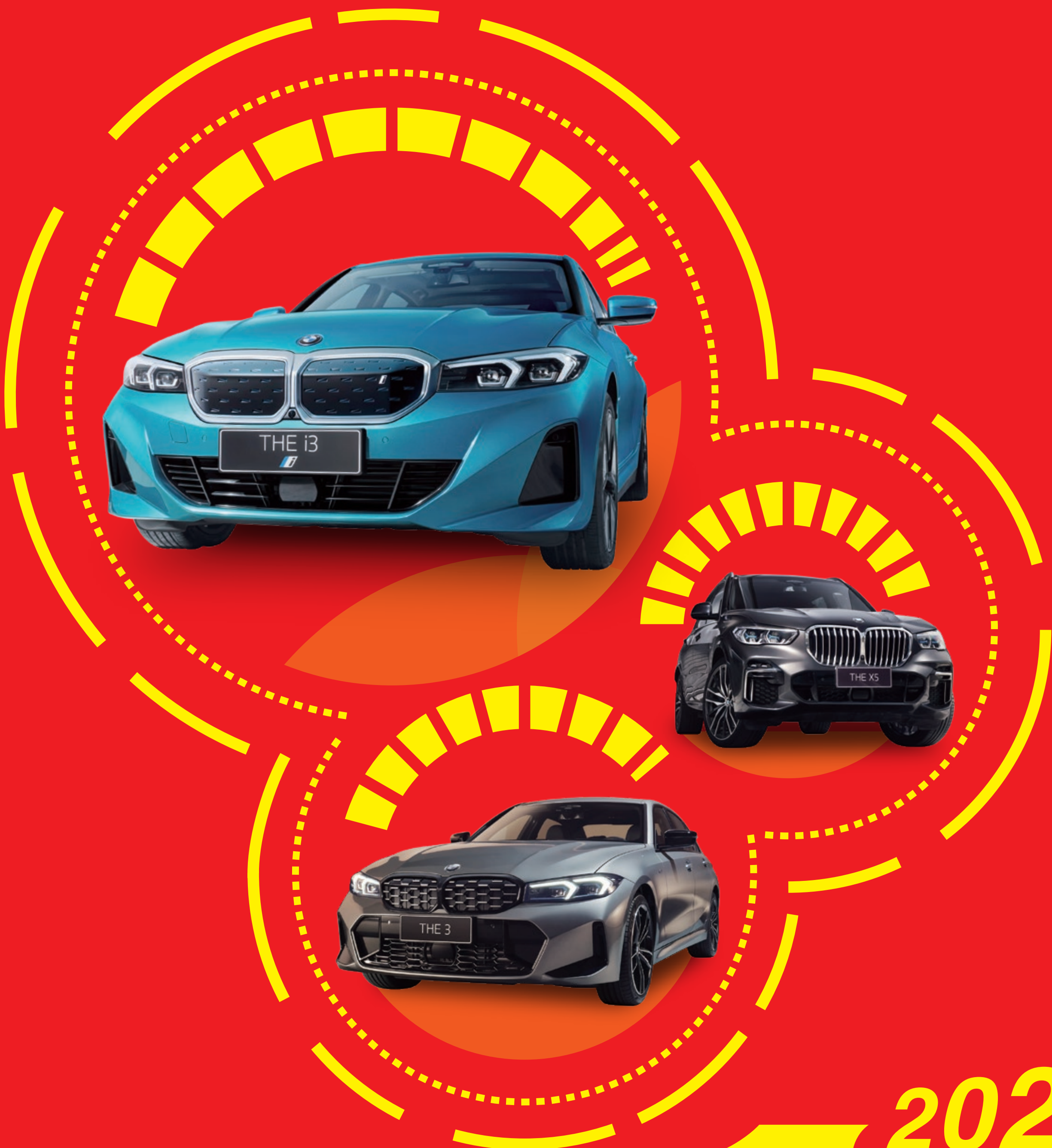
BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED

(華晨中國汽車控股有限公司)*

(Incorporated in Bermuda with limited liability)

Stock Code : 1114

Brilliance Auto
华晨汽车



2022 Annual Report

**for identification purposes only*

Contents

Corporate Information

(as at 29th March, 2023)

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. Xu Daqing
Mr. Song Jian*
Mr. Jiang Bo*
Mr. Dong Yang*
Dr. Lam Kit Lan, Cynthia*

* *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
Wanchai
Hong Kong

LEGAL ADVISORS TO THE COMPANY

Appleby
Lau, Horton & Wise LLP

INVESTOR RELATIONS

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

STOCK CODE

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

Five Year Financial Summary

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES
(Amounts in thousands except for earnings per share)

	Year Ended and as at 31st December,				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000
Statement of Profit or Loss Data:					
Revenue	**1,130,725**	2,141,946	3,123,210	3,861,949	4,377,263
Profit (Loss) before Income Tax Credit (Expense)	**7,142,772**	10,459,611	(828,590)	6,196,989	5,359,046
Income Tax Credit (Expense)	**4,058**	(18,817)	(128,956)	(215,454)	(64,552)
Profit (Loss) for the Year	**7,146,830**	10,440,794	(957,546)	5,981,535	5,294,494
Attributable to:					
Equity Holders of the Company	**7,146,895**	11,960,525	11,219	6,667,240	5,820,909
Non-controlling Interests	**(65)**	(1,519,731)	(968,765)	(685,705)	(526,415)
	7,146,830	10,440,794	(957,546)	5,981,535	5,294,494
Basic Earnings per Share	**RMB1.41655**	RMB2.37064	RMB0.00222	RMB1.32148	RMB1.15374
Diluted Earnings per Share	**RMB1.41655**	RMB2.37064	RMB0.00222	RMB1.32148	RMB1.15374
Statement of Financial Position Data:					
Non-current Assets	**21,698,019**	44,993,801	36,627,367	30,355,523	32,818,148
Current Assets	**33,728,585**	4,957,194	11,347,346	19,019,014	9,281,708
Current Liabilities	**(3,114,199)**	(8,613,068)	(14,079,401)	(14,805,123)	(10,131,964)
Non-current Liabilities	**(95,578)**	(163,588)	(538,182)	(189,429)	(143,070)
Non-controlling Interests	**(771,573)**	1,154,360	(71,349)	(549,919)	(745,078)
Shareholders' Equity	**51,445,254**	42,328,699	33,285,781	33,830,066	31,079,744

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, 2022.

The Chinese economy continued to face challenges in 2022 and China's GDP grew mildly at 3.0% for the full year. According to the China Association of Automobile Manufacturers, total vehicle production and sales in China increased by 3.4% to 27.0 million units and 2.1% to 26.9 million units respectively in 2022, which ranked the largest in the world consecutively for 14 years. Sales of passenger cars increased by 9.5% to 23.6 million units. Sales of new energy vehicles ("**NEVs**") (including battery electric vehicles ("**BEVs**"), plug-in hybrid electric vehicles and also fuel cell vehicles) increased significantly to 6.9 million units, up 93.4% from 2021. Premium passenger vehicle sales continued to grow at 11.1% to 3.9 million units outperforming the overall market. The strong performance of premium passenger vehicle sales was driven by the consumption upgrade trend resulting from the increasing income level of consumers in China.

In spite of the challenging operating environment due to COVID-19 pandemic, temporary shutdown of dealers, geopolitical tension, industry-wide shortage in chip supply and rising raw material costs, BMW Brilliance Automotive Ltd. ("**BBA**") continued to deliver remarkable results with both record sales volume and profit for the year and participate in the long-term growth story of China. With strong dedication of the teams and support from BMW, BBA was able to maintain sufficient production to meet strong customer demands. BBA also took advantage of market opportunities to further improve price realisation. At the same time, BBA opened its Dadong Plant extension and new Lydia Plant according to schedule. These new capacities will support the planned launches of new models in 2022 and beyond. BBA's dealer network nationwide reached 625 full service 4S/5S shops by the end of the year.

For new models, BBA successfully launched the All-New BMWi3 (a long-wheelbase BEV version of the 3-series model) and the All-New X5 (a long-wheelbase model) in 2022. Unit sales of BEVs in China doubled to over 45,000 units for the year. BBA exported almost 30,000 units of iX3 in 2022. Going forward, NEVs are expected to constitute a higher percentage of the total production of BBA.

BBA is committed to be a leader in premium e-mobility in China, and is working with BMW to explore new technologies and accelerate sustainability throughout the entire electric vehicle value chain. Ling Yue Digital Information Technology Company Limited (“**Ling Yue**”), a wholly-owned subsidiary of BBA, provides services including data solutions, digital solutions, customer relationship management, e-commerce and IT development and operations for BBA and BMW entities in China. Its core competencies have enhanced customer interaction and satisfaction (via over 7 million users of *My BMW App*), acted as a customer relationship management tool and identified sales leads, and also drove e-commerce transactions.

In 2022, Ningbo Yumin Machinery Industrial Co., Ltd. (“**Ningbo Yumin**”) achieved a mild growth in revenue but margin was squeezed by price cuts from customers and inflated key raw material (aluminium alloys) costs. It has secured 5 new customers (including 2 overseas customers) and undertook 20 new development projects. The number of new businesses increased by 70% year-on-year, and a number of innovative products were developed. Ningbo Yumin was rated as a Zhejiang provincial level enterprise technology research and development (“**R&D**”) center. In 2022, its production and sale of sunroof guide rail products accounted for about 21% of the market share in China and maintained its number one position.

