachen Group to alleviate Huachen’s liquidity issues (the “**Financial Assurances**”).

The Financial Assurances were entered into or made at the instruction of Huachen and none of the directors of the Company had knowledge of the Financial Assurances. The recoverability of these amounts will depend on the result of the Huachen Restructuring.

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 Financial Assurances 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.

Details of the key findings of the Independent Investigation and the Independent Forensic Investigation, including details on the Financial Assurances, are set out in the Company’s announcement dated 16th November, 2021 and 19th August, 2022. Please also refer to the announcement of the Company dated 2nd September, 2022 for details of the Financial Assurances made in accordance with Chapter 14 and 14A of 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.

# Report of Directors (Cont'd)

## UPDATE ON RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the SEHK was suspended with effect since 31st March, 2021. SEHK imposed on 27th May, 2021 and 9th February, 2022, eight resumption guidance to the Company (the “**Resumption Guidance**”), details of which are as follows:

- (i) conduct an appropriate independent investigation into the Audit Issues (as defined in the Company’s announcement dated 31st May, 2021), announce the investigation findings, assess and announce the impact on the Company’s business operation and financial position and take appropriate remedial actions;
- (ii) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (iii) demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company’s management and operations, which may pose a risk to investors and damage market confidence;
- (iv) demonstrate that the directors of the Company meet a standard of competence commensurate with their position as directors of a listed issuer and fulfill duties of skill, care and diligence as required under Rules 3.08 and 3.09 of the Listing Rules;
- (v) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules;
- (vi) demonstrate compliance with Rule 13.24 of the Listing Rules;
- (vii) inform the market of all material information for the Company’s shareholders and investors to appraise the Company’s position; and
- (viii) conduct an independent forensic investigation with a view to identifying all unauthorised financial assistance made by the Group (including the Additional Fund Transfers (as defined in the Company’s announcement dated 14th February, 2022)) since 2019, announce the investigation findings, assess and announce the impact on the Company’s financial and operation position, and take appropriate remedial actions.

## Fulfillment of Resumption Guidance

In relation to Resumption Guidance (i) and (viii), the Independent Investigation and the Independent Forensic Investigation have been completed in November 2021 and August 2022, respectively, and appropriate announcements with regard to the Independent Investigation and the Independent Forensic Investigation have been published by the Company on 16th November, 2021 and 19th August, 2022, respectively.

In relation to Resumption Guidance (ii), the Company has published its results for the year ended 31st December, 2020 and results for the six months ended 30th June, 2021 on 29th July, 2022. Save for the results for the six months ended 30th June, 2022, the Company has published all outstanding financial results.

In relation to Resumption Guidance (v), an internal control review (the “**Internal Control Review**”) has been completed in December 2021 and appropriate announcement has been published by the Company on 23rd December, 2021. Subsequently, an expanded internal control review (the “**Expanded Internal Control Review**”) has been completed in July 2022 and the relevant remediation by the Group and follow-up review by the internal control consultant on the remedial measures provided under the Internal Control Review and the Expanded Internal Control Review have been completed in August 2022, and appropriate announcement with regard to the Expanded Internal Control Review and the remediation status of the deficiencies identified under the Internal Control Review and the Expanded Internal Control Review have been published by the Company on 19th August, 2022.

By order of the Board

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

Hong Kong,  
26th August, 2022

# Management's Discussion & Analysis

## BUSINESS DISCUSSION AND ANALYSIS

A review of the business of the Group during the financial year ended 31st December, 2021 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, 2021, the Group had RMB1,049.3 million in cash and cash equivalents (As at 31st December, 2020: RMB2,021.8 million), RMB32.5 million in statutory deposit reserves at central bank (As at 31st December, 2020: RMB31.6 million), and RMB745.2 million in pledged and restricted short-term bank deposits (As at 31st December, 2020: RMB1,514.0 million). As at 31st December, 2021, the Group had notes payable in the amount of RMB334.4 million (As at 31st December, 2020: RMB1,942.0 million).

As at 31st December, 2021, the Group had outstanding short-term bank borrowings of RMB2,167.3 million (As at 31st December, 2020: RMB4,528.7 million), and long-term bank borrowings due within one year and over one year of RMB390.6 million (As at 31st December, 2020: RMB217.2 million) and RMB7.5 million (As at 31st December, 2020: RMB381 million), respectively.

All short-term bank borrowings as at 31st December, 2021 were due within one year, being repayable from 6th January, 2022 to 21st December, 2022 (As at 31st December, 2020: repayable from 4th January, 2021 to 21st December, 2021). As at 31st December, 2021, these borrowings were interest-bearing at rates ranging from 5.03% to 8.00% per annum, and were denominated in Renminbi (As at 31st December, 2020: 3.50% to 8.20% per annum, Renminbi).

RMB390.6 million of the long-term bank borrowings as at 31st December, 2021 were due within one year, being repayable from 20th January, 2022 to 20th December, 2022 (As at 31st December, 2020: RMB217.2 million, repayable from 20th January, 2021 to 1st December, 2021); and RMB7.5 million were due over one year, being repayable from 20th January, 2023 to 20th October, 2023 (As at 31st December, 2020: RMB381 million, repayable on 13th May, 2022). As at 31st December, 2021, 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, 2020: 4.10% to 5.23% per annum, 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, 2021, the Group's accounts receivable turnover days was approximately 101 days, compared to approximately 114 days for 2020. Inventory turnover days was approximately 83 days in 2021, compared to approximately 78 days in 2020.

## CAPITAL STRUCTURE AND FUNDING POLICIES

As at 31st December, 2021, the Group's total assets was approximately RMB49,951.0 million (As at 31st December, 2020: RMB47,974.7 million), which was funded by the following: (a) share capital of RMB397.2 million (As at 31st December, 2020: RMB397.2 million), (b) reserves of RMB41,931.5 million (As at 31st December, 2020: RMB32,888.6 million), (c) total liabilities of RMB8,776.7 million (As at 31st December, 2020: RMB14,617.6 million) and (d) negative contribution from non-controlling interests of RMB1,154.4 million (As at 31st December, 2020: contribution of RMB71.3 million).

As at 31st December, 2021, 90.9% (As at 31st December, 2020: 91.1%) 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 0.7% (As at 31st December, 2020: 2.6%) were denominated in U.S. Dollar. The remaining balance of 8.4% (As at 31st December, 2020: 6.3%) were denominated in other currencies. Apart from the borrowings, banking facilities were in place for contingency purposes. As at 31st December, 2021, the Group's total available banking facilities for its daily operations amounted to RMB80.9 million (As at 31st December, 2020: RMB961.8 million) without any committed banking facilities.

# Management's Discussion & Analysis (Cont'd)

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 2021, the Group incurred capital expenditures of RMB369.0 million (2020: RMB569.8 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, 2021, the Group's contracted capital commitments amounted to RMB832.9 million (As at 31st December, 2020: RMB896.4 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, 2021.

## **NEW BUSINESS AND NEW PRODUCTS**

BBA will continue to introduce new BMW models of both internal combustion engine and battery electric drivetrains into the Chinese market over the next few years. The first locally-produced X5 as well as the first electrified 3-series LWB are both expected to be launched during 2022.

As for BBAFC, its business strategy is to maintain its current OEM partners as its base, whilst the company grows and develops its NEV portfolio with established and new innovative partners. The company has already initiated discussions with carefully selected local and international brands, and these are in various stages of progress. In addition, BBAFC has numerous and diverse funding initiatives to support its business development, which range from regular vanilla finance loans to more innovative green syndication funding solutions that are supported by foreign banking partners. In addition to this, the company has implemented retail co-lending operations that support OEM relationship development.

As for Mianyang Ruian, 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 NEVs this year.

## **EMPLOYEES, REMUNERATION POLICY AND TRAINING PROGRAMMES**

The Group employed approximately 4,113 employees as at 31st December, 2021 (As at 31st December, 2020: approximately 4,820). Employee costs amounted to RMB480.0 million for the year ended 31st December, 2021 (For the year ended 31st December, 2020: RMB648.4 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.

# Management's Discussion & Analysis (Cont'd)

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.

In addition, BBAFC endeavors to support the growth of employees' capability that will help themselves and enhance the company's own competitiveness. The company provides training to all of its employees according to the annual schedule to enhance their overall quality and professional expertise, BBAFC focuses on cultivating employees, helping employees for their all-round career development and career planning, enhancing employees' core competencies, professional knowledge and skills. Online and offline trainings include professional skills, quality enhancements, business and product knowledge, occupational ethics and safety, management skills, leadership and team work co-operation etc. The company provided targeted training activities to employees of different seniority according to frontline, middle-level and senior employees.

To strengthen the knowledge of the responsibilities of the directors and senior management, the Company regularly engages professional parties such as legal advisers and auditors of the Company to provide trainings to its directors and senior management. To further enhance the directors and senior management's awareness of their responsibilities and the Company's obligations under, among others, the Listing Rules, the Company had arranged a comprehensive training session on 26th August, 2022 attended by the directors of the Company and chief financial officers of the Company's subsidiaries in addition to the regular trainings.

## CHARGE ON ASSETS

As at 31st December, 2021, short-term bank borrowings of RMB567.7 million (As at 31st December, 2020: RMB2,242.7 million) were secured by the Group's land lease prepayments with a net book value of approximately RMB2.0 million (As at 31st December, 2020: approximately RMB2.1 million), buildings, tools and moulds, machinery and equipment and construction-in-progress with an aggregate net book values of approximately RMB108.8 million (As at 31st December, 2020: RMB111.1 million), and loan receivables of RMB718.6 million (As at 31st December, 2020: RMB2,957.8 million).

As at 31st December, 2021, long-term bank borrowings of RMB398.1 million (As at 31st December, 2020: RMB598.2 million) were secured by the Group's land lease prepayments with a net book value of approximately RMB28.8 million (As at 31st December, 2020: approximately RMB29.4 million), buildings, plant and equipment with an aggregate net book value of approximately RMB43.9 million (As at 31st December, 2020: approximately RMB52.3 million) and loans receivable of RMB709.3 million (As at 31st December, 2020: RMB1,059.1 million).

In addition, as at 31st December, 2021, the Group pledged short-term bank deposits in an aggregate amount of RMB164.5 million (As at 31st December, 2020: RMB2,476.8 million) for issue of bank guaranteed notes by the Group for settlements of accounts payable (As at 31st December, 2020: RMB2,262.7 million for issue of bank guaranteed notes; and RMB214.1 million to secure bank loans granted to a third party). For details, please refer to note 20 to the financial statements.

# Management's Discussion & Analysis (Cont'd)

As at 31st December, 2021, the Group had restricted short-term bank deposits of RMB580.7 million (As at 31st December, 2020: RMB87.2 million) which 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.

As at 31st December, 2021, the Group had also pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB73.1 million (As at 31st December, 2020: approximately RMB63.2 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, 2021, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.21 (As at 31st December, 2020: 0.44). The decrease in the gearing ratio was primarily due to an increase of share of profits of BBA.

## **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, 2021 (As at 31st December, 2020: nil).

## **CONTINGENT LIABILITIES**

The Group did not have any contingent liabilities as at 31st December, 2021.



# Directors, Senior Management and Company Secretary

The directors, senior management and company secretary of the Company as at 31st December, 2021 and up to the date of this annual report (i.e. 26th August, 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 appointment 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 Xincheng, 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 Xincheng.

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 appointment 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 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, from November 2016 to August 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 遼寧中華控股股份有限公司 (Liaoning Shenhua Holdings Co., Ltd.) (stock code: 600653), a company listed on the Shanghai Stock Exchange, from August 2016 to June 2020.

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

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.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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 appointment 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.

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

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.

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

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 2021 (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, 2021, save as disclosed herein, the Group has complied with all code provisions which were in effect in the financial year ended 31st December, 2021.

### 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.

# Corporate Governance Report (Cont'd)

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 2021 were as follows:

<b>Number of meetings</b>	<b>Attendance by director</b>	<b>Attendance rate</b>
<b>9</b>		
<i>Executive directors:</i>		
Mr. Wu Xiao An ( <i>chairman of the Board</i> )	8/9	88.9%
Mr. Yan Bingzhe ( <i>Note 1</i> )	3/3	100%
Mr. Shen Tie Dong ( <i>Note 2</i> )	6/6	100%
Mr. Zhang Wei	9/9	100%
Mr. Sun Baowei	9/9	100%
Ms. Ma Nina ( <i>Note 3</i> )	6/6	100%
<i>Independent non-executive directors:</i>		
Mr. Xu Bingjin ( <i>Note 4</i> )	–	–
Mr. Song Jian	9/9	100%
Mr. Jiang Bo	9/9	100%
Mr. Dong Yang ( <i>Note 5</i> )	7/7	100%
Average attendance rate		98.8%

*Notes:*

- Mr. Yan Bingzhe tendered his resignation as a director of the Company with effect from 12th August, 2021. Prior to his resignation, the Company has held three (3) Board meetings in 2021.
- Mr. Shen Tie Dong was appointed as a director of the Company with effect from 12th August, 2021. Subsequent to his appointment, the Company has held six (6) Board meetings in 2021.
- Ms. Ma Nina tendered her resignation as a director of the Company with effect from 5th November, 2021. Prior to her resignation, the Company has held six (6) Board meetings in 2021.
- Mr. Xu Bingjin passed away on 25th February, 2021.
- Mr. Dong Yang was appointed as a director of the Company with effect from 21st May 2021. Subsequent to his appointment, the Company has held seven (7) Board meetings in 2021.

During 2021, apart from the nine (9) meetings of the Board, consent/approval from the Board had also been obtained via circulation of written resolutions on a number of issues.



# Corporate Governance Report (Cont'd)

As announced by the Company on 31st August, 2021, pursuant to bye-law 60(A) of the Company's bye-laws, the Company is required to hold its annual general meeting in each year and not more than fifteen (15) months shall elapse between the date of one annual general meeting of the Company and that of the next. Due to the delay in the publication of the 2020 annual results and despatch of the 2020 annual report, the Company has not convened any annual general meeting in 2021.

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 2021.

## **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 2021, Mr. Wu Xiao An was the chairman of the Board and Mr. Yan Bingzhe was the chief executive officer till 12th August, 2021 with Mr. Shen Tie Dong as his replacement. 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 2021 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.



# Corporate Governance Report (Cont'd)

## 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)
<i>Executive directors:</i>	
Mr. Wu Xiao An ( <i>chairman of the Board</i> )	Member of the remuneration committee Member of the nomination committee Member of the subsidiary senior management appointment committee
Mr. Shen Tie Dong ( <i>chief executive officer</i> )	Member of the remuneration committee Member of the nomination committee Member of the subsidiary senior management appointment committee
Mr. Zhang Wei	–
Mr. Sun Baowei	–
<i>Independent non-executive directors:</i>	
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 appointment 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. 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. Except for the aforesaid, throughout the year 2021, 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.

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 39 to 41 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.

# Corporate Governance Report (Cont'd)

## **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.

Mr. Song Jian and Mr. Jiang Bo were first appointed as the independent non-executive directors of the Company on 17th September, 2004 and 27th September, 2004, respectively. Both 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 26th June, 2020. Mr. Dong Yang was first appointed as the independent non-executive director of the Company on 21st May, 2021.

## **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.

# Corporate Governance Report (Cont'd)

In addition to directors' attendance at meetings and review of papers and circulars distributed by management during 2021, 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 <i>(resigned on 12th August, 2021)</i>	✓	✓
Mr. Shen Tie Dong <i>(appointed on 12th August, 2021)</i>	✓	✓
Mr. Zhang Wei	✓	✓
Mr. Sun Baowei	✓	✓
Ms. Ma Nina <i>(resigned on 5th November, 2021)</i>	✓	✓
Mr. Xu Bingjin <i>(passed away on 25th February, 2021)</i>	✓	✓
Mr. Song Jian	✓	✓
Mr. Jiang Bo	✓	✓
Mr. Dong Yang <i>(appointed on 21st May, 2021)</i>	✓	✓

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 the independent non-executive directors of the Company have attended the special general meeting of the Company held on 22nd January, 2021 (the "2021 SGM") 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, 2021.

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 are also set out in the document accompanying the notice of the 2022 AGM.

# Corporate Governance Report (Cont'd)

## 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. Mr. Song Jian is the chairman of the nomination committee.

During 2021, the nomination committee met once (1) and discharged its responsibilities. Attendance of individual members at nomination committee meeting in 2021 were as follows:

<b>Number of meeting</b>	<b>1</b>
Mr. Xu Bingjin <i>(Note 1)</i>	–
Mr. Song Jian <i>(Note 2)</i>	1/1 (100%)
Mr. Jiang Bo	1/1 (100%)
Mr. Dong Yang <i>(Note 3)</i>	1/1 (100%)
Mr. Wu Xiao An	1/1 (100%)
Mr. Shen Tie Dong <i>(Note 4)</i>	1/1 (100%)
<b>Average attendance rate</b>	<b>100%</b>

# Corporate Governance Report (Cont'd)

*Notes:*

1. Mr. Xu Bingjin passed away on 25th February, 2021 and has been the chairman of the nomination committee until 25th February, 2021.
2. Mr. Song Jian was appointed as the chairman of the nomination committee with effect from 26th February, 2021.
3. Mr. Dong Yang was appointed as a member of the nomination committee on 21st May, 2021.
4. Mr. Shen Tie Dong was appointed as a member of the nomination committee on 12th August, 2021.

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 2021 included:

- assessing the suitability of an executive director;
- reviewing certain letters of appointment and approving the signing of the same by the Company with certain directors of the Company;
- assessing the independence of the independent non-executive directors;

# Corporate Governance Report (Cont'd)

- approving the appointment of an independent non-executive director;
- noting and accepting the resignation of executive directors;
- approving the appointment of an executive director;
- 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. Dong Yang and Mr. Shen Tie Dong, have been appointed to the Board during the year 2021.

Mr. Yan Bingzhe and Ms. Ma Nina resigned as directors of the Company on 12th August, 2021 and 5th November, 2021, respectively.

Full minutes of the nomination committee meeting are kept by the company secretary. Draft and final versions of the minutes of the nomination committee meeting 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. 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.

# Corporate Governance Report (Cont'd)

During 2021, the remuneration committee met once (1) and discharged its responsibilities. Attendance of individual members at remuneration committee meeting in 2021 were as follows:

<b>Number of meeting</b>	<b>1</b>
Mr. Xu Bingjin <i>(Note 1)</i>	–
Mr. Song Jian	1/1 (100%)
Mr. Jiang Bo <i>(Note 2)</i>	1/1 (100%)
Mr. Dong Yang <i>(Note 3)</i>	1/1 (100%)
Mr. Wu Xiao An	1/1 (100%)
Mr. Shen Tie Dong <i>(Note 4)</i>	1/1 (100%)
<b>Average attendance rate</b>	<b>100%</b>

*Notes:*

1. Mr. Xu Bingjin passed away on 25th February, 2021 and has been the chairman of the remuneration committee until 25th February, 2021.
2. Mr. Jiang Bo was appointed as the chairman of the remuneration committee with effect from 26th February, 2021.
3. Mr. Dong Yang was appointed as a member of the remuneration committee on 21st May, 2021.
4. Mr. Shen Tie Dong was appointed as a member of the remuneration committee on 12th August, 2021.

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 2021 included:

- considering and approving the emoluments of the newly appointed directors;
- reviewing the terms of reference of the remuneration committee and the "Policy and Guidelines of The Remuneration Committee"; and
- reviewing the remuneration package of the individual directors and the senior management of the Company.

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.



# Corporate Governance Report (Cont'd)

## 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. 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 2021, the audit committee met once (1) and discharged its responsibilities. Attendance of individual members at audit committee meeting in 2021 were as follows:

<b>Number of meeting</b>	<b>1</b>
Mr. Xu Bingjin <i>(Note 1)</i>	–
Mr. Song Jian	1/1 (100%)
Mr. Jiang Bo <i>(Note 2)</i>	1/1 (100%)
Mr. Dong Yang <i>(Note 3)</i>	1/1 (100%)
<b>Average attendance rate</b>	<b>100%</b>

*Notes:*

1. Mr. Xu Bingjin passed away on 25th February, 2021 and has been the chairman of the audit committee until 25th February, 2021.
2. Mr. Jiang Bo was appointed as the chairman of the audit committee with effect from 26th February, 2021.
3. Mr. Dong Yang was appointed as a member of the audit committee on 21st May, 2021.

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.

# Corporate Governance Report (Cont'd)

The following is a summary of the work performed by the audit committee during 2021:

- reviewing the terms of reference of the audit committee;
- reviewing the hiring policies for employees and former employees of the external auditor; and
- reviewing the pricing policies adopted by the Group.

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.

The 2020 annual results and 2021 interim results have not been issued in the year 2021. Therefore, the audit committee has not met with the auditor, in the absence of management, to discuss matters relating to the audit as required by code provision C.3.3 note (1) (iii) of the CG Code in 2021.

Full minutes of the audit committee meeting are kept by the company secretary. Draft and final versions of the minutes of the audit committee meeting 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.

# Corporate Governance Report (Cont'd)

## 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, 2021, 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.

Due to the delay in the publication of the 2020 annual results, the Company is unable to provide accurate monthly updates of the Company to all members of the Board 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, 2021.