Mianyang Brilliance Ruian Automotive Components Co., Ltd. (“**Mianyang Ruian**”), another wholly-owned subsidiary of the Company, continued to engage in the R&D and manufacture of camshafts for petrol vehicle and EV engines. In 2022, it achieved single digit growth in sales and profit amid challenging operating environment. Vehicles equipped with its products (such as NEVs of Li Auto and Geely) were launched with favourable response and sales performance. Mianyang Ruian will take advantage of its core R&D capability to actively participate in the NEV sector, and make efforts to achieve breakthroughs in the range-extended hybrid and plug-in hybrid vehicle segments.

Chairman's Statement (Cont'd)

Our minibus and light commercial vehicle business carried out by Renault Brilliance Jinbei Automotive Company Limited ("**RBJAC**") has applied 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**") on 30th December, 2021 for a restructuring which had been ongoing throughout 2022. The Board is evaluating various strategic options for RBJAC from an operational perspective.

Despite the overall challenging operating environment and the higher refinancing costs that Brilliance – BEA Auto Finance Co., Ltd. ("**BBAFC**"), our auto finance subsidiary in China, was facing due to the ongoing and extended Huachen group restructuring, it achieved profitable results in 2022. BBAFC has expanded its new business cooperation with carefully selected NEV partners in China including Tesla and Li Auto. In February 2023, BBAFC successfully completed its first green and carbon neutral RMB235 million syndication bank loan which paved the way for more stable and diversified funding sources.

During the year, the Board had resolved to declare a special dividend of HK$0.96 per ordinary share of the Company in connection with the disposal of its 25% interest in BBA. With China's ambition to resume its normal growth trajectory post pandemic since the beginning of 2023, the Board is optimistic about the performance of our group companies. In addition, the Board will continue to seek suitable strategic investments primarily within the automobile industry value chain which could generate sustainable business growth for the Group.

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.

Xiaoan Wu

Wu Xiao An
(also known as Ng Siu On)
Chairman
29th March, 2023

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, 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are the manufacture and sale of BMW vehicles in the People's Republic of China (the "**PRC**") through its major associate, BBA, the manufacture and sale of automotive components through its subsidiaries, Ningbo Yumin and Mianyang Ruian, and the provision of auto financing service through its subsidiary, BBAFC. The principal activities of the Company's subsidiaries are set out in note 38 to the financial statements.

RBJAC (formerly known as Shenyang Brilliance JinBei Automobile Co., Ltd. ("**Shenyang Automotive**")) was the Company's major operating subsidiary which manufactured and sold minibuses, muti-purpose vehicles ("**MPVs**") and automotive components in the PRC and is beneficially owned as to 51% by the Company. 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. An application was made by RBJAC to the Shenyang Intermediate People's Court for the postponement of the submission of the plan for the RBJAC Restructuring till 12th April, 2023.

In May 1998, the Company acquired indirect interests in two automotive components suppliers in the PRC: a 51% equity interest in Ningbo Yumin, which primarily engaged in the production of automobile window molding, stripping and other auto components; and a 50% equity interest in Mianyang Xinchen Engine Co., Ltd. ("**Mianyang Xinchen**"), which primarily engaged in the development, manufacturing and sale of light-duty gasoline and diesel engines for use in passenger vehicles and light commercial vehicles ("**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. During the year, as a result of the restructuring of its major customers, Xing Yuan Dong has suspended its business operation.

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. This wholly-owned subsidiary of the Company has started the liquidation process on 26th July, 2022. The Company considers that the Group has lost control over Shenyang Jindong on 26th July, 2022.

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

As at the date of this report, BBA is holding 42%, 42%, 42% and 100% interests in BMW Automotive Finance (China) Co., Ltd. (an auto finance company), Herald International Financial Leasing Co., Ltd. (an auto finance company), BMW (China) Insurance Broker Co., Ltd. (an auto insurance broker) and Ling Yue (a data processing and software application services company), 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 Automotive Group Holdings Company Limited ("**Huachen**", an indirect controlling shareholder of the Company). 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 "**Huachen Restructuring Plan**") to the Shenyang Intermediate People's Court and requested for convening a creditors' meeting to vote on the Huachen Restructuring Plan. On 21st July, 2022, the Board was informed that the creditors of Huachen did not approve the Huachen Restructuring Plan.

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

On 7th April, 2015, BBAFC, the Company's auto finance joint venture in China together with Bank of East Asia and CaixaBank, S.A., received final approval to commence business in the PRC. BBAFC is a multi-brand service provider, and is owned as to 55% by the Company, 22.5% by Bank of East Asia and 22.5% by CaixaBank. BBAFC has continued to expand its business cooperation with carefully selected NEV partners in China like Tesla and Li Auto. In February 2023, BBAFC successfully completed its first green and carbon neutral syndication bank loan.

REVENUE AND CONTRIBUTION

The Group's revenue and contribution to profit from operations for the year ended 31st December, 2022, analysed by product category, are as follows:

	Manufacture and sale of 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	**877,945**	**235,589,367**	**252,780**	**(235,589,367)**	**1,130,725**
Segment results	**(517,628)**	**40,996,364**	**678**	**(40,965,075)**	**(485,661)**
Unallocated costs net of unallocated income					**(86,654)**
Interest income					**416,323**
Finance costs					**(12,927)**
Gain on disposal of partial equity interest in a joint venture	**–**	**4,895,929**	**–**	**–**	**4,895,929**
Other taxes related to the disposal	**–**	**(7,287,093)**	**–**	**–**	**(7,287,093)**
Gain on deconsolidation of subsidiaries	**779,278**	**–**	**–**	**–**	**779,278**
Share of results of:					
A joint venture	**–**	**2,379,782**	**–**	**–**	**2,379,782**
Associates	**(29,770)**	**6,573,565**	**–**	**–**	**6,543,795**
Profit before income tax credit					**7,142,772**

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2022 are set out in the financial statements of the Group on pages 88 and 89.

BUSINESS REVIEW

The Company is an investment holding company. The principal activities of the Company's subsidiaries are the manufacture and sale of automotive components, and the provision of auto financing service in the PRC. In 2022, Ningbo Yumin, Mianyang Ruian and BBAFC were the Company's major operating subsidiaries in the PRC, which contributed about 52%, 25% and 22%, respectively, of the revenue of the Group in the year.

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 Ningbo Yumin, Mianyang Ruian and BBAFC) for the year ended 31st December, 2022 was RMB1,130.7 million, representing a decrease of 47.2% from the RMB2,141.9 million generated during the year ended 31st December, 2021. The main reason for the decrease was due to the exclusion of the sales of minibuses and MPVs of RBJAC as its financial statements were deconsolidated from the Group's consolidated financial statements for the year ended 31st December, 2022. The decrease in revenues was also due to reduced revenue contribution from BBAFC as a result of citywide COVID-19 induced lockdowns in Shanghai during the year causing major business disruptions.

Cost of sales decreased by 54.4% from RMB1,961.2 million in 2021 to RMB895.2 million in 2022. The gross profit of the Group increased by 30.4% from RMB180.7 million in 2021 to RMB235.6 million in 2022. Consequently, the gross profit margin of the Group improved to 20.8% in 2022 when compared to 8.4% in 2021. The improvement was due to the exclusion of negative RBJAC gross profit contribution as a result of its deconsolidation from the Group's consolidated financial statements in 2022.

Other income increased by 161.4% from RMB53.4 million in 2021 to RMB139.6 million in 2022. The increase was mainly due to recognition of compensation income from the local government for the relocation of certain premises of a subsidiary.

Interest income increased 8.4 times from RMB49.8 million in 2021 to RMB416.3 million in 2022 due to increases in short-term bank deposits and cash and cash equivalents as a result of the consideration payment received in February 2022 from the disposal of 25% equity interest in BBA and the dividend income from BBA.

Selling expenses decreased by 75.9% from RMB140.5 million in 2021 to RMB33.9 million in 2022. The decrease in selling expenses was mainly due to the exclusion of RBJAC selling expenses as a result of its deconsolidation from the Group's accounts in 2022. As a result, selling expenses as a percentage of revenue has decreased from 6.6% in 2021 to 3.0% in 2022.

General and administrative expenses (excluding net ECL allowance on loans and receivables) decreased by 85.1% from RMB2,941.5 million in 2021 to RMB437.8 million in 2022. The decrease was caused by the deconsolidation of RBJAC from the Group's consolidated financial statements in 2022. In addition, there was large impairment loss recognised for property, plant and equipment and intangible assets in 2021 as a result of the suspension of certain production of minibuses, MPVs and automotive components and the restructuring of RBJAC. On the other hand, the decrease in general and administrative expenses in 2022 was partly offset by one-off employee compensation expenses incurred for resizing the operations of certain subsidiaries of the Group in 2022.

Net ECL allowance on loans and receivables decreased by 53.0% from RMB1,011.9 million in 2021 to RMB475.7 million in 2022. The ECL allowance for 2021 was mainly provided for the Group's affiliated companies while the ECL allowance for 2022 was mainly for the deconsolidated subsidiaries, particularly for RBJAC.

Finance costs decreased by 89.7% from RMB125.7 million in 2021 to RMB12.9 million in 2022 due to the decrease of bank borrowings during 2022 and the exclusion of bank borrowings of RBJAC as a result of deconsolidating its financial statements from the Group's consolidated financial statements.

The Group's share of results of a joint venture represents contribution from BBA as a joint venture. Net profit contributed to the Group by BBA as a joint venture decreased by 83.6% from RMB14,514.8 million in 2021 to RMB2,379.8 million in 2022. It is mainly due to the reclassification of BBA from a joint venture to an associate when the sale of 25% BBA equity interest to BMW became effective in February 2022. Starting from 11th February, 2022, BBA is treated as an associate of the Company. As a result, the Group's share of results of associates registered profits of RMB6,543.8 million in 2022 in comparison to losses of RMB119.6 million in 2021.

BBA achieved local sales of 664,934 units in 2022, an increase of 2.0% as compared to 652,000 BMW vehicles sold in 2021. The local sales volumes of BBA by models are listed in the table below:

BMW Models	2022	2021	% Change
1-series	24,195	36,350	-33.4%
3-series	161,721	173,000	-6.5%
5-series	173,977	172,854	0.6%
X1	81,895	95,089	-13.9%
X2	18,506	23,300	-20.6%
X3	146,407	151,407	-3.3%
X5	58,233	–	n/a
Total	**664,934**	**652,000**	**2.0%**
Of which BEVs	**45,364**	**22,452**	**102.0%**

In addition, BBA also has started prominent export sales. It had 30,005 units, mainly X3 BEV models, sold overseas in 2022, an increase by 37.1% from 21,888 units sold overseas in 2021.

The gain on disposal of partial equity interest in a joint venture of RMB4,895.9 million recorded in 2022 represents the gain from disposal of the 25% equity interest in BBA by the Group to BMW which became effective on 11th February, 2022.

The other taxes related to the disposal of RMB7,287.1 million recorded in 2022 represents taxes paid on capital gains derived from the disposal of the 25% equity interest in BBA.

The gain on deconsolidation of subsidiaries of RMB779.3 million recorded in 2022 represents gain realised upon deconsolidation of RBJAC and Shenyang Jindong from the Group's consolidated financial statements in 2022.

The Group's profit before income tax expense amounted to RMB7,142.8 million in 2022, as compared to RMB10,459.6 million in 2021. Income tax expense turned from an expense of RMB18.8 million in 2021 to a credit of RMB4.1 million in 2022, due to over-provision of income tax of subsidiaries in prior year.

As a result of the above, the Group recorded net profit attributable to equity holders of the Company of RMB7,146.9 million for the year 2022, representing a decrease of 40.2% from the RMB11,960.5 million realised in 2021. Basic earnings per share in 2022 amounted to RMB1.41655, compared to RMB2.37064 in 2021. In addition, return on capital employed (as defined by the EBITDA÷average capital employed) for 2022 was 15.5%, compared to 29.2% for 2021.

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

Please refer to note 4 to the financial statements for details of the main financial risks faced by the Group and the Group's management objectives and policies regarding such risks. In addition to such financial risks, the directors are of the view that any material change in relevant government policies (such as the Chinese Government's policies on economic development and environmental protection) is also one of the principal risks and uncertainties that may affect the Group's business.

Likely future development of business

The Group will continue to focus on its principal activities including the manufacture and sale of BMW vehicles, the manufacture and sale of automotive components, and the provision of auto financing service in the PRC. As stated in the Chairman's Statement's section, the Board will continue to seek suitable strategic investments primarily within the automobile industry value chain which could generate sustainable business growth for the Group.

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 RBJAC

Reference is made to the interim report of the Company for the six months ended 30th June, 2022 (the "**2022 Interim Report**").

As the formal plan for the RBJAC Restructuring (as defined in the 2022 Interim Report) is still being formulated, an application was made by RBJAC to the Shenyang Intermediate People's Court for the postponement of the submission of the plan for the RBJAC Restructuring till 12th April, 2023. 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. The Board is evaluating various strategic options for RBJAC from an operational perspective.

(b) Litigations against the Group

References are made to the 2022 Interim Report and the announcement of the Company dated 30th September, 2022 (the "**September Announcement**").

(i) The appeal hearings to the Appeal Judgments (as defined in the September Announcement) have been completed and the Liaoning High People's Court has clarified that SJAI shall only be held liable for 50% of such amount of the Appeal Judgments which cannot be discharged by the principal borrowers.

(ii) At the request of 中國光大銀行股份有限公司瀋陽分行 (China Everbright Bank Co., Ltd. (Shenyang Branch)*), the Shenyang Intermediate People's Court had ordered that the CEB Freezing Orders (as defined in the 2022 Interim Report) be extended for a further period of 12 months commencing from 21st February, 2023 or until the respective CEB Freezing Orders have been discharged.

(iii) On 28th January, 2023, 華夏銀行股份有限公司瀋陽和平支行 (Huaxia Bank Co., Ltd. (Shenyang Heiping Branch)*) has filed an application to the Shenyang Intermediate People's Court for an enforcement order against the Huaxia Bank RMB69 million Proceeding Trial Judgment (as defined in the 2022 Interim Report) and the Huaxia Bank RMB130 million Proceeding Trial Judgment (as defined in the 2022 Interim Report).

(iv) On 27th February, 2023, SJAI received an enforcement notice from the Shenyang Intermediate People's Court ordering SJAI to perform its obligations under the EIB Proceeding Trial Judgment (as defined in the 2022 Interim Report).

(v) On 10th February, 2023, the Shenyang Intermediate People's Court ordered that an amount of RMB92,019,271.44 be released from the Huaxia Bank Freezing Order (as defined in the 2022 Interim Report) and the remaining balance under the Huaxia Bank Freezing Order in the aggregate amount of RMB107,600,000 be subject to further freezing orders (the "**Extended Huaxia Bank Freezing Orders**") for a period of 12 months (with commencement dates ranging from 10th February, 2023 and 17th February, 2023) or until the respective Extended Huaxia Bank Freezing Orders have been discharged.

(vi) In relation to the Harbin Bank RMB300 million Proceeding Trial Judgment (as defined in the 2022 Interim Report), the Shenyang Intermediate People's Court had (a) on 1st March, 2023 issued an order requiring SJAI to perform its obligations under the Harbin Bank RMB300 million Proceeding Trial Judgment; and (b) on 6th March, 2023 ordered an amount of approximately RMB151 million be released from the court order issued to freeze bank deposits of SJAI deposited with Shengjing Bank Co., Ltd. in the amount of approximately RMB301 million, and the remaining balance under such freezing order in the amount of RMB150 million be subject to further freezing order (the "**Extended Harbin Bank Freezing Order**") for a period of 12 months from 6th March, 2023 or until the Extended Harbin Bank Freezing Order has been discharged.

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, 30th June, 2022 and the September Announcement; and the annual report of the Company for the year ended 31st December, 2021 and the 2022 Interim Report. 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 Rules Governing the Listing of Securities on the Stock Exchange (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

In the context of severe global warming, public awareness and understanding of energy saving and environmental protection has gradually increased and the society requires enterprises to save energy and reduce emission. The Group 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. The Group has established measures to manage chemicals and waste water. In addition, the Group is in strict compliance with the instruction for monitoring the hazardous waste from the manufacture of automotive components. To mitigate greenhouse gas ("**GHG**") emissions, the Group adopts a number of energy-saving and reducing consumption measures.

In 2022, the Group has extended the environmental, social and governance ("**ESG**") reporting boundary to cover the production operations of the Group. With the extension of ESG reporting boundary, the total emission, waste water, electricity and wastes recorded a significant increase comparing with that of 2021 in the ESG report. Although the above-mentioned items will inevitably increase with the expansion of business, the Group will continue to uphold high standard ESG management measures.

The main natural resources used in the production of the Group are electricity, water and natural gas used in the production process, and the electricity used also lead to a significant increase in indirect GHG emissions. Around 95% of the GHG emissions come from electricity consumption of the production operations. The remaining air emission and GHG emissions are mainly come from production, vehicles used in daily operation and business travels. The Group continued to explore and research ways to reduce the level of pollutants and use of resources, including requiring employees to turn off electrical appliances before leaving, reminding employees to reuse and eliminate waste of water, enhancing operation efficiency, reusing and recycling packaging materials and encouraging e-communications to reduce business trips etc.

For waste management, hazardous waste is unavoidably generated during the production process. The Group has established comprehensive written measures in handling the hazardous waste to ensure the waste are well classified, collected, recycled and disposed of in proper manner. Direct disposal of hazardous waste is strictly prohibited. For non-hazardous waste, they mainly come from commercial and production waste in daily operations, including plastic, paper and domestic garbage. The Group primarily recycles or donates these waste, and converts them into usable resources. Meanwhile, the Group has also reduced waste from the source and launched a series of internal monitoring systems relating to procurement and use of resources. In order to enhance employees' awareness of environmental protection, the Group has set out water-saving, electricity-saving and other resource waste prevention measures into the Group's system in written form. It includes the conditions and principles for using high-power-consuming equipment such as air conditioners, computers and lights.