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

For the year ended 31st December, 2021, the audit and non-audit service fees paid or payable to the Auditor by the Company amounted to approximately HK\$3,600,000 (approximately RMB2,987,000) (2020: HK\$5,380,000, or approximately RMB4,758,000) and HK\$550,000 (approximately RMB456,000) (2020: HK\$470,000, or approximately RMB418,000), respectively. The non-audit services mainly included conducting agreed-upon procedures on the 2021 interim consolidated financial statements. Further, as stated in note 8 to the financial statements on page 136 of this annual report, the auditors' remuneration paid or payable by the Group for the year ended 31st December, 2021 amounted to approximately RMB4,366,000 (2020: approximately RMB6,194,000) 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 88 to 89 of this annual report.

# Corporate Governance Report (Cont'd)

## 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 BBAFC) 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.

For details of risk management and internal control measures implemented by BBAFC, please refer to the section headed "Risk Management and Internal controls" set out in the "Environment, Social and Governance Report".

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;

# Corporate Governance Report (Cont'd)

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, SJA I 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 SJA I 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 is 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 "**Extended Internal Control Review**"). As at the date of this report, the Extended Internal Control Review is still ongoing and the Company will issue an announcement to inform the shareholders of the Company on the progress of the remediation actions when the Extended Internal Control Review is completed.

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 case of corruption, bribery, extortion, fraud and money laundering involving the Group in 2021.

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).

# Corporate Governance Report (Cont'd)

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.

## 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.

# Corporate Governance Report (Cont'd)

## **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.



# Corporate Governance Report (Cont'd)

## **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 2021, 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.

# Corporate Governance Report (Cont'd)

In accordance with code provision E.1.2 of the CG Code, Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo, members of the independent board committee have attended the 2021 SGM. All other then directors also attended the 2021 SGM in person or by way of telephone conference.

The Company has arranged for notice and related documents to shareholders for the 2021 SGM at least ten (10) clear business days before the meeting pursuant to code provision E.1.3 of the CG Code. Due to the delay in the publication of the 2020 annual results and dispatch of the 2020 annual report, no annual general meeting has been convened in 2021. Thus, the Company had not arranged for the notice to shareholders for the annual general meeting at least twenty (20) clear business days beforehand as required by code provision E.1.3 of the CG Code.

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 2021 SGM:

- 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.

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 2021 SGM, 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.

# Corporate Governance Report (Cont'd)

## **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 2021.

## **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 (the “**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 43 to 62 of this annual report.

## REPORTING SCOPE

As announced by the Company in December 2021, the production of RBJAC, the subject company of our ESG report for the year 2020, has been temporarily suspended since 2021. RBJAC has lodged an application for a restructuring with the Shenyang Intermediate People’s Court. Accordingly, BBAFC has been the major operating subsidiary of the Group since late 2021, whose equity interest is beneficially owned as to 55% by the Company. BBAFC is a professional automotive finance company that obtained its business license on 7th April, 2015. BBAFC contributed 18% revenue to the Group in 2021.

This Report mainly includes BBAFC’s core business of automotive finance products and services with coverage including the company’s operating locations and offices in Shanghai, the PRC, for the period from 1st January, 2021 to 31st December, 2021 (the “**Reporting Period**”). Key Performance Indicators (“**KPIs**”) that need to be revealed compulsorily as required by the Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) set out in Appendix 27 to the Listing Rules were all disclosed in the “Environmental Sustainability” and “Social Sustainability” sections. Along with the reporting principles of the ESG Guide, this Report also discloses the related laws and regulations that have been complied with.

## REPORTING GUIDELINES

This Report has been prepared in accordance with the requirements of the ESG Guide.

The Company has complied with (a) the mandatory disclosure requirements; and (b) the “comply or explain” provisions set out in the ESG Guide for the year ended 31st December, 2021.

## OVERALL APPROACH

Against the backdrop of severe global warming, the society requires enterprises to conserve energy and reduce emissions, and the public have gradually improved their knowledge and understanding towards energy saving and environmental protection. The Company is committed to the protection of natural resources and operating environment 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 the Company 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.

# Environmental, Social and Governance Report (Cont'd)

## GOVERNANCE STRUCTURE

The Board has overall responsibility for the Company's sustainable business growth related to the ESG strategy. The Board regularly reviews and approves the Company's goals incorporating the ESG related social responsibilities and corporate governance into the business targets, and effective and sustainable risk management, and provides improvement recommendations.

The Company strictly complies with laws and regulations in the environmental, social and governance aspects, and 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. Simultaneously, it also steps up environmental, social and governance management and establishment from multi-dimensional perspectives, such as organization, human resources, funding, materials, facilities, management and training.

## STAKEHOLDERS ENGAGEMENT

BBAFC attaches great importance to the communication with its major stakeholders and formulates and implements short and long-term sustainability strategies based on their opinions. The company 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 company adopts diversified communication channels to communicate and interact with different major stakeholders so as to understand their requirements and expectations, and reviews and refines these communication channels from time to time.

To achieve its strategic sustainable development goals, BBAFC analyses, evaluates, prioritizes and manages material ESG related issues through, among other things, the following process:

Stakeholders	Communication Activities
Government and Regulators	<ul style="list-style-type: none"><li>✓ Policy documents and guidelines</li><li>✓ Meetings</li><li>✓ Regular reports and information</li><li>✓ Special reports</li><li>✓ Regulatory inspection and supervisions</li><li>✓ Work reports</li></ul>
Shareholders	<ul style="list-style-type: none"><li>✓ Shareholder meetings</li><li>✓ Regular business reports</li><li>✓ Compliance information disclosures</li></ul>
Directors	<ul style="list-style-type: none"><li>✓ Regular board of directors meetings</li><li>✓ Board of directors resolutions</li></ul>
Employees	<ul style="list-style-type: none"><li>✓ Performance management</li><li>✓ Regular meetings with employees</li><li>✓ Employee satisfaction surveys</li><li>✓ Trainings</li><li>✓ Interviews</li></ul>
Customers	<ul style="list-style-type: none"><li>✓ Marketing activities</li><li>✓ Customer service hotlines and e-mails</li><li>✓ Customer surveys</li><li>✓ Official online communication platforms such as WeChat applet, APP</li></ul>
Suppliers	<ul style="list-style-type: none"><li>✓ Supplier meetings</li><li>✓ Contract negotiations</li><li>✓ Tendering and bidding activities</li></ul>

# Environmental, Social and Governance Report (Cont'd)

## MATERIALITY ANALYSIS

In accordance with the ESG Guide issued by the Stock Exchange, BBAFC has formulated models to analyze environmental and social aspects. With reference to internal analysis and the concerns of the stakeholders, as shown by the aforementioned engagement activities, BBAFC has identified and confirmed material environmental and social issues applicable to it, evaluated and weighted these environmental and social issues, and prioritized relevant risks.

## ENVIRONMENT

<b>A1 Emissions</b>	<b>A2 Use of Resources</b>	<b>A3 Environment and Natural Resources</b>	<b>A4 Climate Change</b>
<ul style="list-style-type: none"> <li>Reducing Emissions</li> </ul>	<ul style="list-style-type: none"> <li>Reducing Energy Consumption</li> <li>Reducing Water Consumption</li> <li>Reducing Paper Material Consumption</li> </ul>	<ul style="list-style-type: none"> <li>Not relevant to BBAFC</li> </ul>	<ul style="list-style-type: none"> <li>Response to Climate Change</li> <li>Green Online Customer Interaction Channels</li> </ul>

## SOCIAL

<b>B1 Employment</b>	<b>B2 Health and Safety</b>	<b>B3 Development and Training</b>	<b>B4 Labour Standards</b>
<ul style="list-style-type: none"> <li>Recruitment</li> <li>Diversity and Equal Opportunity</li> <li>Compensation and Benefits</li> <li>Dismissal</li> <li>Employee Engagement and Activities</li> <li>Staff Stability and Turnover</li> </ul>	<ul style="list-style-type: none"> <li>Prevention of COVID-19</li> <li>Occupational Health</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge and Skill Training</li> </ul>	<ul style="list-style-type: none"> <li>Child Labour Prevention</li> <li>Forced Labour</li> </ul>

  

<b>B5 Supply Chain Management</b>	<b>B6 Product Responsibility</b>	<b>B7 Anti-corruption</b>	<b>B8 Community Investment</b>
<ul style="list-style-type: none"> <li>Social Responsibilities</li> <li>Customer Rights Protection</li> <li>Customer Data Protection and Privacy</li> <li>Customer Complaint Management</li> <li>Prevention of Bribery</li> </ul>	<ul style="list-style-type: none"> <li>NEV Business Strategy</li> <li>Online Application and Training Platform</li> <li>Digitally Focused Marketing Strategy</li> <li>Customer Rights and Data Protections</li> </ul>	<ul style="list-style-type: none"> <li>Anti-corruption</li> <li>Prevention and Whistle-blowing</li> <li>Anti-corruption Training</li> </ul>	<ul style="list-style-type: none"> <li>Charities</li> </ul>

# Environmental, Social and Governance Report (Cont'd)

## RISK MANAGEMENT AND INTERNAL CONTROLS

C1 Risk Management	C2 Internal Control	C3 Financial Control	C4 Treasury Management
<ul style="list-style-type: none"> <li>Enterprise Risk Management Framework</li> </ul>	<ul style="list-style-type: none"> <li>Internal Control</li> <li>Internal Audit</li> </ul>	<ul style="list-style-type: none"> <li>Segregation of Duties</li> <li>Accounting Rules</li> </ul>	<ul style="list-style-type: none"> <li>Treasury Management Guidelines and Measures</li> </ul>
C5 Compliance Control			
<ul style="list-style-type: none"> <li>Compliance Risk Management Framework</li> </ul>			

## ENVIRONMENTAL SUSTAINABILITY

BBAFC 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, 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 improvements". This Report discloses the company's policies and KPIs on emissions, use of resources, environment and natural resources, and climate change for the Reporting Period.

### A.1 Emissions

BBAFC considers the environmental protection as an important corporate responsibility, and strictly adheres to all the relevant laws including "Law of the PRC on the Prevention and Control of Atmospheric Pollution", "Environmental Protection Law of the PRC", "Energy Conservation Law of the PRC" and "Water Law of the PRC" etc. The company's core automobile finance products and services business is asset-light and follows a non-industrial business process which does not emit pollutants and generate hazardous wastes directly, and has an immaterial impact on the environment. Thus, Scope 1 greenhouse gas ("GHG") direct emissions stated in the ESG Guide is not applicable to the company. Our GHG emissions are mainly from Scope 2 (Indirect Emissions) and Scope 3 (Other Indirect Emissions), the majority of which are electricity and paper usages in daily office operations. To mitigate GHG emissions, BBAFC adopts numerous energy-saving and consumption reducing measures. Detailed measures are described in "A.2. Use of Resources" of this Report.

During the Reporting Period, the total GHG emissions for BBAFC was 167 tonnes CO<sub>2e</sub>.

Various GHG Emissions in 2021:

KPIs	Unit	Amount	Intensity* (Unit/RMB million operating Income)
Scope 1 (Direct GHG Emissions)	Tonnes CO <sub>2e</sub>	N/A	N/A
Scope 2 (Indirect GHG Emissions)	Tonnes CO <sub>2e</sub>	135	0.76
Scope 3 (Other Indirect GHG Emissions)	Tonnes CO <sub>2e</sub>	32	0.18
<b>Total</b>	Tonnes CO <sub>2e</sub>	167	0.94

Note\*: Intensity was calculated by dividing BBAFC's RMB178.26 million operating income in 2021.



# Environmental, Social and Governance Report (Cont'd)

BBAFC's operations do not generate significant hazardous waste, our solid waste is mainly from solid commercial waste in daily office operations which include plastic, paper, and domestic garbage. The company implements waste classification rules and reduces unnecessary waste from the source by utilizing the old office equipment and furniture. Meanwhile, the company pays attention to corporate social responsibility and undertakes the mission for green and environmental protection, adhering to the path of sustainable development. For redundant office furniture, the company prioritizes the donation to institutions that may be able to reuse it.

## A.2 Use of Resources

BBAFC strictly controls the use of various resources, and has launched a series of internal monitoring systems relating to the procurement and appropriate use of resources. During the Reporting Period, the main resources BBAFC consumed were electricity, water, and paper. The company's products do not consume any packaging materials, and it focuses on digital marketing where possible. To enhance employees' awareness of environmental protection, BBAFC focuses on how to minimize the wastage of certain key resources such as water and electricity and this includes the conditions and principles for using high-power consuming equipment such as air conditioners, computers and lights. There is no issue in sourcing water during the Reporting Period.

Use of Resources by Category in 2021:

Use of Resources	Unit	Amount	Intensity* (Unit/RMB million operating Income)
Electricity	kWh	135,880.7	762.25
Water	m <sup>3</sup>	28	0.15
Paper	kg	339	1.90

Note:\* Intensity was calculated by dividing BBAFC's RMB178.26 million operating income in 2021.

### • *Electricity*

BBAFC's electricity consumption arises from the daily operations in office premises. Reduction in electricity consumption will reduce the GHG emissions and therefore the company encourages employees to reduce electricity consumption and provides trainings on energy-saving and emission reduction, to ensure that all staff observe and practice the energy saving measures. In conjunction, BBAFC actively explores the adoption of more environmentally friendly technologies in business operations. The company's electricity saving measures are as follow:

- ✓ Display environmental protection signs such as "Please turn off all the lights after work" in prominent positions in offices
- ✓ Ask staff to turn off electrical appliances before leaving (refer to BBAFC office safety policy)
- ✓ Promote the use of energy-saving lighting systems such as LEDs
- ✓ Keep the air conditioning system operating at 26 degrees Celsius
- ✓ The application for the air conditioner for working overtime is based on the half floor
- ✓ Check the electrical usage status regularly to prevent unnecessary waste

# Environmental, Social and Governance Report (Cont'd)

- **Water**

BBAFC's water consumption arises from the daily operations in office premises and the company regularly emphasizes the importance of conserving water to its staff, and request them to save water where possible. Measures include:

- ✓ Place "Saving Water" posters in prominent places
- ✓ Implement "movement sensor" taps in restrooms
- ✓ Remind staff to turn off water taps after use
- ✓ Strengthen the maintenance of water equipment and repair/replace the damaged water equipment immediately

- **Paper**

BBAFC's paper usage arises from the daily operations in office premises. The company emphasizes the efficient use of paper and implement the following measures:

- ✓ Encourage E-contract via mini program and reduce paper contracts
- ✓ The printers are set to double-sided printing

## A.3 Environment and Natural Resources

Save for the use of resources and emission as discussed above, BBAFC's operations did not have direct and material impact on the environment and natural resources during the Reporting Period.

## A.4 Climate Change

BBAFC attaches great importance to the impact of climate change on the environment, as climate change induces extreme weather conditions such as torrential rain, blizzard, extreme cold, heat wave and thick smog. The company has to protect the interests of both internal and external stakeholders with appropriate measures.

BBAFC regularly reviews the impact of its daily operations on the climate change, and is committed to adopt environmental friendly operating measures to reduce GHG emissions and the pressure on global climate change. The company will continue to pay close attention to the global and the PRC environmental protection policies and regulatory trends and will invest in appropriate environmental protection constructions when required, to enhance the company's sustainability performance.

- **Green Online Customer Interaction Channels**

BBAFC implements various customer interaction channels with the support of green electronic technology in various aspects to reduce the use of paper and contribute to environmental protection. The company has been using the OA system since its establishment, which can basically realize the online office process. Nowadays, with the popularity of cloud technology, most of the content is transferred to cloud storage, which not only ensures security but also makes it easier for employees to complete daily operations in a standardized manner. With the use of the OA system that supports the improved operational efficiency of the process approval, and the inquiry of various information's is clearer, which can be more conducive to the management for enterprise planning.

# Environmental, Social and Governance Report (Cont'd)

- ***Digitalization of mobile platforms to enable e-application and e-contracting, support to minimize carbon emission of travels by field sales and customers***

In terms of digitalization development, BBAFC has always been at the forefront of the industry, from as early as 2020, before the outbreak of the epidemic, the company has completed the construction of the mobile terminal entry system and realized electronic application and electronic signing. With the continuous improvement of the system, more and more customers choose to complete the contract signing through the mobile terminal. Currently, there are about 24,000 electronic contracts and 110,000 other types of electronic documents in the system, which is equivalent to reducing carbon dioxide emissions by 220KG and planting 11 trees.

- ***Set up of customer service hotline and email box to answer customer inquiries and complaints***

It can quickly establish interaction with customers, expand the channels for customer contacts, improve customers' experience, and improve work efficiency and customer care. In the internet age, communication via email is also an essential means for the younger generations. BBAFC has set up a dedicated customer service mailbox, which not only builds a bridge between enterprises and customers, but also shortens the relationship with customers and reduces customer complaints.

## SOCIAL SUSTAINABILITY

### B.1 Employment

Employees are the strong foundation and assets of BBAFC, and they are the driving force for the company's sustainable growth. In this regard, BBAFC is committed to providing its staff with an open, trust and respect working environment under the company's motto.

#### 1) ***Recruitment***

BBAFC strictly complies with the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China 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. The company has consistently adhered to a people-oriented concept in its recruitment, and has formulated and implemented the "Recruitment and Selection Policy", which specifies the company's recruitment processes to improve the quality and efficiency of its recruitment activities.

#### 2) ***Diversity and Equal opportunity***

- a. Cultural diversity plays an important role in the growth and development of an enterprise. BBAFC has been hiring employees of different genders, ages, ethnicities, races, nationalities and regions, religious beliefs, political ideologies, and academic backgrounds.
- b. BBAFC values employees' development and encourages internal transfer. The company shares job vacancies with internal employees as the first priority.
- c. BBAFC supports people with disabilities by employing them and placing them in suitable positions, fully stimulating their potential and making the best use of their talents and abilities. The company currently employs two disabled employees who have been with the company for nearly three years.
- d. In order to effectively identify outstanding employees and promote talents, BBAFC has developed a complete performance system that is committed to promoting continuous, fair, and effective performance management, advocating a value-oriented high-performance management culture, and encouraging employees to improve their performance and develop their potential, and to make a positive contribution to the company.

# Environmental, Social and Governance Report (Cont'd)

## 3) *Compensation and Benefits*

BBAFC provides employees with equal opportunities for, amongst other things, their development, promotion, benefits, evaluation, and training. Employees will not be discriminated against or lose opportunities due to factors such as gender, ethnicity, race, nationality and region, family background, religious beliefs, political ideologies, and disability.

The salary range with minimum value, maximum value and median value is created for each grade, to accommodate the diversity of jobs and the wide market range for the concerned positions. Generally, the median value of the salary range reflects the market rate for the positions in the industry. Market survey is conducted periodically to make sure the company's remuneration package maintains market competitiveness. The market survey result will be used as a guideline when setting and reviewing the salary range in the company.

According to the "Labour Law of the PRC", BBAFC makes full contribution to the "Five Insurances and One Fund" (including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund) for all employees, on time and pursuant to local standards. BBAFC is in strict accordance with the relevant regulations on national statutory holidays. It arranges work and rest schedule for employees according to the prescribed working hours, job intensity and statutory holidays. Paid holidays are provided for qualified employees.

The working hours and holidays of BBAFC are in line with the relevant requirements of national labour policies, laws, and regulations. The company has formulated its employee manual, and strictly abides by working hours and holidays as stipulated by the law of the region, where the company is located. Employees work eight hours a day, five days a week, and rest on Saturdays, Sundays, and statutory holidays. The company provides annual leave, sick leave, marriage leave, parental leave, maternity leave, and other leave entitlements to its employees.

In addition to what is required by law, BBAFC has additionally established "Supplemental Benefits Policy", to protect the rights of employees. The company entrusts the insurance company to provide the Chinese employees with supplementary commercial insurances, including accident insurance, critical illness insurance, hospitalization benefit, supplementary medical insurance and supplementary medical insurance of its employees' children.

## 4) *Dismissal*

BBAFC has established "Termination of Employment Policy" that clearly stipulates in accordance with relevant policies where the contract of employment is concerned. Where the local laws contain mandatory requirements that are different from the provisions of this section, such legal requirements prevail for employees working in the affected locations. However, if there are no relevant regulations, the local provisions where the company is located (Shanghai) shall be applied.

Employees are dismissed under reasonably and legally controlled processes, according to the provisions of the laws and employee handbooks. Any unfair or unreasonable dismissal is strictly prohibited.

# Environmental, Social and Governance Report (Cont'd)

## 5) *Employee engagement and Activity*

BBAFC believes that “employee voice” matters. As the company continues to grow, the involvement and input of its people is even more critical. The company establishes a two-way communication channel, and invites employees to participate in employee engagement surveys every year.

Year	Score(%)
2021	88
2020	88
2019	84.2

BBAFC actively and comprehensively mobilizes and organizes various after-work cultural/sports and team-building activities. These are important platforms to promote the unity and development of the company, such that its employees will always remain high-spirited and translate into their daily works. The company has established the Joyful Time-BBAFC employee sports club with fair and open management rules. It also holds Town Hall Meeting every year to communicate with employees and listen to their voices. These activities not only enriched employees’ life after busy work, but also strengthened team cohesion and continuously enhanced employees’ sense of belonging.