In 2022, the Group continued to implement various measures and guidelines with internal monitoring system to ensure the ESG management process was well monitored. The Group also provided various training to our staff, and we believe that proper training and a well established workflow is the key to success ESG management. As far as the Board is aware, the Group has not committed any breaches, nor has it received any public complaints or been involved in disputes concerning environmental pollution in 2022. Looking forward, the Group will continue to pay close attention to the global and 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.

During the year of 2022, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Relationship with stakeholders and its importance

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

Key stakeholders	**Importance**
Investors	One of the Group's objectives is to create value for investors. The Group 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 Group'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 other NEV's manufacturers with the strategic partnership agreement in between.
Customers	The Group 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.
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.

CASH FLOW POSITION

The cash flow position of the Group for the year ended 31st December, 2022 is set out and analysed in the consolidated statement of cash flows on page 94 and in note 34 to the financial statements.

DIVIDENDS

The directors of the Company did not recommend any dividend payment at the Board meeting held on 29th March, 2023 in respect of the Group's 2022 annual results.

As disclosed by the Company previously, a special dividend of HK$0.96 per ordinary share of the Company (the "**Special Dividend**") was declared by the directors of the Company on 13th January, 2023. The Special Dividend was paid on 27th February, 2023.

Reference is made to the announcements made by the Company on 22nd August, 2022 and 13th January, 2023 regarding the use of the net proceeds (the "**Net Proceeds**") from the disposal of 25% equity interest in BBA by SJAI to BMW (the "**Disposal**"). Albeit the recent volatile market conditions, the Company continues to consider various options to create value for its shareholders with the net proceeds of the Disposal in light of the financial and cash flow position of the Company. The Company will update shareholders on the decision of the Board no later than 30th June, 2023.

DONATIONS

The Group has not made any charitable and other donations for the year ended 31st December, 2022.

CLOSURE OF REGISTER OF MEMBERS

The Company's forthcoming annual general meeting will be held on Tuesday, 20th June, 2023 at 9:00 a.m. (the "**2023 AGM**"). Notice of the 2023 AGM, which constitutes part of the circular to shareholders, is sent together with the annual report. The notice of the 2023 AGM and the proxy form are also available on the website of the Company.

The register of members of the Company will be closed from Wednesday, 14th June, 2023 to Tuesday, 20th June, 2023, both days inclusive, during which period no transfer of shares will be registered. The record date for the 2023 AGM is Wednesday, 14th June, 2023. Only shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 14th June, 2023 or their proxies or duly authorised corporate representatives are entitled to attend and vote at the 2023 AGM. In order to qualify for attending and voting at the 2023 AGM, 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 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m., Hong Kong time, on Tuesday, 13th June, 2023.

PROXY LODGMENT DEADLINE DATE AND TIME

Whether or not a shareholder is able to attend the 2023 AGM, he/she is requested to complete the proxy form in accordance with the instructions printed thereon and return it to the office of the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 9:00 a.m., Hong Kong time, on Sunday, 18th June, 2023, or not less than 48 hours before the time appointed for holding of any adjourned meeting of the 2023 AGM. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the 2023 AGM or any adjourned meeting thereof if they so wish and in such event, the form of proxy will be deemed to be revoked.

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, 2022 are set out in notes 32 and 37, 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, 2022 are set out in note 13 to the financial statements.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Particulars of the subsidiaries, joint ventures and associates are set out in notes 38, 15 and 16, respectively to the financial statements.

SHARE CAPITAL

Details of the Company's share capital as of 31st December, 2022 are set out in note 31 to the financial statements.

SHARE OPTIONS

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 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**"). Eligible persons under the Share Option Scheme include (i) any director of the Company, its subsidiaries, any Invested Entity or the holding company of the Company; (ii) any employee or proposed employee of the Company, its subsidiaries, any Invested Entity or the holding company of the Company; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any person or entity acting in their capacities as advisers or consultants that provides research, development or other technological support to the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and (vii) any company wholly owned by one or more persons belonging to any of the above classes of participants or any discretionary object of a participant which is a discretionary trust.

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.

The subscription price per share under the Share Option Scheme shall be determined by the directors of the Company, but shall not be lower than the higher of (i) the closing price of shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the date of grant; and (iii) the nominal value of a share.

As at 31st December, 2022, there was no outstanding share option under the Share Option Scheme.

For the period commencing from the Scheme Effective Date to 31st December, 2022:

(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, 2022, no expenses were recognised by the Group for the period under review (2021: nil).

DIRECTORS

The directors of the Company who held office during the year ended 31st December, 2022 and up to the date of this report (i.e. 29th March, 2023) are:

Executive directors:

Mr. Wu Xiao An *(chairman of the Board)*
Mr. Shen Tie Dong *(chief executive officer)*
Mr. Zhang Wei
Mr. Sun Baowei *(resigned with effect from 16th September, 2022)*
Mr. Xu Daqing *(appointed with effect from 26th September, 2022)*

Independent non-executive directors:

Mr. Song Jian
Mr. Jiang Bo
Mr. Dong Yang
Dr. Lam Kit Lan, Cynthia *(appointed with effect from 21st September, 2022)*

Pursuant to bye-law 99 and the code provision B.2.2 of Appendix 14 to the Listing Rules, Mr. Zhang Wei, Mr. Song Jian and Mr. Jiang Bo will retire by rotation at the 2023 AGM.

Each of Mr. Zhang Wei, Mr. Song Jian and Mr. Jiang Bo, being eligible, will offer himself for re-election and the Board has recommended them for election at the 2023 AGM.

Biographical details of the directors standing for re-election at the 2023 AGM are set out in the circular sent to the shareholders of the Company together with the annual report.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the directors of the Company since the date of the 2022 Interim Report is set out below:

- Mr. Zhang Wei was appointed as (a) the executive vice president of supply chain of the Company with effect from 1st October, 2022; (b) the chairman and general manager of Xing Yuan Dong, a subsidiary of the Company, with effect from 1st October, 2022; and (c) a director of Key Choices Group Limited, a subsidiary of the Company, with effect from 16th September, 2022.

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

As at 31st December, 2022, so far as is known to the directors or chief executives of the Company, the following persons other than a director or chief executive of the Company had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

	Number and class of shares held/ Approximate shareholding percentage *(Note 1)*					
Name of shareholders	**Long position**	**%**	**Short position**	**%**	**Lending pool**	**%**
Baillie Gifford & Co *(Note 2)*	255,056,000 ordinary	5.06	–	–	–	–
Morgan Stanley *(Note 3)*	398,708,232 ordinary	7.90	146,354,313	2.90	–	–
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, 2022.

(2) The 255,056,000 shares in long position were held as to 2,596,000 shares in the capacity as investment manager and as to 252,460,000 shares as corporate interest.

(3) The 398,708,232 shares in long position were held as as corporate interest. The 146,354,313 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.

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

As at 31st December, 2022, 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/she 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)* Long position	%	Short position	%	Number of share options granted (Percentage of the Company's issued share capital)
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, 2022.

Associated Corporation of the Company

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

Notes:

1. The percentage of shareholding is calculated on the basis of 1,282,211,794 shares in issue of Power Xinchen as at 31st December, 2022.

2. As at 31st December, 2022, Power Xinchen was indirectly held as to approximately 31.20% by the Company. The 33,993,385 shares in long position are interests of a discretionary trust. The said trust held 33,993,385 shares of Power Xinchen. Mr. Wu Xiao An is one of the trustees of the aforementioned trust. Mr. Wu also held 50% interests in Lead In Management Limited which is also a trustee of the said trust. Accordingly, Mr. Wu was deemed or taken to be interested in the 33,993,385 shares of Power Xinchen, representing approximately 2.65% of its issued share capital as at 31st December, 2022.

3. Mr. Wu Xiao An held 8,320,041 shares of Power Xinchen in the capacity of beneficial owner, representing approximately 0.65% of its issued share capital as at 31st December, 2022.

Save as disclosed above, as at 31st December, 2022, 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/she 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, 2022 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, 2022, 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 2022.

ANALYSIS OF INTEREST CAPITALISED

No interest was capitalised in 2022.

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 2022, the aggregate sales attributable to the Group's five largest customers, excluding the Group's associates and joint ventures, represented approximately 40.24% 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 21.58% 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 29.50% of the Group's total purchases and the purchases attributable to the Group's largest supplier represented approximately 19.15% 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 2022, 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 33(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.

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

Details of the transactions are set out in 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.

As the Company has lost control over RBJAC from 12th January, 2022 and RBJAC has been deconsolidated from the Group from that date, transactions in relation to the RBJAC Group with the Renault Group from 12th January, 2022 were not regarded as connected transactions of the Group.

(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.

The actual monetary value of all the above continuing connected transactions (collectively, the "**Continuing Connected Transactions**") for the financial year ended 31st December, 2022 is set out below.