## 6) *Total Workforce and Employee Turnover Rate*

The total number of employees of the Group and turnover rate by gender in 2021:

Gender	2021			2020		
	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	3,359	81.67%	15.02%	3,887	80.61%	15.82%
Female	754	18.33%	5.28%	935	19.39%	4.19%
<b>Total</b>	<b>4,113</b>	<b>100%</b>	<b>20.30%</b>	<b>4,822</b>	<b>100%</b>	<b>20.01%</b>

The total number of employees of the Group and turnover rate by employment type in 2021:

Employment type	2021			2020		
	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	1,005	24.43%	7.02%	1,275	26.44%	5.31%
Technicians	400	9.73%	5.08%	609	12.63%	3.30%
Production workers	2,444	59.42%	5.84%	2,613	54.19%	10.12%
Early retired and departed staff	264	6.42%	2.36%	325	6.74%	1.29%
<b>Total</b>	<b>4,113</b>	<b>100%</b>	<b>20.30%</b>	<b>4,822</b>	<b>100%</b>	<b>20.01%</b>

# Environmental, Social and Governance Report (Cont'd)

The total number of employees of the Group and turnover rate by full-time or part-time employment in 2021:

Employment type	2021			2020		
	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	4,113	100%	20.30%	4,822	100%	20.01%
Part-time	-	-	-	-	-	-
<b>Total</b>	<b>4,113</b>	<b>100%</b>	<b>20.30%</b>	<b>4,822</b>	<b>100%</b>	<b>20.01%</b>

The total number of employees of the Group and turnover rate by age band in 2021:

Age	2021			2020		
	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	513	12.47%	4.21%	867	17.98%	7.71%
31 to 40 years old	1,666	40.51%	8.70%	1,931	40.05%	6.51%
41 to 50 years old	1,239	30.12%	2.70%	1,270	26.34%	2.45%
51 years old or above	695	16.90%	4.69%	754	15.64%	3.34%
<b>Total</b>	<b>4,113</b>	<b>100%</b>	<b>20.30%</b>	<b>4,822</b>	<b>100%</b>	<b>20.01%</b>

The total number of employees of the Group and turnover rate by geographical region in 2021:

Geographical region	2021			2020		
	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	2,962	72.02%	17.85%	3,668	76.07%	14.93%
Northern China	7	0.17%	0.07%	9	0.19%	-
Eastern China	618	15.03%	2.16%	616	12.77%	3.67%
Southern China	18	0.44%	0.02%	18	0.37%	0.02%
Central China	5	0.12%	0.02%	6	0.12%	0.02%
Northwestern China	3	0.07%	0.02%	3	0.06%	-
Southwestern China	500	12.16%	0.16%	502	10.41%	1.37%
<b>Total</b>	<b>4,113</b>	<b>100%</b>	<b>20.30%</b>	<b>4,822</b>	<b>100%</b>	<b>20.01%</b>

# Environmental, Social and Governance Report (Cont'd)

## B.2 Health and Safety

### *COVID-19 Pandemic*

Since the outbreak of the COVID-19 epidemic, BBAFC has taken several precautionary measures to protect its employees and resume production. An epidemic prevention policy is responsible for procuring an adequate amount of emergency supplies. The company provides face masks to the employees and checks their temperature from time to time every day. Effective prevention methods against this epidemic are also disseminated to the staff in a timely manner to enhance their knowledge of the disease, eliminate their fears, and stabilize employee emotions. The measures have successfully mitigated the interruption of the company's daily operation and production caused by the epidemic.

During the Reporting Period, the COVID-19 pandemic continued to pose an impact on society and the economy. BBAFC has been closely monitoring the impact of the pandemic on its business and stakeholders and has always maintained a high degree of vigilance. The following contingency measures have been formulated to ensure the safety of its employees and stakeholders:

- Formulate the “epidemic prevention rules and regulations”, which clearly standardizes the working methods and procedures during the pandemic at the company level, department level and employee level. It helps to ensure that all department operations are carrying out their functions safely, orderly, and efficiently during the pandemic
- Implement job rotation and flexible working hours
- Monitor employees' health daily
- Disinfect workplaces daily
- Prepare sufficient anti-pandemic resources to its staff
- Donate to Huashan Hospital to fight against the COVID-19 and take the initiative to be socially responsible

### *Anti-epidemic & Keep Healthy Competition*

- Rope Skipping Competition
- Body Fat Percentage Management Competition

BBAFC ensures to provide safe and healthy working environment for all employees, and strictly implements the laws and regulations in the PRC related to occupational health and safety. The company regularly organizes physical examinations for all staff and encourages them to participate in cultural/sports activities to further improve their physical fitness. By formulating company regulations and organizing employee trainings, BBAFC enhances employees' ability to prevent and respond to fires and prevent employees from occupational safety risks. During the Reporting Period, it participated in fire drills arranged by the property management of office premises, regularly cleaned the air-conditioning systems and other office equipment, and provided comprehensive hygiene management for the workplaces. All its office premises are equipped with first aid kits in case of any emergency. The company is committed to creating a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy, and safe working environment for its employees.

# Environmental, Social and Governance Report (Cont'd)

## *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
2021	–	–
2020	–	–
2019	–	–

During the Reporting Period, BBAFC did not violate any relevant laws and regulations regarding occupational health and safety. There was no work-related fatalities and loss of working days due to work injury for the past three years.

## **B.3 Development and Training**

BBAFC endeavors to support the growth of employees' capability that will help themselves and enhance its own competitiveness.

The company provides training to all of its employees according to the annual schedule to enhance their overall quality and professional expertise, it focuses on cultivating employees, helping employees for their all-round career development and career planning, enhancing employees' core competencies, professional knowledge and skills. Online and offline trainings include professional skills, quality enhancements, business and product knowledge, occupational ethics and safety, management skills, leadership and team work co-operation etc. The company provides targeted training activities to employees of different seniority according to frontline, middle-level and senior employees.

During the Reporting Period, BBAFC has arranged a total of 2,075 hours of trainings to all staff, which represented an average of 12 hours of trainings per employee.

### *Percentage of Employees Trained*

The percentage of trained employees of the Group by gender and employment type in 2021:

2021

Employment type	Male	Trained male employees	Percentage of trained male employees	Female	Trained female employees	Percentage of trained female employees
Administrative personnel	626	400	63.90%	379	272	71.77%
Technicians	317	226	71.29%	83	54	65.06%
Production workers	2,172	1,167	53.73%	272	236	86.76%
Early retired and departed staff	244	–	–	20	–	–
	3,359	1,793	53.38%	754	562	74.54%



# Environmental, Social and Governance Report (Cont'd)

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	98.40%
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%

## *Average Training Hours Completed per Employee*

The average training hours completed by the employees of the Group by gender and employment type in 2021:

2021

Employment type	Training hours per male employee	Training hours per female employee
Administrative personnel	12 hours	13 hours
Technicians	14 hours	16 hours
Production workers	23 hours	19 hours
Early retired and departed staff	-	-

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	-	-

# Environmental, Social and Governance Report (Cont'd)

## **B.4 Labour Standards**

BBAFC is committed to protecting human rights, and strictly complies with the applicable provisions of national labour policies, laws and regulations in PRC including the “Labor Law of the PRC” and “Labor Contract Law of the PRC”, and prohibits the recruitment of child labour. During the recruitment process, candidates are required to show their proof of identity 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 company without forced labour.

The company clearly stipulates working hours, rest and vacation time, labor protection and job duties. The company does not have mandatory overtime to establish a respectful, honest, and fair working environment for its employees.

During the Reporting Period, BBAFC was not in violation of any laws and regulations related to the prevention of child and forced labour.

## **B.5 Supply Chain Management**

While BBAFC strongly supports sustainability, the company also expects its suppliers to fulfill the same social responsibilities, and thus it strictly requires in the general terms and conditions of its supplier contracts, that suppliers must fulfill their social responsibilities and expressly enforce them to follow the same. Furthermore, the suppliers must ensure that their own suppliers follow the same laws so as to promote compliance along the full supply chain. Suppliers must agree to and abide by these compulsory requirements before they are engaged.

Suppliers of the company mainly provide information technology solutions, daily office supplies, transportation, renovation services, business process outsourcings, information consultations, etc. BBAFC established the “Procurement Management Guideline” to ensure fair procurement systems and procedures, while ensuring the consumer rights protection, customer data protection and customer complaint management. The company adopts all measures to prevent employees from receiving personal benefits from suppliers by requiring suppliers and relevant employees to declare their interests and to prevent any transfer of benefits.

During the Reporting Period, BBAFC had 28 suppliers and all of them were from the PRC.

## **B.6 Product Responsibility**

The financial products and services that are provided by BBAFC, are designed to support a wide range of individual and institutional retail customers, from a diverse landscape of local and import manufacturers. The current business strategy is firmly focused on the NEV segment, which supported over 93% of the new business concluded in 2021 and makes up 61% of the serviced portfolio.

BBAFC’s innovative products are designed with end-user customer needs in mind, and the company adheres to the highest levels of customer service to ensure a seamless customer journey, whilst utilizing digitalization and environmentally friendly business practices to support the diverse needs of its customers and co-operation partners. BBAFC tracks the satisfaction levels after each customer interaction with the company and the results are measured and evaluated, so that the company may learn, adjust, and improve. During the Reporting Period, BBAFC received a total of 21 customer complaints. With complaint handling process in place and by taking up appropriate follow-up actions, the percentage of complaints solved reached 100%. BBAFC has formulated the ‘BBAFC Consumer Rights Protection Guideline’, ‘BBAFC Customer Complaint Management Policy’ and ‘Retail Customer Complaint Management Task manual’ to continue to improve the complaint management process and safeguard the consumer rights by closely listening to the voice from customers.

BBAFC has developed its own “On-line Training Platform” which is used both internally and externally, with the training and financial product knowledge materials being used by its end-user customers, co-operation partners, and internal staff. Digital training reduces the need for travel of sales and training teams, and which further reduces its carbon footprint and contributes positively to the environment. The platform offers comprehensive product relevant materials, as well as online examinations, individual progress monitoring, whilst recording the continuous learning and development results.

# Environmental, Social and Governance Report (Cont'd)

The innovative use of technology also extends to the company's individualized marketing campaigns, which are predominantly 'digitally focused' and paperless. BBAFC maximizes the use of online and digital platforms, whilst minimizing the traditional marketing materials, this is further supported by its strong corporate online presence.

Key areas that are currently receiving a significant amount of attention, are Customer Rights Protection, and Customer Data Protection. BBAFC has very specific rules on how customer data is managed, and employees are regularly reminded about the strict governance rules that surround these topics. In addition to focusing on customer information, BBAFC also emphasizes the importance on the protection of intellectual property rights, and the company does not provide or use any products or services that violate copyright or intellectual property rights. All software and information used are with legal licenses and it only procures genuine products.

BBAFC as an organization, is focused on ensuring that it protects the environment for the future generations. The company does this through managing its resource utilization, improving its efficiency, and reducing emissions – this all contributes positively towards limiting its carbon footprint and maximizing its energy savings.

During the Reporting Period, BBAFC ensured that it did not violate any laws and regulations regarding the product responsibility, data privacy or intellectual property rights.

## **B.7 Anti-corruption**

BBAFC and its employees strictly comply with the applicable laws relating to corruption, bribery, and money laundering in the relevant jurisdictions in which the company operates, including "Anti-Money Laundering Law of the PRC" and "Anti-Unfair Competition Law", etc. There is zero tolerance for the company on any form of corruption. If BBAFC finds any case of violation, it will promptly stop and take the serious necessary actions. BBAFC will hand over the employees who violate the law to judicial authorities and will never tolerate this form of behaviour.

In addition, the company will continue to raise employees' awareness of "Anti-commercial Bribery and Anti-corruption", emphasizing that the company does not provide or accept any form of bribery or kickback, and does not tolerate any corrupt behaviors in order to establish a good reputation and positive working environment. The company organizes anti-corruption and anti-bribery related trainings for employees and strives to create clean business atmosphere. It also enhances employees' self-discipline to avoid any violations of the regulations.

BBAFC encourages the reporting of misconduct from the employees and stakeholders, and whistleblowers may anonymously report any suspected irregularities to the company through the designated reporting email-box. According to BBAFC's Compliance Management Guidelines, staff management policies, if any employee conceals or does not timeously report any compliance issue, they will hold accountable in accordance with relevant measures or requirements. Those who pro-actively report compliance issues or risks will be given a mitigated punishment, exempted from punishments, or rewarded as the case may be. Commendations and rewards will also be considered for employees who truthfully report violations, reduce risks and losses, or make other compliance contributions.

In addition, to raise the employees' sense and awareness of responsibility, BBAFC has formulated the Internal Accountability System that applies to responsibility affirmation and accountability of employees who violate national laws and regulations, financial regulations and the internal rules of the company. The system clearly defines the persons directly responsible and those responsible for management, and it stipulates the scope and mechanism, methods, matters and procedures of accountability.

At the same time, BBAFC's Legal and Compliance Department will continuously monitor the compliance risks of the company in its daily work, and inform whether the regulatory indicators meet the regulatory requirements, whether there are major violations, whether there are commercial bribery or unfair competition acts, and whether there are criminal cases. Any of the company's employees that discover any major violation, are obliged to immediately report it to the Legal and Compliance head, or directly to the company's chief executive officer.

To our best knowledge, BBAFC 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 2021.

# Environmental, Social and Governance Report (Cont'd)

## B.8 Community Investment

BBAFC believes that the fulfillment 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.

As a member of the community, BBAFC actively fulfills its social responsibilities and is committed to contributing to the construction of a sustainable society, and during the COVID-19 pandemic, the company voluntarily donated over RMB1 million together with its employees to Huashan Hospital in Shanghai, to ensure safe social environment from the COVID-19. BBAFC and its employees will endeavor to the continuous participation in public welfare activities, and carry out caring donations where possible.

## RISK MANAGEMENT AND INTERNAL CONTROLS

BBAFC's risk management and internal control, involves the engagement of all employees, including its board of directors, senior management, Internal Audit, Internal Control, Risk Management, Legal and Compliance, and all employees in other functions. BBAFC's board of directors shall be ultimately responsible for the company's operating activities, supervise the effective implementation of the guidelines, and evaluate the effectiveness of the management. The senior management shall implement the risk policies, establish the organizational structure of all related departments, and allocate sufficient and appropriate resources to ensure that appropriate corrective measures will be taken in time when violations are discovered. The senior management shall supervise the daily risk management in the company. Each department shall assist the senior management in effectively identifying and managing different risks, formulate and implement plans for risk-based management, implement the procedures for identifying and managing risks, and give proper training and education to employees.

In 2021, BBAFC continues to focus on Enterprise Risk Management as its main focus area. According to the Enterprise Risk Management framework, the company optimized the Enterprise Risk Management policy, established three lines of defense for risk prevention and control, defined the roles and functions of the three lines of defense, and clarified responsibilities. The first line of defense includes sales, underwriting, operation, collection, treasury, information technology, and human resources. The second line of defense includes the Risk Management Department, the Legal and Compliance Department, and the Internal Control Department, and the third line of defense is the Internal Audit Department.

### C.1 Risk Management

Currently, the main risks BBAFC faces are credit risk, market risk, liquidity risk, operational risk, legal risk, strategic risk, and reputational risk. To manage the above risks, BBAFC implemented timely and effective measures to improve in the total risk environment including the updated risk guidelines and policies, operational procedures, risk monitoring tools and risk averse organizational structures. Ongoing adjustments are continuously made based on business and market developments as well as the risk performance. A clear delegation system and escalation processes are in place to ensure the proper discussions and best decisions are taken under the right level of responsibilities.

To improve BBAFC's internal control and Enterprise Risk Management, the Risk Management Department has established the Enterprise Risk Management Project and set up the risk identification, risk assessment and risk appetite of credit risk, market risk, operational risk, compliance risk, liquidity risk, IT risk, reputational risk and concentration risk, which have been approved by its board of directors. The company has continued to focus on close monitoring and evaluation of the overall risks, improved the Enterprise Risk Management framework, enhanced the capacities of the risk identification and assessment, formulated relevant emergency management plans, and evaluated their adaptability and effectiveness at regular intervals. In 2021, the company set a new Key Performance Indicator – Liquidity Sufficiency Ratio to monitor liquidity risk along with new business growth.

# Environmental, Social and Governance Report (Cont'd)

BBAFC is continuously improving the overall risk management, to improve internal controls and staff awareness of operational risks, and to improve the monitoring tools. In terms of continuous process improvement, the company improves internal processes to improve the efficiency in credit approval, disbursement, and post loan management, so that the company could provide better services to its business partners and customers and to strengthen the controls of those processes to ensure the asset qualities. Under sound corporate governance, comprehensive and prudent risk management, and stronger internal controls, the company is committed to maintain its good risk management environment and culture, to support the implementation of the company's strategic focus.

## C.2 Internal Control

In terms of the establishment of the internal policy, BBAFC continuously revises and improves the internal control system according to the regulatory requirements and the actual business development. In 2021, 16 internal rules and regulations were revised and improved, including 2 guidelines, 11 policies, and 3 task manuals, mainly covering corporate governance, human resource, legal and compliance, sales and marketing, administration, etc., which further strengthens the foundation of internal controls, so that the company's various business management activities have rules to follow, and effectively reduce or eliminate the occurrence of various kinds of risks.

According to the Articles of Association, the board of directors of BBAFC shall decide on the establishment of the internal auditing department, to decide the appointment and dismissal of the Internal Auditing Manager, as well as his/her respective terms of office and remuneration. The Internal Auditing Manager shall be nominated by the chairman and appointed by the board of directors of BBAFC, and report to the board of the directors directly, and he/she shall not take the position as the Senior Management Personnel simultaneously. The Internal Auditing Manager shall ensure that the internal control and auditing of the company could be independently and properly conducted pursuant to the PRC applicable laws, and any internal auditing rules and procedures required by the CBIRC from time to time. The "BBAFC Internal Audit Guidelines" clearly defines the organizational structure and responsibilities of the internal audit department, audit work process, assessment and accountability, and internal control evaluation etc. Through the development of internal audit projects, the internal audit department has effectively supervised and evaluated the internal control system construction and implementation. The internal audit department shall timely submit audit reports of each project to BBAFC's board of directors, its audit and compliance committee and the supervisors on a regular basis, report the rectification of audit findings on a regular basis, and communicate the audit findings.

## C.3 Financial Control

BBAFC formulated the accounting guideline and accounting procedure by strictly referring to the "Accounting Standards for Chinese Enterprises". To strengthen internal management of BBAFC, the company also stipulated relevant regulations for fixed asset management, accounting filing management, e-invoice management, and business entertainment management, etc. According to the principle of the segregation of duties, the bank transfer operation and accounting booking/reconciliation management and other incompatible functional positions are separated. The accounting team has set up a cashier role, account receivable role, account payable role and general ledger accountant role. The accounting manager performs the accounting management role, reviews and checks the accounting team's daily work.

BBAFC adopts the SAP financial system which sets up fixed templates for accounting documents, accounting books and financial report formats. And the formats are always in accordance with the latest requirements of China Accounting Standard, which strictly comply with the financial statement format requirements of general and financial enterprises. Digital accounting archives of accounting vouchers, accounting books and financial statements are kept permanently, and paper archives are kept in accordance with the company's accounting filing management manual.

# Environmental, Social and Governance Report (Cont'd)

## C.4 Treasury Management

BBAFC has formulated various relevant management systems and business approval processes for protecting its asset safety. The Treasury Department has further improved and updated the “Treasury Management Measures” in 2021.

1. Improved the company’s management of accounts receivable pledge loan, clarified the definition of account receivable and the pledged account receivable requirements, as well as clarified the related agreement signing requirements.
2. The addition of the interbank funding limit management for each trader, and each trader is required to get Funding Committee approval about the interbank transaction (include but not limited to the amount, price, counterparty and other transaction conditions) before conducting the transaction in the National Interbank Funding Center. Further to this, it re-emphasizes the rule in the “Articles of Association” that if funding amount is over RMB1 billion, the board of directors of BBAFC approval is also a requirement. The roles of the chief financial officer of BBAFC as the ultimate controller of the system, and the Treasury Director as the system administrator, are clarified. In addition, the Treasury Department has set up the Treasury Managers, Treasury Supervisors, and Treasury Planner positions, who report to the Treasury Director. The Treasury Director reports to the chief financial officer of BBAFC.
3. Bank post loan management requirements are added: clarifying the main scope of post-loan materials and requirements for electronic retention of special materials.

In the year of 2021, the Treasury Department updated the “Emergency Liquidity Security Plan” (the original version of Emergency Liquidity Security Plan was effective in 2018) by adding the following items:

1. The whole management team (CEO, CRO, CFO, CCO, and COO) have been added to the group of the emergency team, to improve the emergency liquidity management for quick reaction, authorization and co-ordination.
2. The payment requirements during the liquidity crisis are added to secure the payment process under the emergency situation.

In addition, the Treasury Department updated the “Liquidity Emergency Plan Rehearsal” in 2021, to minimize the impact of the emergency situation to BBAFC. There are two new scenarios added to the drill, namely, “Due to material adverse effect, bank loan failing to renew/rollover or early repayment is required” and “Business disruption due to power or network failure, causing the liquidity issue”. In the drill, each department clarified its responsibility and related workflow procedures.

## C.5 Compliance Control

In 2021, there were no major violations of laws and regulations in BBAFC. The company has set down rules, regulations and internal control systems that are in accordance with the business requirements. The company can basically carry out the business according to relevant policies, regulations, and internal systems, and has taken certain risk prevention and control measures to protect the business. In terms of equity management, the equity relationship is clear, and the source of shareholders’ contributed capital is accurate and legitimate. In addition, in view of deepening the rectification of market chaos and internal audit work previously, the company has established internal and external audit rectification ledgers, defined responsible departments and persons, and implemented internal and external audit rectification measures.

BBAFC’s current operating conditions, including products and business models, are relatively stable. There are no significant changes in the relevant regulatory laws and regulations in 2021, all regulatory indicators compliant with regulatory requirements, the various reports are timely and accurately reported to the regulators, no cases of employees and customers involved in fraud occurred during the year, and the level of compliance risk is on a stable trend this year.

# Environmental, Social and Governance Report (Cont'd)

BBAFC has established a reasonable framework for compliance risk management, the board of directors and senior management have always adhered to the business philosophy of “compliance first”. Meanwhile, the senior management has continuously strengthened the internal compliance management within BBAFC:

1. The Legal and Compliance Department of BBAFC continuously updates the latest promulgation and revision of laws and regulations, gives timely feedback to the senior management and relevant departments on laws and regulations that may affect the business, and also tracks the implementation.
2. The promulgation and revision of the company’s rules and regulations shall be reviewed by the Legal and Compliance Department, and the promulgation and revision of important rules and regulations shall be approved by the board of directors of BBAFC, to ensure the legality and compliance of the company’s internal guidelines and policies.
3. BBAFC holds Management Committee meetings on a weekly basis, and during the meeting, the head of the Legal and Compliance Department reports on compliance requirements and the implementation of compliance projects, which need to be brought to the attention of the senior management.
4. The Legal and Compliance Department conducts compliance inspections annually, to check whether the relevant departments meet the requirements of the company’s compliance policies and relevant regulatory laws and rules. At the same time, the internal audit department carries out audits on the Legal and Compliance Department’s performance of compliance-related procedures.
5. BBAFC encourages employees to report any non-compliant incidents or potential compliance risks they may discover, and the reporter will not receive unfair treatment or retaliation due to his/her reporting.
6. BBAFC’s KPI give prominence to the weight of compliance risk indicators, and the company will take punitive measures against any violations according to the Employee Handbook and the Company Internal Responsibility & Accountability Policy.

BBAFC has established a sound system to segregate the duties of compliance management. The board of directors of BBAFC is ultimately responsible for the compliance with laws, rules, and standards in operating activities. The senior management shall identify and effectively manage major compliance risks faced by the company, and as an independent functional department in charge of compliance management, the Legal and Compliance Department shall bear corresponding responsibilities for not performing the duty of diligence. The head of each line of business shall assume the primary responsibility for the compliance of the operating and management activities, respectively. Every employee in the company shall take compliance responsibility.

According to BBAFC’s Compliance Management Guidelines, staff management policies and other documents, once discovered or verified, any employee concealing or not reporting compliance issues will be punished and held accountable in accordance with relevant measures or requirements. Those who actively report compliance problems or compliance risks will be given a mitigated punishment, exempted from punishments, or rewarded, as may be the individual case scenario. Commendations and rewards will be given to employees who truthfully report violations, reduce risks and losses, or make other compliance contributions.

In order to ensure sustainable and stable development whilst raising the all-level employees’ sense and awareness of responsibility, BBAFC has formulated the Internal Accountability System that applies to responsibility affirmation and accountability of employees who violate national laws and regulations, financial regulations and the internal rules of the company. The system clearly defines the persons directly responsible and those responsible for management, and it clearly stipulates the scope and mechanism, methods, matters and procedures of accountability.



# Independent Auditor's Report



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

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 90 to 182, which comprise the consolidated statement of financial position as at 31st December, 2021, 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.

## **DISCLAIMER OF OPINION ON THE CONSOLIDATED FINANCIAL PERFORMANCE AND CONSOLIDATED CASH FLOWS**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion on the Consolidated Financial Performance and Consolidated Cash Flows section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Group's consolidated financial performance and consolidated cash flows for the year ended 31st December, 2021. We do not express an opinion on the Group's consolidated financial performance and consolidated cash flows for the year ended 31st December, 2021.

## **UNMODIFIED OPINION ON THE CONSOLIDATED FINANCIAL POSITION**

In our opinion, the consolidated financial statements give a true and fair view of the Group's consolidated financial position as at 31st December, 2021, in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **BASIS FOR DISCLAIMER OF OPINION ON THE CONSOLIDATED FINANCIAL PERFORMANCE AND CONSOLIDATED CASH FLOWS AND BASIS FOR UNMODIFIED OPINION ON THE CONSOLIDATED FINANCIAL POSITION**

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 disclosed in note 2 to the consolidated financial statements. The Group has taken into account the findings of the Independent Investigation and Independent Forensic Investigation when it prepared the consolidated financial statements for the year ended 31st December, 2021.

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 Shenyang Huayixin Automobile Sales Co., Ltd. (“**Huayixin**”, a third party of the Group and a customer of Huachen Automotive Group Holdings Company Limited (“**Huachen**”, the Company's controlling shareholder)), the associates of the Group and the other third parties during the year ended 31st December, 2021 amounted to RMB4,220,000,000 and RMB4,674,000,000, respectively. In respect of the resulting balances of RMB404,000,000 from these fund flows, the Group recognised full expected credit loss (“**ECL**”) allowance for the year ended 31st December, 2021.



# Independent Auditor's Report (Cont'd)

## **BASIS FOR DISCLAIMER OF OPINION ON THE CONSOLIDATED FINANCIAL PERFORMANCE AND CONSOLIDATED CASH FLOWS AND BASIS FOR UNMODIFIED OPINION ON THE CONSOLIDATED FINANCIAL POSITION (Cont'd)**

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; (iii) the business rationale and commercial substance of the transactions; and (iv) the corresponding ECL allowance in relation to the balances resulting from these transactions for the year ended 31st December, 2021. 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 and presentation of these transactions for the year ended 31st December, 2021, and whether these transactions are properly disclosed.

Any adjustments that might have been found necessary in respect of the funds inflows and outflows without commercial rationale would affect the Group's consolidated financial performance and consolidated cash flows for the year ended 31st December, 2021.

Our audit opinion on the consolidated financial statements of the Group for the year ended 31st December, 2020 was disclaimed because of, amongst other matters, the same limitations as mentioned above for the year ended 31st December, 2020; and the resulting balances arising from these transactions and the corresponding ECL allowance as at 31st December, 2020. There were no other satisfactory audit procedures we could adopt to satisfy ourselves that the consolidated financial position of the Group as at 31st December, 2020 and 1st January 2021 was properly stated. Any adjustments to the consolidated statement of financial position as at 31st December, 2020 might affect the consolidated profit for the year ended 31st December, 2021. In addition, the corresponding amounts for the consolidated statement of profit or loss, the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31st December, 2020 may not be comparable to the current year.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. As described above, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Group's consolidated financial performance and consolidated cash flows for the year ended 31st December, 2021. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Group's consolidated financial position as at 31st December, 2021.

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.

### **KEY AUDIT MATTERS**

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

# Independent Auditor's Report (Cont'd)

## KEY AUDIT MATTERS (Cont'd)

Key audit matter	How the matter was addressed in our audit
<p><b>Interest in a significant joint venture</b></p> <p>The Group's 50% interest in BMW Brilliance Automotive Ltd. ("BBA") (note 16), is accounted for under the equity method. The Group's share of BBA's net assets was approximately RMB41,554,943,000 as at 31st December, 2021. The amounts noted below are those in the BBA financial statements (i.e. on a 100% basis).</p> <p>In the context of our audit of the consolidated financial statements, the key audit matters relating to the Group's share of the net assets of BBA are summarised below:</p> <p>Recoverability of accounts receivable – BBA's accounts receivable are mainly related to automotive components business. As at 31st December, 2021, the accounts receivable balance of BBA was approximately RMB2,057,684,000.</p>	<p>BBA is a significant joint venture of the Group and is audited by an auditor other than Grant Thornton (the "<b>Component Auditor</b>"). We have met with the Component Auditor and discussed their identified audit risks and audit approach and have reviewed their work papers and discussed with them the results of their work. Together with their reporting package provided to us in accordance with our instructions, we have determined that the audit work performed and evidence obtained were sufficient for our purpose. We have met with the Component Auditor and the Group's management and have discussed with them and evaluated the impact on the consolidated financial statements of the key audit matters relating to BBA.</p> <p>The audit procedures performed on the recoverability of accounts receivable included the following:</p> <ul style="list-style-type: none"><li>• testing the effectiveness of BBA's control over the monitoring of receivables over the collection periods;</li><li>• considering whether BBA's provision policy on expected credit loss was appropriate given the changing economic conditions faced by the dealers;</li><li>• comparing post-period end cash collections to BBA's expectations at 31st December, 2021; and</li><li>• assessing the aging of the accounts receivable and considering the financial and business performance of the dealers, and assessing the sufficiency to BBA's provision, if any.</li></ul> <p>We found that, in the context of our audit of the consolidated financial statements, BBA's management judgements and estimates associated with the key audit matters noted in respect of the Group's share of the profit and net assets of BBA were supported by the available evidence.</p>

# Independent Auditor's Report (Cont'd)

## KEY AUDIT MATTERS (Cont'd)

Key audit matter	How the matter was addressed in our audit
<p><b>Impairment assessment of intangible assets and property, plant and equipment</b></p> <p>We identified the impairment of intangible assets and property, plant and equipment as a key audit matter due to the use of judgement about future results of the business in assessing the recoverability of intangible assets and property, plant and equipment. As at 31st December, 2021, intangible assets and property, plant and equipment of RMB41,468,000 (note 13) and RMB726,126,000 (note 14) respectively mainly consist of capitalised development costs related to multiple cash generating units.</p> <p>Management performed impairment assessment of the Group's intangible assets and property, plant and equipment and ascertained the recoverable amount based on its fair value less cost of disposal. The fair values less cost of disposal of the Group's intangible assets and property, plant and equipment were assessed by management based on independent valuation prepared by an external professional valuer.</p> <p>Management has concluded the recoverable amount of the intangible assets and property, plant and equipment respectively based on the results of the impairment assessment which involved significant management judgements and estimations, including but not limited to selecting the appropriate valuation methodology, inflation rate, scrap rate and estimated costs of disposal.</p>	<p>Our audit procedures to assess management's impairment assessment of the intangible assets and property, plant and equipment included the following:</p> <ul style="list-style-type: none"><li>• assessing the competence, experience and objectivity of the external professional valuer and examining types of assets subject to valuation;</li><li>• evaluating the valuation methodology used by the management as suggested by an external professional valuer;</li><li>• discussing with the external professional valuer in a separate private session the basis and judgement in determining the fair value less cost of disposal and challenging key estimates adopted in the valuations including available market data, application of estimated fair value less cost of disposal in relation to the condition of assets;</li><li>• assessing the reasonableness of the estimates, including inflation rate, scrap rate and estimated costs of disposal; and</li><li>• testing the arithmetical accuracy of calculations.</li></ul> <p>We found that the management's judgements and estimations used in the impairment assessment to be reasonable based on the available evidence.</p>

# Independent Auditor's Report (Cont'd)

## KEY AUDIT MATTERS (Cont'd)

Key audit matter	How the matter was addressed in our audit
<p><b>Impairment assessment on accounts receivable from third parties and affiliated companies, loan receivables, other receivables, dividend receivable, amounts due from affiliated companies and pledged and restricted short-term bank deposits (collectively referred to as "Receivables")</b></p> <p>As at 31 December 2021, the Group had, net of corresponding expected credit loss allowances, (i) accounts receivable from third parties and affiliated companies of approximately RMB310,860,000; (ii) loan receivables of approximately RMB3,451,120,000; (iii) other receivables of approximately RMB252,893,000; (iv) dividend receivable of approximately RMB16,534,000; (v) amounts due from affiliated companies of approximately RMB22,268,000; and (vi) pledged and restricted short-term bank deposits of RMB745,195,000.</p> <p>Management applied a simplified approach in calculating expected credit loss on accounts receivable from third parties and affiliated companies and recognised loss allowances based on lifetime expected credit loss at each reporting date. And the Group measured the loss allowances for other financial assets measured at amortised cost (including loan receivables, other receivables, dividend receivable, amount due from affiliated companies, and pledged and restricted short-term bank deposits) which is equal to 12-month expected credit loss, unless when there has been a significant increase in credit risk since initial recognition and the Group recognised lifetime expected credit loss.</p> <p>The Group used 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.</p> <p>As a result, the impairment assessment involved significant management's judgement and use of estimates in evaluation the expected credit loss.</p>	<p>Our audit procedures in relation to the impairment assessment on Receivables included the following:</p> <ul style="list-style-type: none"><li>• obtaining an understanding of the basis of management's judgements about the recoverability of Receivables and evaluating the write-off of uncollectible amounts made by management for these individual balances with reference to correspondence between the Group and the debtors, the recovery plan and corroborated the inputs with our understanding of the matter and externally available information;</li><li>• assessing the reasonableness of estimates used to determine the expected credit loss by considering cash collection performance against historical trends, default rates and forward-looking factors included in the assessment and considering any indicators for change in credit risk;</li><li>• testing the arithmetical accuracy of the calculations and the data integrity of information used by management to develop the provision matrix, including accounts receivable's ageing analysis as at 31st December, 2021, on a sample basis, by comparing individual items in the analysis with the relevant invoices and other supporting documents;</li><li>• involving the valuation specialist to assess the ECL and compared to the management's estimation; and</li><li>• evaluating the disclosures regarding the impairment assessment of Receivables in notes 19, 20, 22, 24 and 35 to the consolidated financial statements.</li></ul>

We found that the management's judgements and estimations applied in impairment assessment of the Receivables to be reasonable based on the available evidence.

# Independent Auditor's Report (Cont'd)

## **OTHER INFORMATION**

The directors of the Company are responsible for the other information. The other information comprises all the information in the 2021 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

As described in the Basis for Disclaimer of Opinion on the Consolidated Financial Performance and Consolidated Cash Flows and Basis for Unmodified Opinion on the Consolidated Financial Position section above, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Group's consolidated financial performance and consolidated cash flows for the year ended 31st December, 2021. Accordingly, we are unable to conclude whether the other information is materially misstated with respect to these matters.

Our unmodified audit opinion on the Group's consolidated financial position does not cover other information and we do not express any form of assurance conclusion thereon.

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

## **RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

In preparing the consolidated financial statements, the directors 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.

# Independent Auditor's Report (Cont'd)

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, 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.

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

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# Independent Auditor's Report (Cont'd)

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

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

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

### **Grant Thornton Hong Kong Limited**

*Certificate Public Accountants*

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

26th August, 2022

### **Chan Tze Kit**

Practising Certificate No.: P05707

# Consolidated Statement of Profit or Loss

For the year ended 31st December, 2021

(Expressed in thousands of RMB except for earnings per share amounts)

	Note	2021 RMB'000	2020 RMB'000
<b>Revenue</b>	6	<b>2,141,946</b>	3,123,210
Cost of sales		(1,961,217)	(3,104,623)
<b>Gross profit</b>		<b>180,729</b>	18,587
Other income		53,370	160,629
Interest income		49,801	185,058
Selling expenses		(140,461)	(223,772)
General and administrative expenses		(2,941,517)	(2,201,127)
Net expected credit loss (“ECL”) allowance on loan and receivables		(1,011,930)	(6,459,433)
Loss on unauthorised guarantees	30	–	(1,917,062)
Finance costs	7	(125,667)	(135,465)
Share of results of:			
A joint venture		14,514,842	10,091,949
Associates		(119,556)	(347,954)
<b>Profit (Loss) before income tax expense</b>	8	<b>10,459,611</b>	(828,590)
Income tax expense	9	(18,817)	(128,956)
<b>Profit (Loss) for the year</b>		<b>10,440,794</b>	(957,546)
<b>Attributable to:</b>			
Equity holders of the Company		11,960,525	11,219
Non-controlling interests		(1,519,731)	(968,765)
		<b>10,440,794</b>	(957,546)
<b>Earnings per share</b>	10		
– Basic		RMB2.37064	RMB0.00222
– Diluted		RMB2.37064	RMB0.00222



# Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2021

	2021 RMB'000	2020 RMB'000
<b>Profit (Loss) for the year</b>	<b>10,440,794</b>	<b>(957,546)</b>
<b>Other comprehensive (expense) income that will be subsequently reclassified to consolidated statement of profit or loss, net of tax</b>		
Share of other comprehensive (expense) income of a joint venture	(2,920,222)	1,313,354
Share of other comprehensive (expense) income of an associate	(50)	83
Fair value gain on notes receivable at fair value through other comprehensive income ("FVOCI")	105	622
	<b>(2,920,167)</b>	<b>1,314,059</b>
<b>Other comprehensive income that will not be subsequently reclassified to consolidated statement of profit or loss, net of tax</b>		
Change in fair value of equity investments	2,582	404
<b>Total comprehensive income for the year</b>	<b>7,523,209</b>	<b>356,917</b>
<b>Attributable to:</b>		
Equity holders of the Company	9,042,918	1,325,487
Non-controlling interests	(1,519,709)	(968,570)
	<b>7,523,209</b>	<b>356,917</b>

# Consolidated Statement of Changes in Equity

For the year ended 31st December, 2021

	Issued capital	Hedging reserve	Share premium	Investment fair value reserve	FVOCI reserve	Cumulative translation adjustments reserve	Difference arising from acquisition of non-controlling interest	Capital reserve	Retained earnings	Total equity attributable to the equity holders of the Company	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1st January, 2021	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
<b>Transactions with equity holders of the Company</b>												
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	294,000	294,000
Profit for the year	-	-	-	-	-	-	-	-	11,960,525	11,960,525	(1,519,731)	10,440,794
Other comprehensive income												
Share of other comprehensive expenses of a joint venture	-	(2,920,222)	-	-	-	-	-	-	-	(2,920,222)	-	(2,920,222)
Share of other comprehensive expenses of an associate	-	-	-	-	(50)	-	-	-	-	(50)	-	(50)
Change in fair value of financial assets	-	-	-	2,582	83	-	-	-	-	2,665	22	2,687
<b>Total other comprehensive expenses</b>	-	(2,920,222)	-	2,582	33	-	-	-	-	(2,917,607)	22	(2,917,585)
Total comprehensive income	-	(2,920,222)	-	2,582	33	-	-	-	11,960,525	9,042,918	(1,519,709)	7,523,209
As at 31st December, 2021	397,176	(2,155,713)	2,476,082	(6,170)	(673)	39,179	(2,350,481)	120,000	43,809,299	42,328,699	(1,154,360)	41,174,339

# Consolidated Statement of Changes in Equity (Cont'd)

For the year ended 31st December, 2021

	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	397,176	(648,845)	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
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	71,949	33,357,730

# Consolidated Statement of Financial Position

As at 31st December, 2021

	Note	2021 RMB'000	2020 RMB'000
<b>Non-current assets</b>			
Intangible assets	13	41,468	618,058
Property, plant and equipment	14	726,126	2,122,694
Land lease prepayments	15	78,147	80,265
Interests in a joint venture	16	41,554,943	29,960,324
Interests in associates	17	987,766	1,108,960
Equity investments	18	9,463	6,881
Long-term loan receivables	19	1,517,536	2,613,356
Other non-current assets		78,352	116,829
<b>Total non-current assets</b>		<b>44,993,801</b>	<b>36,627,367</b>
<b>Current assets</b>			
Cash and cash equivalents		1,049,252	2,021,771
Statutory deposit reserves at central bank		32,500	31,564
Short-term bank deposits		–	500,000
Pledged and restricted short-term bank deposits	20	745,195	1,514,023
Inventories	21	298,387	505,883
Accounts receivable	22	310,860	896,261
Notes receivable	23	109,490	108,501
Other current assets	24	2,411,510	5,769,343
<b>Total current assets</b>		<b>4,957,194</b>	<b>11,347,346</b>
<b>Current liabilities</b>			
Accounts payable	25	1,087,348	1,459,316
Notes payable	26	334,388	1,941,987
Other current liabilities	27	2,713,671	4,000,960
Short-term bank borrowings	29	2,167,338	4,528,700
Long-term bank borrowings due within one year	29	390,600	217,200
Income tax payable		2,661	14,176
Provision for loss on unauthorised guarantees	30	1,917,062	1,917,062
<b>Total current liabilities</b>		<b>8,613,068</b>	<b>14,079,401</b>
<b>Net current liabilities</b>		<b>(3,655,874)</b>	<b>(2,732,055)</b>
<b>Total assets less current liabilities</b>		<b>41,337,927</b>	<b>33,895,312</b>