Continuing Connected Transactions		Actual monetary value for the financial year ended 31st December, 2022 RMB'000
Huachen CCTs		
A	Sale of automobiles, materials and/or automotive components by members of the Group to members of the Huachen Group	–
B	Purchases of materials and/or automotive components by members of the Group from members of the Huachen Group	44
C	Provision of services by members of the Group to members of the Huachen Group	268
D	Purchase of services by members of the Group from members of the Huachen Group	20
E	Lease of premises by the RBJAC Group from the Huachen Group and lease of factory facilities by RBJAC from Huachen	–
Renault CCTs		
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	–
BEA CCTs		
H	Provision of co-lending finance management services by BBAFC to BEA China	16,798

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 2022 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 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these transactions are disclosed in note 33 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 33 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 TRANSACTION

To facilitate the restructuring of Huachen, among others, the Company proposed to transfer the 49% equity interest held by the Company in Brilliance Power, a company established in the PRC with limited liability and the equity interests of which are owned as to 49% by the Company and 51% by Huachen, to Huachen at nil consideration (the "**Possible Disposal**"). As the Huachen Restructuring Plan remained subject to the approval of the creditors of Huachen and by the Shenyang Intermediate People's Court, the Possible Disposal will only materialise following the approval of the Huachen Restructuring Plan by the creditors of Huachen and by the Shenyang Intermediate People's Court.

Details of the Possible Disposal are set out in the Company's announcement dated 21st June, 2022.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange had been suspended from 9:00 a.m. on 31st March, 2021 to 4th October, 2022 and has been resumed from 9:00 a.m. on 5th October, 2022.

AUDITOR

Grant Thornton Hong Kong Limited will retire at the conclusion of the 2023 AGM and be eligible to offer itself for re-appointment. A resolution will be submitted to the 2023 AGM to seek shareholders' approval on the appointment of Grant Thornton Hong Kong Limited as our auditor until the conclusion of the next annual general meeting and to authorise the Board to fix its remuneration.

By order of the Board

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

Hong Kong,
29th March, 2023

Management's Discussion & Analysis

BUSINESS DISCUSSION AND ANALYSIS

A review of the business of the Group during the financial year ended 31st December, 2022 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 6 and pages 9 to 14 of this annual report.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2022, the Group had RMB28,463.3 million in cash and cash equivalents (As at 31st December, 2021: RMB1,049.3 million), RMB32.5 million in statutory deposit reserves at central bank (As at 31st December, 2021: RMB32.5 million), and RMB3,461.9 million in pledged and restricted short-term bank deposits (As at 31st December, 2021: RMB745.2 million).

As at 31st December, 2022, the Group had notes payable in the amount of RMB170.1 million (As at 31st December, 2021: RMB334.4 million).

As at 31st December, 2022, the Group had outstanding short-term bank borrowings of RMB350.0 million (As at 31st December, 2021: RMB2,167.3 million), and long-term bank borrowings due within one year of RMB7.5 million (As at 31st December, 2021: RMB390.6 million). As at 31st December, 2022, the Group did not have long-term bank borrowings over one year (As at 31st December, 2021: RMB7.5 million).

All short-term bank borrowings as at 31st December, 2022 were due within one year, being repayable from 6th January, 2023 to 20th December, 2023 (As at 31st December, 2021: repayable from 6th January, 2022 to 21st December, 2022). As at 31st December, 2022, these borrowings were interest-bearing at rates ranging from 5.50% to 5.65% per annum, and were denominated in Renminbi (As at 31st December, 2021: 5.03% to 8.00% per annum, Renminbi).

All long-term bank borrowings as at 31st December, 2022 were due within one year, being repayable from 20th January, 2023 to 20th October, 2023 (As at 31st December, 2021: RMB390.6 million, repayable from 20th January, 2022 to 20th December, 2022). As at 31st December, 2022, these long-term bank borrowings were interest-bearing at rates ranging from 4.30% to 4.60% per annum, and were denominated in Renminbi (As at 31st December, 2021: 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, 2022, the Group's accounts receivable turnover days was approximately 94 days, compared to approximately 101 days for 2021. Inventory turnover days was approximately 88 days in 2022, compared to approximately 83 days in 2021.

CAPITAL STRUCTURE AND FUNDING POLICIES

As at 31st December, 2022, the Group's total assets was approximately RMB55,426.6 million (As at 31st December, 2021: RMB49,951.0 million), which was funded by the following: (a) share capital of RMB397.2 million (As at 31st December, 2021: RMB397.2 million), (b) reserves of RMB51,048.1 million (As at 31st December, 2021: RMB41,931.5 million), (c) total liabilities of RMB3,209.8 million (As at 31st December, 2021: RMB8,776.7 million) and (d) contribution from non-controlling interests of RMB771.6 million (As at 31st December, 2021: negative contribution of RMB1,154.4 million).

As at 31st December, 2022, 99.9% (As at 31st December, 2021: 90.9%) 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 0.1% were denominated in other currencies (As at 31st December, 2021: 0.7% and 8.4% denominated in U.S. Dollar and other currencies, respectively). Apart from the bank borrowings mentioned above, as at 31st December, 2022, the Group did not have any committed banking facilities.

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

CAPITAL EXPENDITURES AND COMMITMENTS

In 2022, the Group incurred capital expenditures of RMB47.5 million (2021: RMB369.0 million) mainly for acquisition of both owned and right-of-use assets of tools and moulds, machinery and equipment, and construction-in-progress as well as specialised software.

As at 31st December, 2022, the Group's contracted capital commitments amounted to RMB4.0 million (As at 31st December, 2021: RMB832.9 million), which were related to the capital expenditures in respect of acquisition of plant and machinery. At 31st December, 2021, capital commitments consisted of capital commitments of approximately RMB820.3 million contracted but not provided for by RBJAC, which was no longer the Group's capital commitments upon the deconsolidation of RBJAC during the year ended 31st December, 2022.

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

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 had taken place. The total amount of the consideration in the sum of RMB27,941,146,575.34 was 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.

Save as aforesaid, 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, 2022.

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 and first electrified 3-series long-wheelbase i3 models were launched to the market in 2022. For 2023, BBA has plans for various models including new version(s) of the X1 model.

Ningbo Yumin plans to further develop lightweight products related to aluminium alloys, such as bumper anti-collision beams, door sills, pedals, battery box shells and frames and mounting brackets.

Mianyang Ruian will continue to expand the market share of camshafts for commercial vehicles and will focus on the development of core parts such as resin gears.

BBAFC's business strategy remains firmly fixated on the NEV segment, which is supported by the prolific nationwide NEV development in mainland China over the past 12 months. This strategic focus has been further materialized through the conclusion of cooperation agreement with globally reputable NEV brands in early 2023.

EMPLOYEES, REMUNERATION POLICY AND TRAINING PROGRAMMES

The Group employed approximately 1,300 employees as at 31st December, 2022 (As at 31st December, 2021: approximately 4,113). Employee costs amounted to RMB341.7 million for the year ended 31st December, 2022 (For the year ended 31st December, 2021: RMB480.0 million). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions, and that employees' remuneration is based on performance.

In order to improve the overall quality and professional technical level of all employees, Ningbo Yumin and Mianyang Ruian provide training for employees from time to time. Both companies have formulated and implemented administrative measures for education and training, and have established a set of training systems and workflows including new employee induction training, special post personnel training, management training, professional technical training and quality training. The course contents are extensive, covering basic/middle-level management, new product development, quality management, financial management, lean production, teamwork, and professionalism. Training demand research are conducted and training plans are formulated on an annual basis. BBAFC has specifically arranged compliance training, business training, new hire training, paired with online courses, meeting the learning needs of the employees. BBAFC has also developed a succession plan in 2022 which lays a solid foundation of talent for its long-term development.

CHARGE ON ASSETS

As at 31st December, 2022, short-term bank borrowings of RMB200.0 million (As at 31st December, 2021: RMB567.7 million) were secured by the Group's loan receivables of approximately RMB249.5 million (As at 31st December, 2021: secured by land lease prepayments of approximately RMB2.0 million, buildings, tools and moulds, machinery and equipment and construction-in-progress totalling approximately RMB108.8 million, and loan receivables of RMB718.6 million).

As at 31st December, 2022, all long-term bank borrowings (As at 31st December, 2021: RMB398.1 million) were secured by the Group's land lease prepayments with a net book value of approximately RMB28.1 million (As at 31st December, 2021: approximately RMB28.8 million), and buildings, plant and equipment with an aggregate net book value of approximately RMB35.4 million (As at 31st December, 2021: approximately RMB43.9 million). The long-term bank borrowings at 31st December, 2021 were also secured by loans receivable of approximately RMB709.3 million.

In addition, as at 31st December, 2022, the Group pledged short-term bank deposits in an aggregate amount of RMB133.5 million (As at 31st December, 2021: RMB164.5 million), and pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB37.4 million (As at 31st December, 2021: approximately RMB73.1 million) to secure the issue of bank guaranteed notes. For details, please refer to note 19 to the financial statements.

As at 31st December, 2022, the Group had restricted short-term bank deposits of approximately RMB3,328.4 million (As at 31st December, 2021: RMB580.7 million), of which approximately RMB3,326.2 million (As at 31st December, 2021: RMB312.6 million) were restricted by the courts in the PRC for potential amounts the Group may need to settle for the lawsuits underway in respect of the unauthorised guarantees as detailed in note 28 to the financial statements. Remaining approximately RMB900,000 (As at 31st December, 2021: approximately RMB268,124,000) was restricted by the courts in the PRC for settlements of claims by creditors for payment disputes of purchases of goods and capital assets against the Group upon the final court judgments.