# Consolidated Statement of Financial Position (Cont'd)

As at 31st December, 2021

	Note	2021 RMB'000	2020 RMB'000
<b>Non-current liabilities</b>			
Other non-current liabilities	27	156,088	157,182
Long-term bank borrowings	29	7,500	381,000
<b>Total non-current liabilities</b>		<b>163,588</b>	538,182
<b>NET ASSETS</b>		<b>41,174,339</b>	33,357,130
<b>Capital and reserves</b>			
Share capital	33(a)	397,176	397,176
Reserves	34	41,931,523	32,888,605
Total equity attributable to equity holders of the Company		42,328,699	33,285,781
Non-controlling interests		(1,154,360)	71,349
<b>TOTAL EQUITY</b>		<b>41,174,339</b>	33,357,130

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

Zhang Wei  
Director

# Consolidated Statement of Cash Flows

For the year ended 31st December, 2021

	Note	2021 RMB'000	2020 RMB'000
<b>Operating activities</b>			
Cash generated from (used in) operations	36	1,249,755	(2,698,719)
Interest and financing service income received		386,411	654,274
Corporate income tax paid		(30,332)	(155,405)
<b>Net cash generated from (used in) operating activities</b>		<b>1,605,834</b>	<b>(2,199,850)</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment and land lease prepayments and additions of intangible assets		(219,754)	(618,113)
Decrease (Increase) in short-term and pledged bank deposits		1,268,828	(660,100)
Dividend received from a joint venture		–	3,000,000
Dividend received from equity investments		282	214
Net repayments from third parties		–	3,050,700
Net advance to affiliated companies		–	(490,000)
Proceeds from disposal of property, plant and equipment		814	4,212
Decrease in other non-current assets		38,411	26,099
<b>Net cash generated from investing activities</b>		<b>1,088,581</b>	<b>4,313,012</b>
<b>Financing activities</b>			
Issue of notes payable	36(b)	100,000	1,384,000
Repayments of notes payable	36(b)	(1,384,000)	(1,519,000)
Repayment of lease liabilities	36(b)	(20,890)	(22,639)
Government grants received	36(b)	22,008	30,393
Proceeds from bank borrowings	36(b)	1,362,338	10,935,400
Repayments of bank borrowings	36(b)	(3,923,800)	(12,140,500)
Dividends paid	36(b)	–	(1,869,772)
Proceeds of loan from a related party	35(e)	–	1,600,000
Loan to a related party	35(e)	(404,000)	(1,600,000)
Loan to a third party		(206,000)	(400,000)
Proceeds of loan from non-controlling interest of a subsidiary	36(b)	629,438	–
Proceeds of loan from a third party		–	400,000
Capital contributions from non-controlling shareholders		294,000	490,000
Finance charges paid for lease liabilities		(3,699)	(3,797)
Interest paid		(132,329)	(139,009)
<b>Net cash used in financing activities</b>		<b>(3,666,934)</b>	<b>(2,854,924)</b>
Decrease in cash and cash equivalents		(972,519)	(741,762)
Cash and cash equivalents, as at 1st January,		2,021,771	2,763,533
<b>Cash and cash equivalents, as at 31st December,</b>		<b>1,049,252</b>	<b>2,021,771</b>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

## 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**”).

The directors of the Company considered Huachen Automotive Group Holdings Company Limited (“**Huachen**”) and its wholly-owned subsidiary, Liaoning Xinrui Automotive Industry Development Co., Ltd. (“**Xinrui**”), which holds 30.43% equity interest of the Company are the controlling shareholders of the Company as at 31st December, 2021.

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**”).

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 a result, both the Group and the other shareholder of RBJAC accepted 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. The RBJAC Restructuring was also 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, on 8th July, 2022, the Shenyang Intermediate People’s Court granted an extension to 12th October, 2022 for RBJAC to submit its restructuring plan.

As the Company remained in control over RBJAC during the year and before the Court Order, the financial statements of RBJAC are included in these consolidated financial statements. However, although the PRC Court has ruled that RBJAC could manage its own assets and business under the supervision of the administrator, based on the legal opinion issued by the Group’s legal advisor in the PRC, in accordance with the relevant laws in respect of restructuring in the PRC, the Group’s rights and duty in the management of RBJAC is restricted, including but not limited to the rights to vote and the rights to appropriate profits, etc. Accordingly, the directors of the Company consider the Company has lost control over RBJAC from 12th January, 2022 and RBJAC will be deconsolidated from that date.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 2. SUSPENSION OF TRADING OF SHARES OF THE COMPANY

Further to the suspension of the trading of the Company's shares on SEHK at the request of the Company since 31st March, 2021 due to certain unauthorised guarantees arrangement, unauthorised pledged short-term bank deposits entered into by the Group and inconsistencies in bank statements in prior years, and fund inflows and outflows of the Group without commercial rationale, the Company formed an independent board committee comprising of all independent non-executive directors of the Company (the "**Independent Board Committee**") and appointed an independent investigator to investigate into the matters in question by conducting independent investigation (the "**Independent Investigation**") and independent forensic investigation (the "**Independent Forensic Investigation**"). The details of the findings from the Independent Investigation and Independent Forensic Investigation were published in the Company's announcements dated 16th November, 2021 and 19th August, 2022, respectively.

Based on the findings of the Independent Investigation and Independent Forensic Investigation, the Independent Board Committee formed the opinion that the matters were a result of acts, without permission or authorisation of the board of directors of the Company, of the former management of certain subsidiaries of the Group in accordance with instructions from Huachen.

Accordingly, adjustments were made to the previous consolidated financial statements and reported in the consolidated financial statements for the year ended 31st December, 2020. The key findings of the Independent Investigation and Independent Forensic Investigation and the effects to the consolidated financial statements for the year ended 31st December, 2021 are set out below.

### Unauthorised guarantees

As reported in the consolidated financial statements for the year ended 31st December, 2020, the former management of Shenyang JinBei Automotive Industry Holdings Co., Ltd. ("**SJAI**"), entered into unauthorised 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. As at the date of these consolidated financial statements, the court hearings for the claims from these banks have completed. The court judgments for the claims from all these four banks required SJAI to pay to these banks 50% of the final bank loans should Huachen eventually fail to repay these banks. On the assumption that Huachen will not be able to make any payment to these banks, the Group has made a provision of RMB1,917,062,000 for the estimated loss for these unauthorised guarantees as at 31st December, 2020.

Up to the date of these consolidated financial statements, the restructuring of Huachen is still underway and it is uncertain as to how much assets of Huachen would be realised for the repayments to these banks. Despite the aforesaid, the directors of the Company considered that the provision is adequate for the respective loss.

Based on the Independent Forensic Investigation, no unauthorised contingent liabilities were identified during the year ended 31st December, 2021.



# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 2. SUSPENSION OF TRADING OF SHARES OF THE COMPANY (Cont'd)

### Unauthorised pledged short-term bank deposits

The former management of SJAI 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, totalling RMB4,005,900,000. As a result of the failure to repay by these companies to these respective banks, pledged short-term bank deposits of RMB2,190,000,000 were deducted directly by the respective banks in the year ended 31st December, 2020. Although pledged short-term bank deposits of RMB765,900,000 were released to the Group, they were immediately transferred to Huayixin in the year ended 31st December, 2020. As at 31st December, 2020, short-term bank deposits of RMB1,050,000,000 still remain pledged for the same purposes but were also deducted by the respective banks in the year ended 31st December, 2021 and ECL allowance of the full amount for such pledged short-term deposits was provided and recognised in the consolidated statement of profit or loss for the year ended 31st December, 2020.

The details of unauthorised pledged short-term bank deposits as at 31st December, 2020 for bank guaranteed notes issued by Brilliance Power, Huachen and Huayixin but deducted by bank during the year ended 31st December, 2021 are as follows.

Bank	Issuer of bank guaranteed notes issued	RMB'000
盛京银行股份有限公司 (Shengjing Bank Co., Ltd.) ("Shengjing Bank")	Huayixin	350,000
Shengjing Bank	Brilliance Power	300,000
Minsheng Bank	Huachen	400,000
		1,050,000

In the year ended 31st December, 2021, the pledged short-term deposits of RMB1,050,000,000 deducted by the banks and the respective ECL allowance in full were classified as other receivables of RMB350,000,000, amounts due from affiliated companies of RMB700,000,000 and the respective ECL allowance accounts.

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.

Based on the Independent Forensic Investigation, no unauthorised pledge of short-term deposits were identified during the year ended 31st December, 2021.

### Inconsistencies in bank statements and fund inflows and outflows without commercial rationale

The Independent Investigation revealed the inconsistencies in the bank statements in 2019 and 2020 which 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. 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 directors of the Company considered that inconsistencies in bank statements were not found in 2021.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 2. SUSPENSION OF TRADING OF SHARES OF THE COMPANY (Cont'd)

### Inconsistencies in bank statements and fund inflows and outflows without commercial rationale (Cont'd)

Based on the review of the Independent Board Committee and the findings of the Independent Investigation and Independent Forensic Investigation, the concealment of financial records and information was revealed and it was identified that there were fund inflows and outflows between the Group's subsidiaries (including SJAI, Xing Yuan Dong, Shenyang Jianhua Motors Engine Co., Ltd., Ningbo Yumin, Ningbo Brilliance Ruixing Auto Components Co., Ltd. ("Ningbo Ruixing") and Mianyang Ruian) and Huachen, Brilliance Power and other third parties without commercial rationale.

The Independent Board Committee concluded that the findings of the Independent Investigation and the Independent Forensic Investigation revealed certain deficiencies in the Group's corporate governance and internal control system and that 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 certain subsidiaries of the Group, was the major cause of the unauthorised financial assistance revealed in the Independent Forensic Investigation.

Details of fund inflows and outflows revealed in the year are as follows.

#### For the year ended 31st December, 2021:

	Fund outflows from the Group RMB'000	Fund inflows into the Group RMB'000	Net (outflows) inflows RMB'000
Fund transfer to/from			
– Huayixin and its subsidiary	(430,000)	430,000	–
– Associates and other parties	(4,244,000)	3,790,000	(454,000)
	<b>(4,674,000)</b>	<b>4,220,000</b>	<b>(454,000)</b>

#### 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)
	<b>(26,601,127)</b>	<b>29,969,727</b>	<b>3,368,600</b>

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 2. SUSPENSION OF TRADING OF SHARES OF THE COMPANY (Cont'd)

### Inconsistencies in bank statements and fund inflows and outflows without commercial rationale (Cont'd)

As a consequence of the above funds inflows and outflows without commercial rationale, as at 31st December, 2021, the Group recorded amount due from an affiliated company of RMB404,000,000, for which full amount of ECL allowance has been recognised for the year ended 31st December, 2021 based on management's collectability assessment.

As at 31st December, 2020, the Group recorded other receivable from Huayixin and its subsidiary of RMB1,148,400,000, other receivable and other payable with third parties of RMB400,000,000 and RMB450,000,000 respectively, amount due from Huachen and its affiliated company of RMB60,000,000, amount due from an associate of RMB858,000,000, and amount due from and due to an affiliated company of RMB1,600,000,000. Based on the management's collectability assessment on these balances, the Group recognised net ECL allowance of RMB1,969,181,000 for the year ended 31st December, 2020.

The Independent Board Committee has reviewed and accepted the key findings of the Independent Forensic Investigation, which covered the Group's subsidiaries for the three years ended 31st December, 2021. Having considered that (i) Huachen has officially entered the restructuring procedure and all the creditors of Huachen should have already submitted their claims to the administrator of Huachen and/or brought legal proceedings against the Group to enforce their rights, if any; (ii) save for the financial assistances revealed in the Independent Forensic Investigation report, the Group has not been notified of any other transactions involving Huachen, other third parties and the Group not previously known to the Company; and (iii) no unauthorised contingent liability transactions or unauthorised financial assistance has been identified in the Independent Forensic Investigation report since May 2021, the Independent Board Committee considered that the scope of the Independent Forensic Investigation is adequate. The board of directors of the Company shared the views of the Independent Board Committee towards the findings and scope of the Independent Forensic Investigation report.

To prevent the recurrence of similar matters in the future, as published in the Company's announcements dated 23rd December, 2021 and 19th August, 2022, the Company has appointed an internal control consultant (the "**Internal Control Consultant**") to carry out the internal control review (the "**Internal Control Review**") and the expanded internal control review (the "**Expanded Internal Control Review**") and the Group has implemented the remedial actions recommended by the Internal Control Consultant. It is also noted that the Internal Control Consultant has performed follow-up review on the enhanced internal control systems and procedures of the subsidiaries of the Company that were the subject of the Internal Control Review and the Expanded Internal Control Review and is satisfied that the Group currently has sufficient and reliable corporate governance, internal controls and financial reporting systems to fulfil the Company's obligations under the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**").

As published in the Company's announcement dated 19th August, 2022, based on the key findings of the Independent Investigation and Independent Forensic Investigation, in addition to the improvement of internal control as set out above, the Company has been carrying out the following as recommended by the Independent Board Committee.

- assessing the transactions revealed in the Independent Forensic Investigation report and will make the necessary disclosures in compliance with the Listing Rules;
- engaging legal counsel to defend the legal proceedings in respect of the unauthorised guarantees; and
- engaging legal counsel to examine the legality of the unauthorised pledged short-term deposits and fund inflows and outflows without commercial rationale and to take appropriate course of actions for the recovery of the unauthorised pledged short-term deposits and the loss from the fund inflows and outflows.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 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 Listing Rules.

These consolidated financial statements have been prepared on the basis consistent with the accounting policies adopted in the 2020 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, 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16      Interest Rate Benchmark Reform – Phase 2

In addition, on 1st January, 2021, the Group has early applied the Amendment to HKFRS 16 “Covid-19-Related Rent Concession beyond 30th June, 2021” which is mandatorily effective for the Group for the financial year beginning on or after 1st April, 2021.

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) *Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2*

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures (“**HKFRS 7**”).

As at 1st January, 2021, the Group has financial liabilities, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The bank borrowings carry interest at a premium over Hong Kong Interbank Offered Rate (“**HIBOR**”) or London Interbank Offered Rate (“**LIBOR**”).

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 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 fair value through profit or loss (“FVTPL”) as explained in note 3.10 below.

### 3.4. Preparation of consolidated financial statements

As at 31st December, 2021, the Group had net current liabilities of approximately RMB3,655,874,000. Notwithstanding the Group's current liabilities exceeding its current assets as at 31st December, 2021, 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 and net repayment of bank borrowings as at the reporting date but the Group's operations is able to generate sufficient cash to maintain the Group as a going concern.

### 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 3.5. Basis of consolidation (Cont'd)

#### (i) Subsidiaries (Cont'd)

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.

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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 3.5. Basis of consolidation (Cont'd)

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

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.

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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 3.5. Basis of consolidation (Cont'd)

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

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.

#### (iv) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities, including the Company, subsidiaries, associates and a joint venture, 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 retranslated 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.



# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 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 know-how 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.

### 3.7. 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 5-10%, 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 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.

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) in the consolidated statement of financial position and is depreciated over the 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 3.10. Financial instruments (Cont'd)

#### (ii) Classification and initial measurement of financial assets (Cont'd)

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.

#### (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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 3.10. Financial instruments (Cont'd)

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

##### Debt investments (Cont'd)

##### 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.

##### 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 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.

#### (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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 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)

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.

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).

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 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.

### 3.14. 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 a joint venture, 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 costs 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 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.

### 3.17. 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.



# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 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.

### 3.20. 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 3.20. Leases (Cont'd)

#### (i) *The Group as a lessee (Cont'd)*

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.

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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 3.20. Leases (Cont'd)

#### (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.

### 3.21. 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 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.

Deferred taxation is provided on temporary differences arising from investments in subsidiaries, associates and a joint venture, 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 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.

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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 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.

### 3.25. 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 a joint venture;
- 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 a joint venture (*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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 3.25. Segment reporting (Cont'd)

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.

### 3.26. 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 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 HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosures of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction <sup>2</sup>
HKFRS 17	Insurance Contracts and related amendments <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2022

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2023

<sup>3</sup> Effective date not yet determined

<sup>4</sup> 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.



# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

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.

### (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, 2021 were approximately RMB666,331,000 (2020: approximately RMB1,593,482,000) and RMB78,147,000 (2020: approximately RMB80,265,000), 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, 2021 were approximately RMB41,468,000 (2020: approximately RMB618,058,000). 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, 2021, carrying values of interests in associates was approximately RMB987,766,000 (2020: approximately RMB1,108,960,000). The interests in associates also include goodwill of investment in listed associates of approximately RMB72,799,000 (2020: approximately RMB72,799,000) which was fully impaired (2020: same) and goodwill in investment in unlisted associate of RMB26,654,000 (2020: approximately RMB26,654,000). In addition, a provision for impairment loss of approximately RMB42,207,000 was also recognised for the interests in an unlisted associate (2020: same). Based on the assessment, no further impairment loss as at 31st December, 2021 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, 2021, the Group had inventories of approximately RMB298,387,000 (2020: approximately RMB505,883,000) (net of provision for inventories of approximately RMB145,419,000 (2020: approximately RMB192,756,000)). Should there be an unexpected change in market condition, the provision may not be adequate and further impairment may be required.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 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, 2021, the Group had accounts receivable from third parties and affiliated companies totalling approximately RMB310,860,000, net of ECL allowance of approximately RMB351,863,000 (2020: approximately RMB896,261,000, net of ECL allowance of approximately RMB244,582,000), loan receivables of approximately RMB3,451,120,000, net of ECL allowance of approximately RMB63,436,000 (2020: approximately RMB5,507,531,000, net of ECL allowance of approximately RMB100,668,000), other receivables (included in current assets and non-current assets) totalling of approximately RMB252,893,000, net of ECL allowance of approximately RMB4,288,357,000 (2020: approximately RMB594,913,000, net of ECL allowance of approximately RMB3,913,815,000), dividend receivable of approximately RMB16,534,000 (2020: RMB16,534,000), net of ECL allowance of approximately RMB566,000 (2020: RMB566,000) and amounts due from affiliated companies of approximately RMB22,268,000, net of ECL allowance of approximately RMB3,041,681,000 (2020: approximately RMB2,043,391,000, net of ECL allowance of approximately RMB1,471,233,000), pledged and restricted short-term bank deposits of RMB745,195,000 without ECL allowance (2020: RMB1,514,023,000 net of ECL allowance of approximately RMB1,050,000,000).

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. Where an indication of impairment exists, the recoverable amount of the asset is required to be determined. The recoverable amount is determined based on higher of value-in-use calculation or fair value less costs of disposal. Calculation of fair value less costs of disposal involves selection of valuation model, adoption of key assumptions, and input data, which are subject to management judgement.

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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 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.

Huachen is undergoing bankruptcy restructuring procedures, ECL allowance, based on lifetime ECL assessment (credit-impaired), full ECL allowance was recognised for the amounts due from Huachen and its affiliated companies. After the ECL allowance for the amounts due from Huachen and its affiliated companies, the Group has no significant concentration of credit risk as at 31st December, 2021.

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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 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, 2021:

	2021		2020	
	Gross carrying amount RMB'000	ECL allowance RMB'000	Gross carrying amount RMB'000	ECL allowance RMB'000
Accounts receivable	409,216	102,461	404,502	78,221
Accounts receivable from affiliated companies	253,507	249,402	736,341	166,361
Loan receivables	3,514,556	63,436	5,608,199	100,668
Amounts due from affiliated companies	3,063,949	3,041,681	3,514,624	1,471,233
Dividend receivable from an affiliated company	17,100	566	17,100	566
Other receivables	4,541,152	4,288,259	4,507,858	3,913,782
Other receivables grouped under other non-current assets	98	98	870	33
Pledged and restricted short-term bank deposits	745,195	-	2,564,023	1,050,000
	<b>12,544,773</b>	<b>7,745,903</b>	17,353,517	6,780,864

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, 2021 and 2020 is the carrying amount as disclosed in note 5(e).