The directors of the Company have assessed the respective liabilities and adequate provision and liabilities have been recognised in the consolidated financial statements. The directors of the Company considered the respective provision and liabilities are adequate.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS

Save as disclosed, 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, 2022, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.06 (As at 31st December, 2021: approximately 0.21). The decrease in the gearing ratio was primarily due to the significant decrease in total current liabilities and the increase in total equity attributable to equity holders of the Company in 2022.

FOREIGN EXCHANGE RISKS

The Group considers that exchange rate fluctuations do not have significant effect on the overall financial performance of the Group as substantial transactions during the year were denominated in Renminbi. The Group will continue to monitor transactions and monetary assets and liabilities denominated in foreign currencies to minimise foreign exchange risks. There were no outstanding hedging transactions as at 31st December, 2022 (As at 31st December, 2021: nil).

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31st December, 2022.

USE OF PROCEEDS FROM THE DISPOSAL OF 25% EQUITY INTEREST IN BBA

On 11th February, 2022, the Group disposed of 25% equity interests in BBA to the another shareholder of BBA for a consideration, net of all respective taxes, of approximately RMB20.6 billion. As disclosed in the announcements of the Company dated 30th December, 2022 and 13th January, 2023, a Special Dividend was declared by the directors of the Company on 13th January, 2023 and was paid on 27th February, 2023. References are also made to the announcements made by the Company on 22nd August, 2022, 30th December, 2022 and 13th January, 2023 regarding the use of the Net Proceeds from the Disposal. Following payment of the Special Dividend, approximately RMB16.4 billion from the Net Proceeds remain unutilised. Albeit the recent volatile market conditions, the Company continues to consider various options to create value for its shareholders with the net proceeds of the Disposal in light of the financial and cash flow position of the Company. The Company will update shareholders on the decision of the Board no later than 30th June, 2023.

Directors, Senior Management and Company Secretary

The directors, senior management and company secretary of the Company as at 31st December, 2022 and up to the date of this annual report (i.e. 29th March, 2023) are set out below:

EXECUTIVE DIRECTORS

Mr. Wu Xiao An (also known as Mr. Ng Siu On), aged 61, 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 28 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 has been the chairman of BBAFC since April 2015 and the vice chairman of BMW Automotive Finance (China) Co., Ltd since February 2023. 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 the chairman of RBJAC since January 2018. Mr. Wu is the chairman of SJAI and a director of Brilliance Investment Holdings Limited, both of which are subsidiaries of the Company. He was a director of Huachen from October 2002 to June 2020. From 1988 to 1993, he was the deputy manager of the Bank of China, New York Branch. As disclosed in the announcement of the Company dated 10th March, 2023, the China Securities Regulatory Commission has issued a warning and imposed a fine against Mr. Wu. For further details, please refer to the said announcement. Mr. Wu obtained a bachelor's degree of arts from Beijing Foreign Languages Institute (now known as Beijing Foreign Studies University) in 1985 and a master of business administration degree from Fordham University in New York in 1992. Currently, Mr. Wu is the chairman of the board of directors of Power Xinchen, a company listed on the main board of the Stock Exchange (stock code: 1148). In March 2011, Mr. Wu was appointed as a director and in April 2012 designated as an executive director of Power Xinchen.

Mr. Shen Tie Dong, aged 53, 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 49, has been an executive director and the executive vice president of supply chain of the Company since 12th September, 2016 and 1st October, 2022, respectively. Mr. Zhang has been the chairman and general manager of Xing Yuan Dong since October 2022, and a director and general manager of SJAI since June 2015 and June 2017, respectively. He has also been a director of Key Choices Group Limited, a subsidiary of the Company, since September 2022. 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, majoring in business and information technology, from University of Salford in 2001. Mr. Zhang was a director of Liaoning Shenhua Holdings Co., Ltd 遼寧申華控股股份有限公司 (stock code: 600653), a company listed on the Shanghai Stock Exchange, from August 2016 to June 2021.

Mr. Xu Daqing, aged 59, has been an executive director of the Company since 26th September, 2022. He has been the secretary of the party committee and the chairman of the board of directors of Liaoning Provincial Transportation Investment Group Co., Ltd.（遼寧省交通建設投資集團有限責任公司黨委書記、董事長）since November 2015. He was the deputy secretary-general of the government of Liaoning Province（遼寧省政府副秘書長）from June 2012 to November 2015. He was also a deputy secretary of the municipal party committee of Jinzhou, Liaoning（遼寧省錦州市委副書記）from December 2010 to June 2012. From September 1995 to December 2010, Mr. Xu also took on various governmental positions in Liaoning Province. Mr. Xu graduated from Lanzhou University with a bachelor's degree in philosophy in July 1987. He also obtained a master's degree in economics (majoring in business administration) from the business administration school of Liaoning University in 1998.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Song Jian, aged 66, 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 26th June, 2020. He 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. Jiang Bo, aged 63, 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 the shareholders of the Company at the annual general meeting held on 26th June, 2020. He is also the chairman of the audit committee, remuneration committee and subsidiary senior management appointment committee and 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. In addition, Mr. Jiang is currently a visiting professor at the Nanjing Audit University（南京審計大學）and an external lecturer for master's degree students at the School of Public Finance and Taxation of the Southwestern University of Finance and Economics（西南財經大學財政稅務學院專業碩士校外導師）. From 1993 to 1999, Mr. Jiang was a director of Dandong Zhongpeng Accounting Firm（丹東中朋會計師事務所）. Mr. Jiang has approximately 29 years of experience in auditing the 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 the financial audit and asset appraisals of a number of listed companies in the PRC. He has participated in various listing projects of state-owned enterprises in the PRC and overseas and has gained experience in reviewing and analyzing the audited financial statements of companies listed in the PRC. Mr. Jiang holds a bachelor of science degree in mathematics from Liaoning University and a graduate diploma in accounting from Central Finance and Economics University.

Mr. Dong Yang, aged 67, 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 39 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.

Dr. Lam Kit Lan, Cynthia, aged 55, has been an independent non-executive director of the Company since 21st September, 2022. She is currently the Chairman and a director of Infinergy Hong Kong Ltd. From March 2003 to January 2020, Dr. Lam was the Asia Compliance Officer of Bloomberg L.P. ("**BLP**"). She also acted as an executive director and the Responsible Officer of BLP's subsidiary, Bloomberg Tradebook Hong Kong Limited. From 1998 to 2003, she was employed by DBS TD Waterhouse Hong Kong Limited as its executive director and Chief Compliance Officer. Prior to 1998, she took on various regional compliance roles with international investment banks and gained regulatory experience having worked in the Enforcement Division of the Securities and Futures Commission and the Listing Division of the Stock Exchange. Dr. Lam holds a Doctor of Business Administration degree from the Hong Kong Polytechnic University and was the recipient of her graduating year's (2007) best thesis award on the topic of Corporate Governance. She received MBA and B. Sc. (Hons) degrees from the University of Toronto in 1993 and 1990, respectively, and received LLB (Hons) degree from the University of Wolverhampton in 1998. She is a fellow member of the Hong Kong Institute of Directors ("**HKIoD**") and of the Hong Kong Securities and Investment Institute ("**HKSI**"). Dr. Lam completed the Executive Diploma in Corporate Governance and Sustainability Directorship jointly organised by the University of Cambridge Institute for Sustainability Leadership and the HKIoD in 2021. Dr. Lam also contributed her time to various public service appointments, including as a member of two Market Misconduct Tribunals in 2007 and 2011, a member of the Securities and Futures Appeals Tribunal between 2009 to 2011, a member of the Securities and Futures Appeals Tribunal between 2013 to 2015 and former Vice-Chair and Director of the Institute of Securities Dealers Limited. Dr. Lam also acted as a former independent non-executive director for HKSI.

SENIOR MANAGEMENT

Ms. Huang Yu has been the chief financial officer of the Company with effect from 7th October, 2022. Ms. Huang joined the Company in 1999 and has been extensively involved in major projects of the Company such as the listing of an associate of the Company as well as the formation and operation of joint ventures of the Company. She has extensive experience in financial accounting, taxation and management accounting. Ms. Huang 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 an 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. Li Bin, aged 55, was appointed as executive director of Mianyang Ruian in May 2020. He was further appointed as general manager of Mianyang Ruian in August 2020. He joined the Group in 1989 and had held a number of positions, including but not limited to the head of a stamping workshop and a painting workshop of Shenyang Automotive, a factory manager and the manager of a painting factory and the manager of an automobile factory of Huachen Zhonghua Automobile Company（華晨中華汽車公司）, and the vice general manager of Dongxing Automotive. Mr. Li Bin graduated from Shenyang Radio and TV University（瀋陽廣播電視大學）majoring in machine design and manufacturing in 1989, and subsequently obtained a graduate master's degree in industrial economics from Capital University of Economics and Business in 2019.