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

### (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.

As at 31st December, 2021 and 2020, the remaining contractual maturities of the Group's financial liabilities, based on undiscounted cash flows, are summarised below:

#### As at 31st December, 2021

	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
<b>Financial liabilities</b>					
Accounts payable	1,087,348	-	-	1,087,348	1,087,348
Notes payable	334,388	-	-	334,388	334,388
Other payables	1,431,616	-	-	1,431,616	1,431,616
Accrued expenses	142,460	-	-	142,460	142,460
Bank borrowings	2,619,079	7,641	-	2,626,720	2,565,438
Other borrowing	198,463	-	-	198,463	193,934
Lease liabilities	23,784	40,773	41,622	106,179	85,345
Amounts due to affiliated companies	815,851	-	-	815,851	815,851
	<b>6,652,989</b>	<b>48,414</b>	<b>41,622</b>	<b>6,743,025</b>	<b>6,656,380</b>

#### 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
<b>Financial liabilities</b>					
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
	<b>12,112,648</b>	<b>418,165</b>	<b>45,435</b>	<b>12,576,248</b>	<b>12,425,989</b>

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

### (b) Liquidity risk (Cont'd)

	2021 RMB'000	2020 RMB'000
<b>Financial guarantees</b>		
– Huachen	–	5,898,000
– Shenyang JinBei Automotive Co., Ltd. (“JBC”)	–	236,000
	–	6,134,000

### (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, 2021, 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 RMB3 million lower/higher (2020: approximately RMB6 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 bank 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, 2021 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 RMB730,000 (2020: decrease or increase the profit after tax and equity of the Group by approximately RMB7.46 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 2020.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 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, 2021 and 2020 are categorised as follows:

	2021 RMB'000	2020 RMB'000
<b>Financial assets</b>		
<i>Financial assets at amortised cost:</i>		
Cash and cash equivalents	1,049,252	2,021,771
Statutory deposit reserves at central bank	32,500	31,564
Short-term bank deposits	–	500,000
Pledged and restricted short-term bank deposits	745,195	1,514,023
Accounts receivable	310,860	896,261
Loan receivables	3,451,120	5,507,531
Other receivables	252,893	594,913
Amounts due from affiliated companies	22,268	2,043,391
<i>Financial assets at FVOCI (non-recycling):</i>		
Listed equity securities	5,325	2,743
Unlisted equity securities	4,138	4,138
<i>Financial assets at FVOCI (recycling):</i>		
Notes receivable	109,490	108,501
	<b>5,983,041</b>	<b>13,224,836</b>
	2021 RMB'000	2020 RMB'000
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortised cost:</i>		
Accounts payable	1,087,348	1,459,316
Notes payable	334,388	1,941,987
Other payables	1,431,616	1,576,534
Security deposits for wholesale auto financing	–	73
Accrued expenses	142,460	116,123
Lease liabilities	85,345	77,208
Bank borrowings	2,565,438	5,126,900
Other borrowing	193,934	–
Amounts due to affiliated companies	815,851	2,127,848
	<b>6,656,380</b>	<b>12,425,989</b>

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 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:

	2021			2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>						
Financial assets at FVOCI						
(non-recycling)						
- Listed equity investment	5,325	-	-	2,743	-	-
- Unlisted equity investment	-	-	4,138	-	-	4,138
(recycling)	-	-	4,138	-	-	4,138
- Notes receivable	-	109,490	-	-	108,501	-
	5,325	109,490	4,138	2,743	108,501	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, 2021 and 2020.



# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 6. REVENUE AND SEGMENT INFORMATION

Revenue earned during the year represents:

	2021 RMB'000	2020 RMB'000
Sale of minibuses, MPVs and automotive components, net of consumption tax, discounts and return	1,750,985	2,554,363
Interest and service charge income from provision of auto financing service, net of other indirect taxes	390,961	568,847
	<b>2,141,946</b>	<b>3,123,210</b>

Sale of minibuses, MPVs and automotive components are recognised at a point of time.

During the year, the Group had one largest customer with aggregate revenue of approximately RMB282,105,000 or 13% of the Group's revenue (2020: two largest customers with aggregate revenue of approximately RMB386,909,000 or 12% of the Group's revenue). Other than this largest customer (2020: two largest customers), no other customer had aggregate revenue reaching or exceeding 10% of the Group's revenue during the year (2020: 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:

	2021 RMB'000	2020 RMB'000
PRC	1,624,825	2,360,843
Other Asian countries	6,771	10,247
Latin America and Caribbean Sea	26,715	123,512
Middle East	18,120	28,770
African countries	32,625	-
Others	41,929	30,991
	<b>1,750,985</b>	<b>2,554,363</b>

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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 6. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Operating segments – 2021

	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	1,750,985	213,629,487	390,961	(213,629,487)	2,141,946
Segment results	(3,865,460)	36,700,840	26,644	(36,669,019)	(3,806,995)
Unallocated costs net of unallocated income					(52,814)
Interest income					49,801
Finance costs					(125,667)
Share of results of:					
A joint venture	-	14,514,842	-	-	14,514,842
Associates	(119,556)	-	-	-	(119,556)
<b>Profit before income tax expense</b>					<b>10,459,611</b>

### 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:					
A joint venture	-	10,091,949	-	-	10,091,949
Associates	(347,954)	-	-	-	(347,954)
<b>Loss before income tax expense</b>					<b>(828,590)</b>

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 6. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Operating segments – 2021

	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	3,776,811	175,772,032	4,147,212	(176,423,685)	7,272,370
Interests in a joint venture	-	41,554,943	-	-	41,554,943
Interests in associates	987,766	-	-	-	987,766
Equity investments					9,463
Unallocated assets					126,453
<b>Total assets</b>					<b>49,950,995</b>
Segment liabilities	6,986,992	92,662,146	2,432,461	(93,319,945)	8,761,654
Unallocated liabilities					15,002
<b>Total liabilities</b>					<b>8,776,656</b>
<b>Other disclosures:</b>					
<b>Capital expenditures</b>					
- Owned assets	333,585	12,999,352	5,148	(12,999,352)	338,733
- Right-of-use assets	29,163	451,660	1,134	(451,660)	30,297
<b>Depreciation of property, plant and equipment</b>					
- Owned assets	217,821	4,831,156	1,381	(4,831,156)	219,202
- Right-of-use assets	16,656	291,752	5,469	(291,752)	22,125
Amortisation of land lease prepayments	2,118	81,604	-	(81,604)	2,118
Amortisation of intangible assets	62,457	120,571	6,147	(120,571)	68,604
Provision for inventories	93,465	1,355,897	-	(1,355,897)	93,465
Reversal of provision for inventories sold	9,948	1,136,808	-	(1,136,808)	9,948
Net provision of ECL allowance	1,005,886	500,532	6,044	(500,532)	1,011,930
Impairment losses on assets	2,028,900	-	-	-	2,028,900
Income tax expense	12,455	7,642,295	6,362	(7,642,295)	18,817

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 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 a joint venture	–	29,960,324	–	–	29,960,324
Interests in associates	1,108,960	–	–	–	1,108,960
Equity investments					6,881
Unallocated assets					175,305
<b>Total assets</b>					<b>47,974,713</b>
Segment liabilities	10,887,881	79,385,192	4,383,453	(80,048,778)	14,607,748
Unallocated liabilities					9,835
<b>Total liabilities</b>					<b>14,617,583</b>
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

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 7. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest expense on:		
– Bank borrowings	84,444	83,163
– Discounted bank guaranteed notes/net loss arising on FVOCI	37,524	50,048
– Finance charges on lease liabilities	3,699	3,797
	125,667	137,008
Less: interest expense capitalised in intangible assets and construction-in-progress	–	(1,543)
	125,667	135,465

No interest expense capitalised in intangible assets and construction-in-progress in the year (2020: Interest expense capitalised at the rate of 5.65% per annum).

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 8. PROFIT (LOSS) BEFORE INCOME TAX EXPENSE

Profit (Loss) before income tax expense is stated after charging and crediting the following:

	Note	2021 RMB'000	2020 RMB'000
<b>Charging:</b>			
ECL allowance on loans and receivables:			
- Pledged and restricted short-term bank deposits	20	-	1,050,000
- Accounts receivable	22(a)	24,240	32,986
- Loan receivables	19	6,576	51,628
- Other receivables grouped under			
- Current assets	24(a)	24,477	3,737,357
- Non-current assets		65	-
- Accounts receivable from affiliated companies	35(c)	86,124	139,037
- Amounts due from affiliated companies	35(e)	870,448	1,447,871
- Dividend receivable from an affiliated company	35(f)	-	566
Impairment losses on assets:			
- Owned property, plant and equipment (b)	14	1,356,823	573,016
- Owned intangible assets (b)	13	631,968	357,144
- Right-of-use assets (b)	14	40,109	-
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)	479,969	648,363
Amortisation of intangible assets (a)	13	68,604	139,013
Amortisation of land lease prepayments	15	2,118	2,116
Loss on disposal of property, plant and equipment:			
- Owned assets		1,701	6,649
- Right-of-use assets		842	891
Depreciation of property, plant and equipment:			
- Owned assets	14	219,202	277,516
- Right-of-use assets	14	22,125	24,237
Cost of inventories		1,735,230	2,803,141
Exchange loss, net (b)		14,445	46,760
Provision for inventories	21	93,465	118,502
Auditors' remuneration (b)		4,366	6,194
Research and development costs (b)		55,075	412,009
Warranty provision (b)		2,977	4,092
Lease charges:			
- Short-term leases with lease terms of 12 months or shorter		12,678	15,068
- Low value items		205	368
<b>Crediting:</b>			
Reversal of provision for inventories sold	21	9,948	122,699
Rental income from land and buildings		4,241	5,268
Reversal of warranty provision (b)		2,935	-
Reversal of ECL allowance on loans and receivables:			
- Other receivables grouped under non-current assets		-	12

(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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 9. INCOME TAX EXPENSE

The income tax charged to the consolidated statement of profit or loss represents:

	2021 RMB'000	2020 RMB'000
<b>Current tax</b>		
PRC corporate income tax		
– Current year	13,739	31,861
– Under (Over) provision in prior years	5,078	(2,905)
PRC withholding tax on dividend	–	100,000
Total income tax expense	18,817	128,956

### (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 (2020: 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 RMB7,339,846,000 at 31st December, 2021 (2020: approximately RMB7,317,158,000).

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 9. INCOME TAX EXPENSE (Cont'd)

Reconciliation between tax expense and accounting profit (loss) using the weighted average taxation rate of the companies within the Group is as follows:

	2021 RMB'000	2020 RMB'000
Profit (Loss) before income tax expense	10,459,611	(828,590)
Calculated at a weighted average statutory taxation rate in the PRC of 25.77% (2020: 4.99%)	2,695,704	(41,310)
Effect of tax holiday	(191)	(34)
Tax effect of non-taxable income	(4,333)	(35,325)
Tax effect of non-deductible expenses	76,699	1,606,685
Profits attributable to a joint venture	(3,628,710)	(2,522,987)
Losses attributable to associates	29,889	86,989
PRC withholding tax on dividend	-	100,000
Unrecognised temporary differences	592,561	672,188
Unrecognised tax losses net of utilisation of previously unrecognised tax losses	252,120	265,655
Under (Over) provision in prior years	5,078	(2,905)
Tax expense for the year	18,817	128,956

## 10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately RMB11,960,525,000 (2020: approximately RMB11,219,000) by the weighted average number of ordinary shares of 5,045,269,000 shares (2020: 5,045,269,000 shares).

Diluted earnings per share is the same as basic earnings per share for the year ended 31st December, 2021 (2020: same) as there was no potential dilutive ordinary share in issue during the year (2020: same).

## 11. DIVIDENDS

	2021		2020	
	HK\$'000	RMB'000	HK\$'000	RMB'000
2020 special dividends of HK\$0.30 per share	-	-	1,513,581	1,368,126
2020 dividends of HK\$0.11 per share	-	-	554,980	501,646
	-	-	2,068,561	1,869,772

The directors of the Company did not recommend any dividend payment at the board meeting held on 26th August, 2022 in respect of the Group's 2021 annual results.



# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 12. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT

### (a) Staff costs

	2021 RMB'000	2020 RMB'000
Wages, salaries and performance related bonus	346,476	517,727
Pension costs – defined contribution plans	38,642	29,342
Staff welfare costs	94,851	101,294
	<b>479,969</b>	<b>648,363</b>

### (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				Total RMB'000
	Fee RMB'000	Bonus RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	
<b>2021</b>					
<i>Executive directors</i>					
Mr. Wu Xiao An	-	4,135	3,769	15	7,919
Mr. Shen Tie Dong (Note 6)	-	-	-	-	-
Mr. Yan Bingzhe (Note 1)	-	-	-	-	-
Mr. Zhang Wei	-	-	-	-	-
Mr. Sun Baowei (Note 3)	-	-	1,985	-	1,985
Ms. Ma Nina (Note 3)	-	-	-	-	-
	-	4,135	5,754	15	9,904
<i>Independent non-executive directors</i>					
Mr. Xu Bingjin (Note 4)	124	83	-	-	207
Mr. Song Jian	124	83	-	-	207
Mr. Jiang Bo	124	83	-	-	207
Mr. Dong Yang (Note 5)	76	83	-	-	159
	448	332	-	-	780
	448	4,467	5,754	15	10,684

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 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 2020 are as follows:

	Other emoluments				Total RMB'000
	Fee RMB'000	Bonus RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	
<b>2020</b>					
<i>Executive directors</i>					
Mr. Wu Xiao An	–	4,423	4,080	16	8,519
Mr. Yan Bingzhe ( <i>Note 1</i> )	–	–	–	–	–
Mr. Qian Zuming ( <i>Note 2</i> )	–	–	1,023	–	1,023
Mr. Zhang Wei	–	–	–	–	–
Mr. Sun Baowei ( <i>Note 3</i> )	–	–	902	–	902
Ms. Ma Nina ( <i>Note 3</i> )	–	–	–	–	–
	–	4,423	6,005	16	10,444
<i>Independent non-executive directors</i>					
Mr. Xu Bingjin ( <i>Note 4</i> )	133	88	–	–	221
Mr. Song Jian	133	88	–	–	221
Mr. Jiang Bo	133	88	–	–	221
	399	264	–	–	663
	399	4,687	6,005	16	11,107

*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. Qian Zuming was a chief executive of the Company but resigned on 29th July, 2020.

*Note 3:* 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 4:* Mr. Xu Bingjin passed away on 25th February, 2021.

*Note 5:* Mr. Dong Yang was appointed as a director of the Company on 21st May, 2021.

*Note 6:* Mr. Shen Tie Dong was appointed as a director of the Company on 12th August, 2021.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 12. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT (Cont'd)

### (b) Directors' and chief executive's emoluments (Cont'd)

In both 2021 and 2020,

- 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.

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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 12. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT (Cont'd)

### (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:

	2021 Number	2020 Number
Under HK\$500,000	2	–
HK\$500,001 to HK\$1,000,000	1	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	2	1
HK\$3,500,001 to HK\$4,000,000	–	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	–	–
HK\$5,500,001 to HK\$6,000,000	1	–
HK\$6,000,001 to HK\$6,500,000	–	1

### (d) Five highest paid individuals

The five highest paid individuals in the Group during the year included two directors (2020: one director), details of whose emoluments have been disclosed in note (b) above. The emoluments paid to the remaining three individuals (2020: four individuals) for the year are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	8,122	12,401
Performance related bonus	2,178	3,035
Contributions to retirement benefits schemes	15	16
	<b>10,315</b>	<b>15,452</b>

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 12. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT (Cont'd)

### (d) Five highest paid individuals (Cont'd)

The number of the highest paid individuals, other than the directors, whose emoluments fell within the following bands is as follows:

	2021 Number	2020 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	-	-
HK\$2,500,001 to HK\$3,000,000	-	-
HK\$3,000,001 to HK\$3,500,000	2	1
HK\$3,500,001 to HK\$4,000,000	-	1
HK\$4,000,001 to HK\$4,500,000	-	1
HK\$4,500,001 to HK\$5,000,000	-	-
HK\$5,000,001 to HK\$5,500,000	-	-
HK\$5,500,001 to HK\$6,000,000	1	-
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 (2020: same).

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 13. INTANGIBLE ASSETS

	Development costs RMB'000	Specialised software RMB'000	Total RMB'000
<b>Cost</b>			
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
<b>As at 1st January, 2021</b>	2,678,846	112,951	2,791,797
<b>Additions</b>	116,088	5,290	121,378
<b>Transfer from construction-in-progress</b>	1,649	955	2,604
<b>As at 31st December, 2021</b>	2,796,583	119,196	2,915,779
<b>Accumulated amortisation and impairment losses</b>			
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
<b>As at 1st January, 2021</b>	2,119,818	53,921	2,173,739
<b>Amortisation</b>	55,366	13,238	68,604
<b>Impairment loss</b>	621,399	10,569	631,968
<b>As at 31st December, 2021</b>	2,796,583	77,728	2,874,311
<b>Net book value</b>			
<b>As at 31st December, 2021</b>	–	41,468	41,468
As at 31st December, 2020	559,028	59,030	618,058

The development costs at 31st December, 2021 represent the carrying value of development costs for automobile projects.

As at 31st December, 2021, the Group determined that a number of those assets were impaired due to the suspension of certain production of minibuses, MPVs and automotive components and RBJAC Restructuring as set out in note 1. Hence these items of intangible assets and property, plant and equipment, whose carrying values would likely to be recovered through sales rather than continuing use in operations of the Group were identified. The recoverable amounts of these assets were measured based on their estimated fair value less costs of disposal which have been appraised by an independent qualified valuer. The valuation models including market approach and cost approach were applied to estimate the fair values of these assets. The fair value measurement of the recoverable amount is categorised within Level 3 of fair value hierarchy. The significant inputs into this valuation approach are the relevant inflation rate, unit rates, market transactions, scrap rates, expected useful life of the relevant assets and estimated cost of disposal. As a result, impairment losses of approximately RMB1,357 million for property, plant and equipment and RMB632 million for intangible assets were recognized during the year ended 31st December, 2021.

Additionally, due to the suspension of productions in two subsidiaries, the Group recognised impairment loss of approximately RMB40 million in full for the office buildings under right-of-use assets held by those subsidiaries.

The impairment loss on assets in total of approximately RMB2,029 million was classified under the manufacture and sale of minibuses, MPVs and automotive components segment.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 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
<b>Cost</b>						
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)
<b>As at 31st December, 2020</b>	<b>962,808</b>	<b>3,297,893</b>	<b>387,898</b>	<b>68,578</b>	<b>576,587</b>	<b>5,293,764</b>
<b>As at 1st January, 2021</b>	<b>962,808</b>	<b>3,297,893</b>	<b>387,898</b>	<b>68,578</b>	<b>576,587</b>	<b>5,293,764</b>
<b>Additions</b>	<b>31,734</b>	<b>39,725</b>	<b>9,586</b>	<b>415</b>	<b>166,192</b>	<b>247,652</b>
<b>Transfer to intangible assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,604)</b>	<b>(2,604)</b>
<b>Inter-transfer</b>	<b>7,466</b>	<b>102,182</b>	<b>3,807</b>	<b>617</b>	<b>(114,072)</b>	<b>-</b>
<b>Disposals/Write-off</b>	<b>(12,947)</b>	<b>(651)</b>	<b>(730)</b>	<b>(5,732)</b>	<b>(1,020)</b>	<b>(21,080)</b>
<b>As at 31st December, 2021</b>	<b>989,061</b>	<b>3,439,149</b>	<b>400,561</b>	<b>63,878</b>	<b>625,083</b>	<b>5,517,732</b>
<b>Accumulated depreciation and impairment losses</b>						
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	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)
<b>As at 31st December, 2020</b>	<b>465,285</b>	<b>2,320,634</b>	<b>283,124</b>	<b>54,652</b>	<b>47,375</b>	<b>3,171,070</b>
<b>As at 1st January, 2021</b>	<b>465,285</b>	<b>2,320,634</b>	<b>283,124</b>	<b>54,652</b>	<b>47,375</b>	<b>3,171,070</b>
<b>Charge for the year</b>	<b>51,700</b>	<b>161,049</b>	<b>25,540</b>	<b>3,038</b>	<b>-</b>	<b>241,327</b>
<b>Impairment losses (note 13)</b>	<b>276,512</b>	<b>556,739</b>	<b>43,396</b>	<b>2,372</b>	<b>517,913</b>	<b>1,396,932</b>
<b>Eliminated on disposals/ write-off</b>	<b>(11,240)</b>	<b>(586)</b>	<b>(583)</b>	<b>(5,314)</b>	<b>-</b>	<b>(17,723)</b>
<b>As at 31st December, 2021</b>	<b>782,257</b>	<b>3,037,836</b>	<b>351,477</b>	<b>54,748</b>	<b>565,288</b>	<b>4,791,606</b>
<b>Net book value</b>						
<b>As at 31st December, 2021</b>	<b>206,804</b>	<b>401,313</b>	<b>49,084</b>	<b>9,130</b>	<b>59,795</b>	<b>726,126</b>
As at 31st December, 2020	497,523	977,259	104,774	13,926	529,212	2,122,694

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

As at 31st December, 2021, 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 RMB152.8 million (2020: approximately RMB163.4 million).

The carrying amounts and movements of property, plant and equipment which are right-of-use assets are as follows:

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1st January, 2020	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
<b>Additions</b>	<b>4,324</b>	<b>352</b>	–	<b>4,676</b>
<b>Modification of lease agreements</b>	<b>25,621</b>	–	–	<b>25,621</b>
<b>Disposals/Write-off</b>	<b>(842)</b>	–	–	<b>(842)</b>
<b>Depreciation</b>	<b>(21,914)</b>	<b>(132)</b>	<b>(79)</b>	<b>(22,125)</b>
<b>Impairment</b>	<b>(40,109)</b>	–	–	<b>(40,109)</b>
<b>As at 31st December, 2021</b>	<b>44,147</b>	<b>220</b>	<b>79</b>	<b>44,446</b>

In addition to the above right-of-use assets, the details of the right-of-use assets of land lease prepayments are set out in note 15.

The details of the lease liabilities in respect of the above right-of-use assets are set out in note 28.



# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 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, 2021 amounts to approximately RMB2,118,000 (2020: approximately RMB2,116,000).

	2021 RMB'000	2020 RMB'000
<b>Cost</b>		
At 1st January,	122,586	122,486
Additions	–	100
At 31st December,	122,586	122,586
<b>Accumulated amortisation</b>		
As at 1st January,	42,321	40,205
Charge for the year	2,118	2,116
As at 31st December,	44,439	42,321
<b>Net book value</b>		
As at 31st December,	78,147	80,265

At 31st December, 2021, the short-term and long-term borrowings are secured by the Group's land lease prepayments with a net book value of approximately RMB30.8 million (2020: approximately RMB31.5 million).

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 16. INTERESTS IN A JOINT VENTURE

	2021 RMB'000	2020 RMB'000
Share of net assets by equity method		
– Unlisted joint venture	<b>41,554,943</b>	29,960,324

Interests in a joint venture as at 31st December, 2021 and 2020 represent the Group's share of net assets by equity method of 50% in BBA, an equity joint venture established in Shenyang, the PRC with principal activities of manufacture and sale of BMW vehicles.

BBA's assets and liabilities and the respective net assets shared by the Group are as follows:

	2021 RMB'000	2020 RMB'000
Non-current assets	<b>67,051,197</b>	60,426,516
Current assets	<b>108,720,835</b>	78,879,324
Current liabilities	<b>(78,033,673)</b>	(65,756,896)
Non-current liabilities	<b>(14,628,473)</b>	(13,628,296)
Net assets	<b>83,109,886</b>	59,920,648
Included in the above assets and liabilities:		
Cash and cash equivalents	<b>61,315,884</b>	41,111,716
Current financial liabilities (excluding accounts and other payables and provisions)	<b>(11,231,087)</b>	(4,587,350)
Non-current financial liabilities (excluding accounts and other payables and provisions)	<b>(10,229,463)</b>	(13,628,296)
Proportion of the Group's ownership interest in BBA	<b>50%</b>	50%
Carrying amount of the Group's interest in BBA	<b>41,554,943</b>	29,960,324

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 16. INTERESTS IN A JOINT VENTURE (Cont'd)

BBA's income, expenses and dividends are as follows:

	2021 RMB'000	2020 RMB'000
Revenue	213,629,487	188,271,383
Interest income	1,126,624	587,734
Income tax	(7,642,295)	(6,832,539)
Profit after income tax	29,058,545	20,203,799
Other comprehensive (expense) income	(5,840,444)	2,626,708
Total comprehensive income	23,218,101	22,830,507
Dividends received from the joint venture	-	3,000,000

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 an agreement to transfer 25% stake in BBA from SJAI to BMW. As disclosed in the Company's announcement dated 11th February, 2022, the Group disposed of 25% equity interests in BBA to the joint venturer for a consideration of RMB27,941,147,000, of which the transaction was completed on 18th February, 2022, and 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 (2020: nil).

## 17. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
<i>Share of net assets by equity method and goodwill:</i>		
Associates listed in Hong Kong	631,399	729,098
Less: impairment loss for interests in an associate listed in Hong Kong ( <i>Note i</i> )	(72,799)	(72,799)
	558,600	656,299
Unlisted associates	471,373	494,868
Less: impairment loss for interests in an unlisted associate ( <i>Note ii</i> )	(42,207)	(42,207)
	429,166	452,661
	987,766	1,108,960
Fair value of investment in associates listed in Hong Kong	238,514	158,208

*Note i:* Based on the projected cash flow 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 17. INTERESTS IN ASSOCIATES (Cont'd)

Details of the Group's associates as at 31st December, 2021 and 2020 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 Xincheng	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 Xincheng Engine Co., Ltd. ("Mianyang Xincheng")	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 ( <i>note</i> )	Shenyang, the PRC	US\$29,900,000	Equity joint venture	49%	–	Manufacture and sale of power trains but in the process of dissolution

*Note:* 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 17. INTERESTS IN ASSOCIATES (Cont'd)

Power Xincheng 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, 2021 is summarised as follows:

Set out below are the summarised financial information of the material associate which is accounted for using the equity method:

	2021 RMB'000	2020 RMB'000
Current assets	1,067,978	1,851,291
Non-current assets	2,896,847	3,155,461
Current liabilities	(1,974,757)	(2,470,489)
Non-current liabilities	(199,452)	(352,713)
<b>Net assets</b>	<b>1,790,616</b>	<b>2,183,550</b>
Revenue	1,462,777	1,711,955
Cost of sales	(1,386,340)	(1,589,026)
Other income	109,204	48,810
Total expenses	(585,301)	(968,439)
Loss before income tax expense	(399,660)	(796,700)
Income tax credit (expense)	6,887	(11,939)
Loss for the year	(392,773)	(808,639)
Other comprehensive (expense) income	(161)	269
Total comprehensive expense	(392,934)	(808,370)

Aggregate information of associates that are not individually material:

	2021 RMB'000	2020 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	429,166	452,661
Aggregate amounts of the Group's share of those associates:		
Loss for the year	(23,506)	(95,196)
Other comprehensive expense	-	-
Total comprehensive expense	(23,506)	(95,196)

The Group has not incurred any contingent liabilities or other commitments relating to its investments in associates.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 18. EQUITY INVESTMENTS

	2021 RMB'000	2020 RMB'000
Financial assets at FVOCI (non-recycling)		
– Unlisted equity investment	4,138	4,138
– Listed equity investment in Hong Kong	5,325	2,743
	<b>9,463</b>	6,881

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

	2021 RMB'000	2020 RMB'000
Loan receivables	3,514,556	5,608,199
Less: ECL allowance	(63,436)	(100,668)
	<b>3,451,120</b>	5,507,531
Less: current portion ( <i>note 24</i> )	(1,933,584)	(2,894,175)
Long-term loan receivables	<b>1,517,536</b>	2,613,356
Gross loan receivables recoverable:		
– No later than 1 year	1,973,296	2,948,698
– Later than 1 year and no later than 5 years	1,541,260	2,659,501
	<b>3,514,556</b>	5,608,199

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*).

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, 2021, loan receivables of approximately RMB88,785,000 (2020: approximately RMB44,749,000) were the outstanding balances to the Group under this joint auto financing arrangement.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 19. LOAN RECEIVABLES (Cont'd)

The movement in ECL allowance in loan receivables during the year is as follows:

	2021 RMB'000	2020 RMB'000
At 1st January,	100,668	109,315
ECL allowance recognised	6,576	51,628
Write-off of uncollectible amounts	(43,808)	(60,275)
<b>At 31st December,</b>	<b>63,436</b>	<b>100,668</b>

  

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
At 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)
<b>At 31st December, 2020 and 1st January, 2021</b>	<b>97,218</b>	<b>2,449</b>	<b>1,001</b>	<b>100,668</b>
<b>Transfer from Stage 1 to Stage 2</b>	<b>(3,223)</b>	<b>3,223</b>	<b>-</b>	<b>-</b>
<b>Transfer from Stage 1 to Stage 3</b>	<b>(44,962)</b>	<b>-</b>	<b>44,962</b>	<b>-</b>
<b>ECL allowance recognised during the year</b>	<b>5,934</b>	<b>174</b>	<b>468</b>	<b>6,576</b>
<b>Amount written off during the year</b>	<b>-</b>	<b>(2,449)</b>	<b>(41,359)</b>	<b>(43,808)</b>
<b>At 31st December, 2021</b>	<b>54,967</b>	<b>3,397</b>	<b>5,072</b>	<b>63,436</b>

The outstanding balance of loan receivables of RMB3,514,556,000 (2020: RMB5,608,199,000) 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 20. PLEDGED AND RESTRICTED SHORT-TERM BANK DEPOSITS

Pledged short-term bank deposits as at 31st December, 2021 were pledged for the following purposes:

	2021 RMB'000	2020 RMB'000
Restricted short-term bank deposits ( <i>Note i</i> )	<b>580,676</b>	87,243
<i>Pledged short-term bank deposits for:</i>		
Issue of bank guaranteed notes by		
– the Group for settlements of accounts payable ( <i>Note ii</i> )	<b>164,519</b>	1,212,680
– Brilliance Power, Huachen and Huayixin ( <i>Note iii</i> )	–	1,050,000
Bank loans granted to JBC ( <i>Note iv</i> )	–	214,100
Total pledged short-term bank deposits	<b>164,519</b>	2,476,780
Less: ECL allowance	–	(1,050,000)
	<b>164,519</b>	1,426,780
Total pledged and restricted short-term bank deposits	<b>745,195</b>	1,514,023

*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, 2021, the Group had also pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB73.1 million (2020: approximately RMB63.2 million) to secure the issue of bank guaranteed notes.

*Note iii:* The former management of SJAI, acted in accordance with the instructions of Huachen, pledged the Group's short-term bank deposits since 2019 to certain bankers as security for bank financing offered to Brilliance Power, Huachen and Huayixin. As at 31st December, 2020, short-term deposits RMB300,000,000, RMB400,000,000 and RMB350,000,000 were pledged for bank financing facilities utilised by Brilliance Power, Huachen and Huayixin, respectively, for their issue of bank guaranteed notes. ECL allowance was fully provided for these pledged short-term bank deposits as at 31st December, 2020 as all the short-term bank deposits pledged were deducted by the bankers in 2021 due to the failure to repay to the bankers by these companies.

The RMB1,050,000,000 deducted and the respective ECL allowance were reclassified to other receivables of RMB350 million (note 24(a)) and amounts due from affiliated companies of RMB700 million (note 35(e)) in 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.

*Note iv:* Under the cross guarantees agreement of maximum amount of RMB600 million between the Group and JBC signed in previous years, the Group had guaranteed for bank financing facilities of RMB236 million utilised by JBC as at 31st December, 2020, of which RMB206 million was secured by the Group's pledged short-term bank deposits of RMB214.1 million until the maturity of repayment in 2021.

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.

The cross guarantee arrangement between the Group and JBC has ceased this year.



# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 21. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	189,609	325,963
Work-in-progress	214,768	186,364
Finished goods	39,429	186,312
	443,806	698,639
Less: provision for inventories	(145,419)	(192,756)
	298,387	505,883

As at 31st December, 2021, the carrying amount of inventories that were stated at net realisable value amounted to approximately RMB26 million (2020: approximately RMB156 million).

The reconciliation of provision for inventories in the year is as follows:

	2021 RMB'000	2020 RMB'000
At 1st January,	192,756	199,885
Provision for the year	93,465	118,502
Reversal for the year	(9,948)	(122,699)
Write-off of obsolete inventories	(130,854)	(2,932)
At 31st December,	145,419	192,756

The reversal of provision for inventories represents the reversal for provision previously recognised for inventories that were sold during the year (2020: same).

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 22. ACCOUNTS RECEIVABLE

	Note	2021 RMB'000	2020 RMB'000
Accounts receivable	22(a)	306,755	326,281
Accounts receivable from affiliated companies	35(c)	4,105	569,980
		<b>310,860</b>	896,261

(a) An aging analysis of accounts receivable based on invoice date is set out below:

	2021 RMB'000	2020 RMB'000
Less than six months	312,217	314,418
Six months to one year	4	700
Above one year but less than two years	75	8,084
Above two years but less than five years	36,088	33,716
Five years or above	60,832	47,584
	<b>409,216</b>	404,502
Less: ECL allowance	<b>(102,461)</b>	(78,221)
	<b>306,755</b>	326,281

As at 31st December, 2021, accounts receivable from third parties of approximately RMB33 million (2020: approximately RMB44 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, 2021.

	2021			2020		
	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	312,217	2.0	6,380	314,418	2.5	7,798
Six months to one year	4	-	-	700	17.1	120
Above one year but less than two years	75	70.7	53	8,084	33.6	2,720
Above two years but less than five years	36,088	98.4	35,511	33,716	60.0	20,226
Five years or above	60,832	99.5	60,517	47,584	99.5	47,357
	<b>409,216</b>		<b>102,461</b>	<b>404,502</b>		<b>78,221</b>

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 22. ACCOUNTS RECEIVABLE (Cont'd)

The movement in ECL allowance in accounts receivable during the year is as follows:

	2021 RMB'000	2020 RMB'000
At 1st January,	78,221	45,235
ECL allowance recognised	24,240	32,986
At 31st December,	102,461	78,221

## 23. NOTES RECEIVABLE

	Note	2021 RMB'000	2020 RMB'000
Notes receivable	23(a)	105,145	107,267
Notes receivable from affiliated companies	35(d)	4,345	1,234
		109,490	108,501

- (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, 2021 (2020: 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 (2020: same). The fair value is within level 2 of the fair value hierarchy.

## 24. OTHER CURRENT ASSETS

	Note	2021 RMB'000	2020 RMB'000
Other receivables	24(a)	252,893	594,076
Prepayments and other current assets		99,740	101,111
Other taxes recoverable		86,491	120,056
Amounts due from affiliated companies	35(e)	22,268	2,043,391
Dividend receivable from an affiliated company	35(f)	16,534	16,534
Short-term loan receivables	19	1,933,584	2,894,175
		2,411,510	5,769,343

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 24. OTHER CURRENT ASSETS (Cont'd)

### (a) Other receivables

	2021 RMB'000	2020 RMB'000
Amounts due from Huayixin and its subsidiary, Chenbao (Liaoning) Automobile Manufacturing Co., Ltd. ("Chenbao") in respect of:		
– the Group's pledged short-term deposits deducted by Shengjing Bank for repayment of bank guaranteed notes issued by Huayixin	2,925,900	2,575,900
– loans to Chenbao	1,148,400	1,148,400
	<b>4,074,300</b>	3,724,300
Receivable from a third party	–	400,000
Others	466,852	383,558
	<b>4,541,152</b>	4,507,858
Less: ECL allowance	<b>(4,288,259)</b>	(3,913,782)
At 31st December,	<b>252,893</b>	594,076

The other receivable of RMB2,925,900,000 (2020: RMB2,575,900,000) represents the unauthorised pledged short-term bank deposits for bank financing facilities of bank guaranteed notes issued by Huayixin and deducted by the bankers or transferred to Huayixin in relation to the failure of repayment by Huayixin to its bankers. Full amount of ECL allowance was recognised at 31st December, 2021 and 31st December, 2020.

For the loans to Chenbao of RMB1,148,400,000 (2020: RMB1,148,400,000), except for RMB240,000,000 (2020: RMB240,000,000) which is unsecured, interest-bearing at 4.0% per annum and repayable on 23rd June, 2022, the remaining balance is unsecured, interest-free and has no fixed repayment terms. Full amount of ECL allowance was also recognised at 31st December, 2021 and 31st December, 2020.

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:

	2021 RMB'000	2020 RMB'000
At 1st January,	3,913,782	176,425
Transfer from ECL allowance for pledged short-term bank deposits	350,000	–
ECL allowance recognised	24,477	3,737,357
At 31st December,	<b>4,288,259</b>	3,913,782

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 24. OTHER CURRENT ASSETS (Cont'd)

### (a) Other receivables (Cont'd)

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
At 1st January, 2020	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 and 1st January, 2021	2,029	970	3,910,783	3,913,782
<b>Transfer from Stage 1 to Stage 2</b>	<b>(2,029)</b>	<b>2,029</b>	-	-
<b>Transfer from ECL allowance for pledged short-term bank deposits (note 2)</b>	-	-	<b>350,000</b>	<b>350,000</b>
<b>ECL allowance recognised during the year</b>	<b>938</b>	<b>10,164</b>	<b>13,375</b>	<b>24,477</b>
<b>At 31st December, 2021</b>	<b>938</b>	<b>13,163</b>	<b>4,274,158</b>	<b>4,288,259</b>

As at 31st December, 2021, included in ECL allowance is RMB4,074,300,000 (2020: RMB3,724,300,000) for the amounts due from Huayixin and Chenbao under Stage 3.

## 25. ACCOUNTS PAYABLE

	Note	2021 RMB'000	2020 RMB'000
Accounts payable	25(a)	<b>823,527</b>	1,003,001
Accounts payable to affiliated companies	35(g)	<b>263,821</b>	456,315
		<b>1,087,348</b>	1,459,316

(a) An aging analysis of accounts payable based on the invoice date is set out below:

	2021 RMB'000	2020 RMB'000
Less than six months	<b>294,406</b>	743,543
Six months to one year	<b>320,802</b>	37,606
Above one year but less than two years	<b>24,984</b>	44,726
Two years or above	<b>183,335</b>	177,126
	<b>823,527</b>	1,003,001

Accounts payable with balances denominated in currencies other than Renminbi are considered not significant. All these amounts are payable within one year.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 26. NOTES PAYABLE

	Note	2021 RMB'000	2020 RMB'000
Notes payable		<b>334,388</b>	1,934,827
Notes payable to affiliated companies	35(h)	-	7,160
		<b>334,388</b>	1,941,987

## 27. OTHER CURRENT LIABILITIES

	Note	2021 RMB'000	2020 RMB'000
Contract liabilities		<b>63,916</b>	49,921
Other payables		<b>1,431,616</b>	1,576,534
Security deposits for wholesale auto financing		-	73
Accrued expenses		<b>142,460</b>	116,123
Deferred income		<b>21,942</b>	77,247
Other taxes payable		<b>10,068</b>	18,051
Provision for warranty	27(a)	<b>15,301</b>	20,931
Deferred government grants	27(b)	<b>89,326</b>	94,206
Other borrowing	27(c)	<b>193,934</b>	-
Lease liabilities	28	<b>85,345</b>	77,208
Amounts due to affiliated companies	35(i)	<b>815,851</b>	2,127,848
		<b>2,869,759</b>	4,158,142
Less: non-current portion		<b>(156,088)</b>	(157,182)
Current portion		<b>2,713,671</b>	4,000,960

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 RMB6 million (2020: RMB39 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 27. OTHER CURRENT LIABILITIES (Cont'd)

Non-current portion of other liabilities at 31st December, 2021 composed of the following:

	Note	2021 RMB'000	2020 RMB'000
Provision for warranty	27(a)	6,654	8,487
Deferred government grants	27(b)	84,446	89,326
Lease liabilities	28	64,988	59,369
		<b>156,088</b>	157,182

### (a) Provision for warranty

	2021 RMB'000	2020 RMB'000
Warranty to be provided		
– within one year	8,647	12,444
– over one year	6,654	8,487
	<b>15,301</b>	20,931

### (b) Deferred government grants

	2021 RMB'000	2020 RMB'000
Government grants to be recognised as income		
– within one year	4,880	4,880
– over one year	84,446	89,326
	<b>89,326</b>	94,206

### (c) Other borrowing

Other borrowing represents a borrowing from a financial institution of RMB194 million (2020: nil). Such borrowing is secured by loan receivables of RMB295 million and the future interest income arising from those loan receivables. The borrowing is interest-bearing at rates ranging from 5.98% to 6.10% per annum and repayable within one year.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 28. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2021 RMB'000	2020 RMB'000
Total minimum lease payments		
– due within one year	23,784	21,025
– due in the second to fifth years	40,773	33,270
– due after the fifth year	41,622	45,435
	<b>106,179</b>	99,730
Less: future finance charges on lease liabilities	<b>(20,834)</b>	(22,522)
Present value of lease liabilities	<b>85,345</b>	77,208
Present value of total minimum lease payments		
– due within one year	20,357	17,839
– due in the second to fifth years	32,802	25,007
– due after the fifth year	32,186	34,362
	<b>85,345</b>	77,208
Less: portion due within one year included under current liabilities	<b>(20,357)</b>	(17,839)
Portion due after one year included under non-current liabilities	<b>64,988</b>	59,369

As at 31st December, 2021, 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, 2021, the total cash outflows for the leases are RMB37,472,000 (2020: RMB41,871,000).



# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 28. LEASE LIABILITIES (Cont'd)

As at 31st December, 2021, 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"	2021: 21 2020: 24	2021: 0.71 to 15.93 years 2020: 0.64 to 16.93 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"	2021: 1 2020: 2	2021: 1.35 years 2020: 1.00 to 2.35 years	This contract contains an option to renew the lease after the end of the contract by giving a 30 days' notice to landlord before the end of the contract
Machinery and equipment	Machinery and equipment in property, plant and equipment"	2021: 1 2020: N/A	2021: 1.2 years 2020: N/A	This contract does not contain any renewal and termination options

The Group considered that no extension option would be exercised at the lease commencement date.

## 29. BANK BORROWINGS

	2021 RMB'000	2020 RMB'000
<i>Short-term bank borrowings:</i>		
Secured bank borrowings	567,700	2,242,700
Unsecured bank borrowings	1,599,638	2,286,000
	<b>2,167,338</b>	4,528,700
<i>Secured long-term bank borrowings:</i>		
Due within one year	390,600	217,200
Due over one year	7,500	381,000
	<b>398,100</b>	598,200
	<b>2,565,438</b>	5,126,900

All short-term bank borrowings at 31st December, 2021 are interest-bearing at rates ranging from 5.03% to 8.00% per annum (2020: 3.50% to 8.20% per annum) and repayable from 6th January, 2022 to 21st December, 2022 (2020: repayable from 4th January, 2021 to 21st December, 2021).

As at 31st December, 2021, secured short-term bank borrowings are secured by the Group's land lease prepayments with a net book value of approximately RMB2.0 million (2020: approximately RMB2.1 million), buildings, tools and moulds, machinery and equipment and construction-in-progress with an aggregate net book values of approximately RMB108.8 million (2020: approximately RMB111.1 million), and loan receivables of RMB718.6 million (2020: RMB2,957.8 million).

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 29. BANK BORROWINGS (Cont'd)

All long-term bank borrowings as at 31st December, 2021 were interest-bearing at rates from 4.10% to 5.23% per annum (2020: from 4.10% to 5.23% per annum), repayable from 20th January, 2022 to 20th December, 2022 (2020: from 20th January, 2021 to 1st December, 2021) for the portion due within one year and repayable from 20th January, 2023 to 20th October, 2023 (2020: repayable on 13th May, 2022) 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 RMB28.8 million (2020: approximately RMB29.4 million) and buildings, plant and equipment with an aggregate net book value of approximately RMB43.9 million (2020: approximately RMB52.3 million) and loans receivable of RMB709.3 million (2020: RMB1,059.1 million).

Included in short-term bank borrowings is a bank borrowing of RMB827 million (2020: RMB760 million) from a non-controlling interest of BBAFC. The interest incurred on the respective bank borrowings amounted to approximately RMB47.0 million (2020: approximately RMB32.2 million).

## 30. PROVISION FOR LOSS ON UNAUTHORISED GUARANTEES

In respect of key findings of the Independent Investigation and Independent Forensic Investigation of certain material transactions carried out by certain former management of the SJAI, unauthorised guarantee agreements were entered into with certain creditor banks as security for bank loans to Huachen.

Due to the failure of repayment by Huachen, four creditor banks of Huachen commenced legal proceedings against Huachen as the borrower and SJAI as the guarantor. As detailed in note 2, the court judgements for the claims from these banks required SJAI to pay to all these banks 50% of the final unsettled bank loans by Huachen.

As it is still uncertain as to the amount that 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, 2021 plus the respective legal costs. Accordingly, a provision of RMB1,917,062,000 was recognised for the estimated loss to these banks from the respective unauthorised guarantees as detailed below.

	2021 RMB'000	2020 RMB'000
China Everbright Bank	1,358,643	1,358,643
Export-Import Bank	307,770	307,770
Huaxia Bank	99,873	99,873
Harbin Bank	150,776	150,776
	<b>1,917,062</b>	1,917,062

## 31. DEFERRED TAX ASSET

As at 31st December, 2021, the Group had unrecognised deferred tax asset in respect of tax losses of approximately RMB4,901 million (2020: approximately RMB4,765 million) which will expire at various dates up to and including 2026 (2020: 2025).

In addition, as at 31st December, 2021, the Group also had not recognised deferred tax asset in respect of temporary differences of approximately RMB6,230 million (2020: approximately RMB3,860 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 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 15% to 16% (2020: 13% to 18%) 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% (2020: 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, 2021 were approximately RMB38.6 million (2020: approximately RMB29.3 million).

At 31st December, 2021 and 2020, 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

	2021		2020	
	Number of shares '000	Amount US\$'000	Number of shares '000	Amount 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

	2021		2020	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount 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, 2021, the Company did not have any outstanding share option.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 33. SHARE CAPITAL AND SHARE OPTIONS (Cont'd)

### (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 RMB2,565.4 million (2020: approximately RMB5,126.9 million) and notes payable for financing purpose of approximately RMB100 million (2020: approximately RMB1,384.0 million). As at 31st December, 2021, the Group's debt-to-equity ratio was 6.5% (2020: 19.5%).

### (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, 2021, the Company had no outstanding share option under the Share Option Scheme (2020: nil).

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 34. RESERVES

### (a) Retained earnings

The Group's retained earnings included an amount of approximately RMB1,733,825,000 (2020: approximately RMB1,715,212,000) 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

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
Liaoning Shenhua Holdings Co., Ltd. (“ <b>Shenhua Holdings</b> ”, formerly “Shanghai Shenhua Holdings Co., Ltd.”)	Common directorship of certain directors of the Company
Brilliance Holdings Limited (“ <b>BHL</b> ”)	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.

- (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.

	2021 RMB'000	2020 RMB'000
Sales of goods:		
– Huachen and its affiliated companies	65,951	61,080
Purchases of goods and services:		
– Huachen and its affiliated company	72,015	176,442
– Renault SAS	31,318	203,590
Comprehensive services provided to:		
– Huachen and its affiliated company	9,079	28,472
Rental income from ( <i>Note</i> ):		
– Huachen	3,051	3,679
Lease payments rent to ( <i>Note</i> ):		
– Huachen	3,813	3,910
Employee cost – transfer of certain employees between RBJAC and Huachen under a personal transfer agreement	–	1,949

*Note:* Other than approximately RMB3,813,000 (2020: approximately RMB3,910,000) 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 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:

	2021 RMB'000	2020 RMB'000
Sales of goods:		
– Shenhua Holdings and its affiliated companies	11,483	50,939
– A joint venture	9,749	8,187
– Associates	9,258	18,590
Purchases of goods:		
– A joint venture	544	3,584
– Associates	151,483	304,909
Other transactions:		
Comprehensive services provided for:		
– a joint venture	18,799	12,990
Interest income from:		
– Xinhua Investment Holdings Limited (“Xinhua Investment”)	8,538	9,157
– an associate	–	47,030
Interest to a non-controlling interest of BBAFC	46,974	32,161
Service fees from a non-controlling interest of BBAFC	10,380	6,853
Other income from affiliated companies of Shenhua Holdings	1,518	4,484
Lease payment rent to Shenhua Holdings	592	592
Purchases of property, plant and equipment from associates	4,113	4,529
Purchases of intangible asset from a joint venture	–	76,000

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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(c) As at 31st December, 2021, the Group's accounts receivable from affiliated companies consisted of the following:

	2021 RMB'000	2020 RMB'000
Accounts receivable from related parties:		
– Shenhua Holdings and its affiliated companies	10,416	10,416
– Huachen and its affiliated companies	238,830	710,001
– Associates	2,747	9,949
– A joint venture	1,514	5,635
– An affiliated company of a shareholder of a joint venture	–	340
	<b>253,507</b>	736,341
Less: ECL allowance	<b>(249,402)</b>	(166,361)
	<b>4,105</b>	569,980

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:

	2021 RMB'000	2020 RMB'000
Less than six months	4,621	63,523
Six months to one year	1,797	134,994
Above one year but less than two years	31,054	414,634
Above two years but less than five years	193,969	102,109
Five years or above	22,066	21,081
	<b>253,507</b>	736,341



# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 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, 2021.

	2021			2020		
	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	4,621	11.2	516	63,523	18.2	11,592
Six months to one year	1,797	100.0	1,797	134,994	9.2	12,418
Above one year but less than two years	31,054	100.0	31,054	414,634	15.2	63,024
Above two years but less than five years	193,969	100.0	193,969	102,109	57.0	58,246
Five years or above	22,066	100.0	22,066	21,081	100.0	21,081
	<b>253,507</b>		<b>249,402</b>	736,341		166,361

The movement in ECL allowance in accounts receivable from affiliated companies during the year is as follows:

	2021 RMB'000	2020 RMB'000
At 1st January,	166,361	27,324
ECL allowance recognised	86,124	139,037
Write-off of uncollectible amounts	(3,083)	–
At 31st December,	<b>249,402</b>	166,361

(d) As at 31st December, 2021, the Group's notes receivable from affiliated companies arising from trading activities consisted of the following:

	2021 RMB'000	2020 RMB'000
Notes receivable from related parties:		
– Shenhua Holdings and its affiliated companies	2,740	–
– Associates	1,605	1,234
	<b>4,345</b>	1,234

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, 2021 (2020: 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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(e) As at 31st December, 2021, the amounts due from affiliated companies consisted of:

	2021 RMB'000	2020 RMB'000
Amounts due from related parties:		
– A joint venture	8,100	10,092
– Associates ( <i>Note ii</i> )	1,586,878	1,292,694
– An affiliated company of Shenhua Holdings	44	32
– Huachen and its affiliated companies	688,911	238,135
– Xinhua Investment ( <i>Note i</i> )	364,924	367,905
– Non-controlling interest of a subsidiary	11,092	5,766
– A company with common management personnel of a subsidiary of the Group ( <i>Note iii</i> )	404,000	1,600,000
	<b>3,063,949</b>	<b>3,514,624</b>
Less: ECL allowance	<b>(3,041,681)</b>	<b>(1,471,233)</b>
	<b>22,268</b>	<b>2,043,391</b>

*Note i:* RMB364,924,000 (2020: RMB367,905,000) 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 2021. Xinhua Investment default the payment in August 2021 and full amount of ECL allowance was recognised as at 31st December, 2021.

*Note ii:* Included in amounts due from associates are unsecured, interest-bearing advances of RMB668,000,000 (2020: RMB858,000,000) and interest-free loan of RMB190,000,000 (2020: nil) to Shenyang ChenFa Automobile Component Co., Ltd. (“ChenFa”) and RMB640,000,000 (2020: RMB340,000,000) due from Brilliance Power for the Group’s pledged short-term deposits deducted by Shengjing Bank for the bank guaranteed notes issued by Brilliance Power as detailed in note 2.

The details of the amounts due from ChenFa are as follows:

	2021 RMB'000	2020 RMB'000
Interest-bearing at 5.10% per annum and repayable on 12th May, 2021 (As at 31st December, 2020: 12th May, 2021)	68,000	68,000
Interest-bearing at 4.35% per annum and repayable on 11th March, 2021 as at 31st December, 2020	–	190,000
Interest-bearing at 8.10% per annum and repayable on 6th March, 2021 (As at 31st December, 2020: repayable on 6th March, 2021)	600,000	600,000
Interest-free	190,000	–
	<b>858,000</b>	<b>858,000</b>

*Note iii:* In the year ended 31st December, 2020, Xing Yuan Dong made a loan of RMB1,600 million 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. 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. During the year ended 31st December, 2021, these amounts were settled by Xing Yuan Dong and SJAI repaying the full amount of RMB1,600 million to the Related Company.

After the settlement of these amounts, Xing Yuan Dong advanced another RMB404 million to the same related company. ECL allowance for the full amount of RMB404 million was recognised at 31st December, 2021.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(e) (Cont'd)

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:

	2021 RMB'000	2020 RMB'000
At 1st January,	1,471,233	24,129
Transfer from ECL allowance for pledged short-term deposits	700,000	-
ECL allowance recognised	870,448	1,447,871
Write-off of uncollectible amounts	-	(767)
<b>At 31st December,</b>	<b>3,041,681</b>	<b>1,471,233</b>

  

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
At 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)
<b>At 31st December, 2020 and 1st January, 2021</b>	<b>166</b>	<b>88,892</b>	<b>1,382,175</b>	<b>1,471,233</b>
<b>Transfer from Stage 1 to Stage 2</b>	<b>(166)</b>	<b>166</b>	<b>-</b>	<b>-</b>
<b>Transfer from Stage 2 to Stage 3</b>	<b>-</b>	<b>(88,892)</b>	<b>88,892</b>	<b>-</b>
<b>ECL allowance recognised during the year</b>	<b>354</b>	<b>700</b>	<b>869,394</b>	<b>870,448</b>
<b>Transfer from ECL allowance for pledged short-term bank deposits (note 2)</b>	<b>-</b>	<b>-</b>	<b>700,000</b>	<b>700,000</b>
<b>At 31st December, 2021</b>	<b>354</b>	<b>866</b>	<b>3,040,461</b>	<b>3,041,681</b>

As at 31st December, 2021, included in ECL allowance was RMB3,040,461,000 (2020: RMB1,359,140,000) from amounts due from Huachen and its affiliated companies, Xinhua Investment, ChenFa and a company with common management personnel of a subsidiary of the Group under Stage 3.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(f) As at 31st December, 2021, the details of dividend receivable from an affiliated company are as follows:

	2021 RMB'000	2020 RMB'000
Dividend receivable from an associate	17,100	17,100
Less: ECL allowances	(566)	(566)
	<b>16,534</b>	16,534

(g) As at 31st December, 2021, the Group's accounts payable to affiliated companies arising from trading activities consisted of the following:

	2021 RMB'000	2020 RMB'000
Due to related parties:		
– Associates	150,178	115,283
– A joint venture	42	441
– Huachen and its affiliated companies	108,094	337,672
– An affiliated company of BHL	364	364
– Shenhua Holdings and its affiliated companies	5,143	2,552
– An affiliated company of a shareholder of a joint venture	–	3
	<b>263,821</b>	456,315

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:

	2021 RMB'000	2020 RMB'000
Less than six months	36,902	219,531
Six months to one year	128,822	79,715
Above one year but less than two years	60,468	115,257
Two years or above	37,629	41,812
	<b>263,821</b>	456,315

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

- (h) As at 31st December, 2021, the Group's notes payable to affiliated companies arising from trading activities consisted of the following:

	2021 RMB'000	2020 RMB'000
Notes payable to related parties:		
– Associates	–	7,160

- (i) As at 31st December, 2021, the amounts due to affiliated companies by the Group consisted of:

	2021 RMB'000	2020 RMB'000
Amounts due to related parties:		
– Associates	6,876	6,881
– A joint venture	5,723	–
– Huachen and its affiliated companies	64,374	344,390
– Affiliated companies of BHL	27,861	28,015
– Affiliated companies of Shenhua Holdings	1,359	5,296
– A company with common management personal of a subsidiary of the Group ( <i>Note 35(e)(iii)</i> )	–	1,600,000
– Non-controlling interests of subsidiaries	709,658	143,266
	<b>815,851</b>	<b>2,127,848</b>

Amounts due to affiliated companies by the Group are unsecured, interest-free and repayable on demand.

- (j) As at 31st December, 2021, lease liabilities due to Huachen is approximately RMB42,082,000 (As at 31st December, 2020: RMB43,788,000).
- (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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(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:

	2021	2020
	RMB'000	RMB'000
Short-term employee benefits and post-employment benefits	<b>23,765</b>	25,395

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.

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 36. CASH GENERATED FROM (USED IN) OPERATIONS AND RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

### (a) Cash used in operations:

	2021 RMB'000	2020 RMB'000
Profit (Loss) before income tax expense	10,459,611	(828,590)
Share of results of:		
– A joint venture	(14,514,842)	(10,091,949)
– Associates	119,556	347,954
Interest and financing service income	(440,762)	(753,905)
Finance costs	125,667	135,465
Dividend income from equity investments	(282)	(214)
Reversal of provision for inventories sold	(9,948)	(122,699)
Depreciation of property, plant and equipment	241,327	301,753
Amortisation of intangible assets	68,604	139,013
Amortisation of land lease prepayments	2,118	2,116
Impairment loss on property, plant and equipment	1,396,932	573,016
Impairment loss on intangible assets	631,968	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	2,543	7,540
Deferred income from government grants	(26,888)	(35,272)
Provision for inventories	93,465	118,502
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	24,240	32,986
– Accounts receivable from affiliated companies	86,124	139,037
– Amounts due from affiliated companies	870,448	1,447,871
– Loan receivables	6,576	51,628
– Other receivables	24,477	3,737,357
– Dividend receivable from an associate	–	566
– Other receivables grouped under other non-current assets	65	(12)
– Pledged and restricted short-term deposits	–	1,050,000
Operating loss before working capital change	(839,001)	(1,438,625)
Increase in statutory deposit reserves at central bank	(936)	(8,220)
Decrease in inventories	125,568	202,704
Decrease in accounts receivable	475,037	14,447
Decrease in loan receivables	2,049,835	1,299,303
(Increase) Decrease in notes receivable	(884)	61,390
Decrease (Increase) in other current assets	117,497	(179,674)
Decrease in accounts payable	(371,968)	(80,908)
Decrease in notes payable	(323,599)	(2,882,308)
Increase in other current liabilities	18,206	313,172
Cash generated from (used in) operations	1,249,755	(2,698,719)

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 36. CASH GENERATED FROM (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	Amounts due to affiliated companies 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, 2021	1,384,000	-	-	94,206	5,126,900	77,208	6,682,314
<i>Changes from financing cash flows:</i>							
<i>Cash received from financing</i>							
Cash received from financing from banks	100,000	-	-	-	1,362,338	-	1,462,338
Repayments to banks	(1,384,000)	-	-	-	(3,923,800)	-	(5,307,800)
Payments	-	-	-	-	-	(20,890)	(20,890)
Proceeds	-	629,438	-	-	-	-	629,438
Interest paid for lease liabilities	-	-	-	-	-	(3,699)	(3,699)
Government grant received	-	-	-	22,008	-	-	22,008
<i>Changes from non-cash movements:</i>							
Deferred income recognised	-	-	-	(26,888)	-	-	(26,888)
Inception of lease liabilities	-	-	-	-	-	4,676	4,676
Termination of lease	-	-	-	-	-	(1,270)	(1,270)
Lease modification	-	-	-	-	-	25,621	25,621
Interest expense recognised (note 7)	-	-	-	-	-	3,699	3,699
At 31st December, 2021	100,000	629,438	-	89,326	2,565,438	85,345	3,469,547
<hr/>							
	Notes payable for financing purpose RMB'000	Amounts due to affiliated companies 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
<i>Changes from financing cash flows:</i>							
<i>Cash received from financing from banks</i>							
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
<i>Changes from non-cash movements:</i>							
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 to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 37. COMMITMENTS

### (a) Capital commitments

	2021 RMB'000	2020 RMB'000
Contracted but not provided for:		
– Construction projects	87,554	103,279
– Acquisition of plant and machinery	378,175	437,618
– Others	367,174	355,480
	<b>832,903</b>	<b>896,377</b>

The above capital commitments consisted of capital commitments of approximately RMB820,282,000 (2020: RMB877,342,000) contracted but not provided for by RBJAC which will be deconsolidated in January, 2022 as detailed in note 1.

### (b) Lease commitments

As lessee:

As at 31st December, 2021, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leased properties as follows:

	2021 RMB'000	2020 RMB'000
Within one year	290	1,292
In the second to fifth years inclusive	–	–
	<b>290</b>	<b>1,292</b>

As lessor:

As at 31st December, 2021, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of factory and office buildings and plant and machinery as follows:

	2021 RMB'000	2020 RMB'000
Within one year	3,972	4,410
In the second to fifth years inclusive	4,938	8,823
Over five years	1,033	1,421
	<b>9,943</b>	<b>14,654</b>

As at 31st December, 2021, RBJAC had future aggregate minimum lease receipts under non-cancellable operating leases in respect of factory and office buildings approximately RMB6,774,000 (2020: RMB10,161,000).

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 RMB'000	2020 RMB'000
<b>Non-current assets</b>		
Property, plant and equipment	15,642	4,090
Interests in subsidiaries	3,251,050	3,581,881
Interests in associates	6,482	6,482
Equity investments	5,324	2,743
<b>Total non-current assets</b>	<b>3,278,498</b>	<b>3,595,196</b>
<b>Current assets</b>		
Cash and cash equivalents	121,678	160,914
Other current assets	5,483	297,068
<b>Total current assets</b>	<b>127,161</b>	<b>457,982</b>
<b>Current liabilities</b>		
Other current liabilities	20,158	13,903
<b>Total current liabilities</b>	<b>20,158</b>	<b>13,903</b>
<b>Net current assets</b>	<b>107,003</b>	<b>444,079</b>
<b>Total assets less current liabilities</b>	<b>3,385,501</b>	<b>4,039,275</b>
<b>Non-current liabilities</b>		
Lease liabilities	10,256	–
<b>Total non-current liabilities</b>	<b>10,256</b>	<b>–</b>
<b>NET ASSETS</b>	<b>3,375,245</b>	<b>4,039,275</b>
<b>Capital and reserves</b>		
Share capital	397,176	397,176
Reserves ( <i>Note</i> )	2,978,069	3,642,099
<b>TOTAL EQUITY</b>	<b>3,375,245</b>	<b>4,039,275</b>

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

Zhang Wei  
Director

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 38. 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, 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
<b>As at 31st December, 2020 and 1st January, 2021</b>	<b>2,476,082</b>	<b>(8,752)</b>	<b>39,179</b>	<b>1,135,590</b>	<b>3,642,099</b>
<b>Loss and total comprehensive expense for the year</b>	<b>-</b>	<b>2,582</b>	<b>-</b>	<b>(666,612)</b>	<b>(664,030)</b>
<b>As at 31st December, 2021</b>	<b>2,476,082</b>	<b>(6,170)</b>	<b>39,179</b>	<b>468,978</b>	<b>2,978,069</b>

The directors consider that the Company had approximately RMB508.2 million (2020: approximately RMB1,174.8 million) available for distribution to shareholders.

## 39. INTERESTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 31st December, 2021 and 2020 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, 2021 and 2020		Principal activities
				Directly	Indirectly	
RBJAC	Shenyang, the PRC	US\$1,795,963,000	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 Ruixing	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

# Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2021

## 39. 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, 2021 and 2020		Principal activities
				Directly	Indirectly	
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 Motors Engine Co., Ltd.	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
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.

## 40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 90 to 182 were approved and authorised for issue by the board of directors on 26th August, 2022.