Mr. Song Jiwu, aged 57, was appointed as general manager of Ningbo Yumin and Ningbo Ruixing since October 2007. Mr. Song was the manager, the assistant to the general manager and the vice general manager of Xing Yuan Dong from May 2000 to October 2007, the deputy manager of the logistics department of Shenyang Automotive from April 1997 to May 2000, a pre-production planner（產前調度）and a supervisor（主管）of Shenyang Jinbei Passenger Vehicle Manufacturing Co., Ltd.（瀋陽金杯客車製造有限公司）from January 1992 to April 1997, and a technician and a mould designer of Shenyang Sedan Factory（瀋陽轎車廠）from July 1988 to January 1992. Mr. Song graduated from Shenyang Radio and TV University（瀋陽廣播電視大學）majoring in machine manufacturing in July 1988 and subsequently obtained a master of business administration degree from the School of Administration and Management（行政與管理學院）of the Macau University of Science and Technology in August 2004. He obtained the qualification for professional and technical positions as an engineer in June 1996.

Mr. Jongheon Won, aged 52, 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 21 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 PRACTICES

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, ensuring that its affairs are conducted in accordance with applicable laws and regulations and consistent with the "Corporate Governance Code" set out in Appendix 14 to the Listing Rules which was prevailing in 2022 (the "**CG Code**") as it believes that good corporate governance practices are fundamental to the effective operation of the Company and can enhance shareholders' value as well as safeguard shareholders' interests. The Group has considered the principles of good corporate governance set out in the CG Code, and has put in place corporate governance practices to meet the code provisions. The corporate governance principles of the Company emphasis a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Board will continue to review and improve the corporate practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for the shareholders.

Throughout the financial year ended 31st December, 2022, save as disclosed herein, the Group has complied with all code provisions set out in Part 2 of Appendix 14 to the Listing Rules which were in effect for the financial year 2022.

A. CORPORATE PURPOSE, STRATEGY AND GOVERNANCE

A.1 Corporate strategy, business models and culture

The Board is responsible for nurturing the Company's culture, which aligns with the Company's purpose, values and strategy. Acting with integrity and leading by example, the directors are vested with the role to promote the desired culture and to instill and continually reinforce the values of acting lawfully, ethically and responsibly across different business segments and to all employees, and embed the same in making business decisions and our operations.

The Company is 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. Directors should take decisions objectively in the best interests 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. By recognizing the importance of stakeholders at the Board level and throughout the Group, the Company strives to create values to stakeholders through sustainable growth and continuous development. The Group will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group. A discussion and analysis of the Group's performance is included in this annual report.

Daily management and administration functions are delegated to the management. The responsibilities and matters specifically reserved to the Board are set out in section C.3 below.

A.2 Corporate governance functions

The Board is responsible for performing the corporate governance duties. 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 A.2 of the CG Code. Pursuant to the terms of reference of the corporate governance function (as amended with effect from 27th March, 2013), the Board shall be responsible for:

- developing and reviewing the policies and practices on corporate governance of the Company;
- reviewing and monitoring the training and continuous professional development of directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors; and
- reviewing the compliance with the CG Code and disclosure in the Company's corporate governance report.

This corporate governance report has been reviewed by the Board in discharge of its corporate governance function.

On 30th December, 2022, the Board adopted a whistleblowing policy and an anti-corruption policy, details of which are set out in section D.2 in this report.

B. BOARD COMPOSITION AND NOMINATION

B.1 Board composition, succession and evaluation

Currently, the Board comprises eight (8) directors: Four (4) executive directors and four (4) independent non-executive directors. The current composition of the Board is as follows:

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

Under Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors, and Rules 3.10A and 3.10(2) stipulate that every listed issuer is required to have such number of independent non-executive directors representing at least one-third of the Board, and at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise.

Throughout the year 2022, the number of independent non-executive directors has fulfilled the minimum requirement of the Listing Rules. Apart from the existing three independent non-executive directors, the Company appointed Dr. Lam Kit Lan, Cynthia as an additional independent non-executive director with effect from 21st September, 2022. As such, at present, independent non-executive directors represent half of the Board. The current composition of the Board has a strong independence element with an aim to ensuring independent views and input are available to the Board. The Company has also put in place mechanism to ensure independent views and inputs are available to the Board. This is achieved by providing directors with access to external independent professional advice from legal advisers and auditor, as well as the full attendance of all independent non-executive directors at all the meetings of the Board and its relevant committees held during the year. The Board has reviewed the implementation and effectiveness of the board independence mechanism for the year ended 31st December, 2022 and considered it to be effective.

Among the four independent non-executive directors, Mr. Jiang Bo is a certified public accountant and a public valuer in the PRC. Mr. Jiang has approximately 29 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/her 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 nomination committee of the Company is of the view that each of the independent non-executive directors has demonstrated complete independence in character and has contributed objectively in giving impartial advice to the Board and exercising independent judgement in his/her capacity as a member of each of the Company's audit committee, remuneration committee, nomination committee and subsidiary senior management appointment committee. The nomination committee also took into consideration the perspectives, skills and experience that the independent non-executive directors could bring to the Board, including without limitation, their extensive experience in compliance and corporate governance, and their contributions to the Board and its diversity.

The Board members (including the chairman of the Board and the chief executive officer) 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 29 to 31 of this annual report.

The list of directors identifying their roles and functions has been published on the website of the Company and that of the Stock Exchange. The independent non-executive directors are also identified in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

B.2 Appointment, re-election and removal of directors

The Board follows a formal, considered 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.

All directors should be subject to re-election at regular intervals. Code provision B.2.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The annual general meetings for the years ended 31st December, 2020 and 2021 were held on 11th November, 2022 where 3 out of the 4 executive directors, who had either been longest in office since his last election or had been newly appointed as directors, had offered themselves for re-election. Since the shares of the Company only resumed trading on 5th October, 2022, to prevent the risk of a vacant Board and to minimize the risk of disruption to the operation of the Company, Mr. Zhang Wei, who was re-elected at the annual general meeting held on 4th June, 2019, will instead be subject to retirement by rotation at the annual general meeting to be held on 20th June, 2023.

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. Whenever there is a casual vacancy in the Board, the Company will consider the appointment to fill up the same should there be any suitable candidate in due course. To propose candidates to stand for election at a general meeting of the Company, the nomination committee shall make nominations for the Board's consideration and approval. Reasons for the resignation or removal of any director have been explained in the relevant announcements published by the Company.

Directors should ensure that they can give sufficient time and attention to the Company's affairs and should not accept the appointment if they cannot do so. The Company has signed a formal letter of appointment or service agreement setting out the key terms and conditions of the directors' appointments. The letter of appointment specifies that a director should perform his/her function and exercise powers as are appropriate to his/her position as director in connection with the business of the Group. These will include (but not limited to) attending board meetings and general meetings of the Company and meetings of any board committees of the Company of which he/she becomes a member. As a director of the Company, he/she should ensure that he/she can give sufficient time and attention to the affairs of the Group. During the year, all the directors have attended the Board meetings and general meetings, and have actively participated in discussion. All directors are committed to devote sufficient time and attention to the affairs of the Group.

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 B.2.2.

To comply with code provision B.2.2 and in accordance with bye-law 99, Mr. Zhang Wei, Mr. Song Jian and Mr. Jiang Bo will retire by rotation at the 2023 AGM and have offered themselves for re-election at the 2023 AGM.

Pursuant to code provision B.2.3, if an independent non-executive director has served more than nine (9) years, his/her further appointment should 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. The reasons based on which the Board has formed its opinion that each of Mr. Song Jian and Mr. Jiang Bo are independent and justified to be re-appointed as independent non-executive directors at the 2023 AGM will be stated in the circular of the Company to be despatched to its shareholders in April 2023.

Mr. Dong Yang and Dr. Lam Kit Lan, Cynthia, being the other two independent non-executive directors of the Company, were appointed with effect from 21st May, 2021 and 21st September, 2022, respectively.

All directors have given and are committed to devote sufficient time and attention to the affairs of the Group.

B.3 Nomination committee

The nomination committee was established on 28th March, 2012 with specific written terms of reference (as amended with effect from 27th March, 2013 and 30th December, 2022 for incorporation of certain amendments to the CG Code). Terms of reference of the nomination committee have included the duties set out in code provisions B.3.1(a) to (d) of the CG Code, and are available on the website of the Company and the website of the Stock Exchange.

The nomination committee has given consideration to the principles under B.1 and B.2 in relation to the board composition, as well as the succession, evaluation, appointment, re-election and removal of directors. The Company acknowledges the importance to ensure an effective and orderly succession of directors and to maintain the balance of diversity, collective knowledge and skills of the Board necessary for the effective governance of the Company. The nomination committee will make appropriate recommendations to the Board in accordance with the needs of the Company.

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.

The nomination committee is responsible for reviewing the Board's composition and diversity, developing the relevant procedures for nomination and appointment and the succession planning of directors, 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 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, 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 assess the candidate's independence in accordance with the CG Code and the Listing Rules. Where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, the Company will set out in the circular to shareholders the information as required by code provision B.3.4 of the CG Code.

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.

During 2022, the nomination committee met once (1) and discharged its responsibilities. Attendance of individual members at nomination committee meeting in 2022 were as follows:

Number of meeting	**1**
Mr. Song Jian	1/1 (100%)
Mr. Jiang Bo	1/1 (100%)
Mr. Dong Yang	1/1 (100%)
Mr. Wu Xiao An	1/1 (100%)
Mr. Shen Tie Dong	1/1 (100%)
Average attendance rate	100%

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 2022 included:

- noting and accepting the resignation of an executive director;
- assessing the suitability of an independent non-executive director and an executive director;
- assessing the independence of the independent non-executive directors;
- approving the appointment of an independent non-executive director;
- approving the appointment of an executive director;
- reviewing the current Board's structure, size and composition, including gender diversity;
- 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;
- reviewing and adopting the revised terms of reference of the nomination committee; and
- reviewing the board diversity policy.

Two new members, namely Mr. Xu Daqing and Dr. Lam Kit Lan, Cynthia have been appointed to the Board during the year 2022.

Mr. Sun Baowei resigned as a director of the Company on 16th September, 2022.

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

C. DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS

C.1 Responsibilities of directors

The directors are fully aware of their responsibilities as a director of the Company, and have been discharging their fiduciary duty to the Company.

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 C.1.4, the Company has arranged for, and provided fund for, all the directors of the Company to participate in continuous professional development organised in the form of in-house training, seminars or other appropriate courses to keep them abreast of their knowledge, skill and understanding of the Group and its business or to update their skills and knowledge on the latest development or changes in the relevant statutes, the Listing Rules and corporate governance practices. As part of the continuous professional development program, the Company has also updated the directors of any material changes in the Listing Rules and corporate governance practices from time to time. Directors are provided with reading materials summarizing the duties and responsibilities in acting as directors from time to time to keep the directors abreast of such duties and responsibilities.

In addition to directors' attendance at meetings and review of papers and circulars distributed by management during 2022, 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. Shen Tie Dong	✓	✓
Mr. Zhang Wei	✓	✓
Mr. Sun Baowei *(resigned effective 16th September, 2022)*	✓	✓
Mr. Xu Daqing *(appointed effective 26th September, 2022)*	✓	✓
Mr. Song Jian	✓	✓
Mr. Jiang Bo	✓	✓
Mr. Dong Yang	✓	✓
Dr. Lam Kit Lan, Cynthia *(appointed effective 21st September, 2022)*	✓	✓

The functions of non-executive directors include the functions as specified in code provisions C.1.2(a) to (d) 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/she has complied with the standard set out in the Model Code during the year ended 31st December, 2022.

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.

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 have been 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 2023 AGM, all of their directorships held in listed public companies in the past three years, if any, will be set out in the circular of the Company to be despatched to its shareholders in April 2023.

All the independent non-executive directors of the Company have attended the 2022 annual general meeting of the Company held on 11th November, 2022 (the "**2022 AGM**") in person or by way of telephone conference with an aim to gaining and developing a balanced understanding of the views of shareholders as required by code provision C.1.6 of the CG Code.

By providing independent, constructive and informed comments at the Board/Board committee meetings or during the time to time communication with the Company, all the independent non-executive directors have made a positive contribution to the development of the Company's strategy and policies.

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 2022.

C.2 Chairman and chief executive officer

Code provision C.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. Mr. Wu Xiao An is the chairman of the Board and Mr. Shen Tie Dong is the chief executive officer of the Company. 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. The responsibilities of the chairman of the Board are defined with reference to the CG Code, including the specific duties set out in code provisions C.2.2 to C.2.9 of the CG Code. During the year, the chairman of the Board has performed his jobs and duties as specified therein.

One (1) meeting was held by the chairman of the Board with the independent non-executive directors without the presence of other directors in 2022 in compliance with code provision C.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.

C.3 Management functions

According to code provision C.3 of the CG Code, a listed company should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on the Company's behalf.

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 implementation of strategies, aspects of its management, administration functions 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 memorandum on the respective functions of the Board and management and amended the same on 27th March, 2013 after a regular review. The memorandum aims at providing clear directions as to the management's powers, in particular, where management should report back and obtain prior Board approval before making decisions or entering into any commitments on the Company's behalf. Directors understand the delegation arrangements in place. The Company has formal letters of appointment for directors setting out the key terms and conditions of their appointment.

Under the memorandum, the Board is entrusted with the following reserved powers:

1. Business strategy

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

2. Appointment

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

3. Board and senior management

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

4. Relations with the shareholders

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

5. Financial matters

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

6. Capital expenditures

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

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

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

9. Risk management

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

10. Internal controls and reporting system

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

11. Use of the company seal(s).

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

C.4 Board committees

The Board has established four committees, namely, nomination, audit, remuneration and subsidiary senior management appointment committees for overseeing particular aspects of the Company's affairs.

All of these committees were formed with specific written terms of reference which deal clearly with their authority and duties to enable them to perform their functions properly. The list of the chairman and members of each Board committee is set in section B.1 to this report.

Board committees are required to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

C.5 Conduct of board proceedings and supply of and access to information

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/her 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.

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 and meetings of Board committees 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 2022 were as follows:

Number of meetings		**13**
	Attendance by director	**Attendance rate**
Executive directors:		
Mr. Wu Xiao An *(chairman of the Board)*	13/13	100%
Mr. Shen Tie Dong	13/13	100%
Mr. Zhang Wei	13/13	100%
Mr. Sun Baowei *(Note 1)*	8/8	100%
Mr. Xu Daqing *(Note 2)*	5/5	100%
Independent non-executive directors:		
Mr. Song Jian	13/13	100%
Mr. Jiang Bo	13/13	100%
Mr. Dong Yang	13/13	100%
Dr. Lam Kit Lan, Cynthia *(Note 3)*	5/5	100%
Average attendance rate		100%

Notes:

1. Mr. Sun Baowei tendered his resignation as a director of the Company with effect from 16th September, 2022. Prior to his resignation, the Company has held eight (8) Board meetings in 2022.

2. Mr. Xu Daqing was appointed as a director of the Company with effect from 26th September, 2022. Subsequent to his appointment, the Company has held five (5) Board meetings in 2022.

3. Dr. Lam Kit Lan, Cynthia was appointed as a director of the Company with effect from 21st September, 2022. Subsequent to her appointment, the Company has held five (5) Board meetings in 2022.

During 2022, apart from the thirteen (13) meetings of the Board, consent/approval from the Board had also been obtained via circulation of written resolutions on a number of issues.

Participation of individual directors at general meetings in 2022 were as follows:

Number of meetings *(Note)*		**2**
	Attendance by director	**Attendance rate**
Executive directors:		
Mr. Wu Xiao An *(chairman of the Board)*	2/2	100%
Mr. Shen Tie Dong	2/2	100%
Mr. Zhang Wei	2/2	100%
Mr. Xu Daqing	2/2	100%
Independent non-executive directors:		
Mr. Song Jian	2/2	100%
Mr. Jiang Bo	2/2	100%
Mr. Dong Yang	2/2	100%
Dr. Lam Kit Lan, Cynthia	2/2	100%
Average attendance rate		100%

Note:

During the financial year, the Company held two general meetings on 11th November, 2022, subsequent to the resignation of Mr. Sun Baowei and the appointment of Mr. Xu Daqing and Dr. Lam Kit Lan, Cynthia as directors of the Company.

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/ Board committee 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. Where any director requires more information than is volunteered by management, that director can make further enquiries where necessary. The Board and each director have separate and independent access to the Group's senior management.

The directors are able to obtain outside professional advice, at the Company's expense and to seek information from employees, and the Company will provide sufficient resources to the directors for performance of their duties.

All directors are entitled to have access to board papers, minutes and related materials which are in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. Queries raised by directors will receive a prompt and full response, if possible.

C.6 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 2022, 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.

The company secretary should report to the chairman of the Board. All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

C.7 Diversity

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 gender, educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Commencing from 2022, the Company has appointed a female member to the Board. Currently, out of the current eight directors, one director is of a different gender. The nomination committee will continue to review the gender diversity of the Board to complement the Company's corporate strategy as well as the implementation and effectiveness of the board diversity policy on an annual basis and to ensure that it is in compliance with the relevant regulatory requirements and good corporate governance practices. The Board will endeavour to at least maintain female representation on the Board and the nomination committee will take opportunities to increase the proportion of female representation on the Board if candidates with suitable qualifications and experience can be identified according to the business need of the Company.

From the workforce perspective, due to the nature of the automotive industry which makes achieving gender diversity across the workforce more challenging, the ratio of male to female employees in the Group is about 74:26. The Company is committed to diversify at all levels and aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's growth and is also committed to ensuring that recruitment and selection practices at all levels are appropriately structured so that a diverse range of candidates are considered. Employees are provided with equal promotion opportunities under a fair, open and impartial competition mechanism, which takes into consideration the actual job requirements as well as each individual's overall strengths and performance, regardless of their gender, ethnicity, race or nationality. Among the senior management, the chief financial officer of the Company is Ms. Huang Yu. The Group will continue to review the Group's diversity in terms of gender based on its business and operational needs and future development.

C.8 Subsidiary senior management appointment committee

On 29th July, 2022, the Company established a subsidiary senior management appointment committee with specific written terms of reference, which shall comprise of not less than three members, at least one of whom shall be an independent non-executive director. The existing members of the committee include Mr. Wu Xiao An and Mr. Shen Tie Dong, both of whom are executive directors, and Mr. Jiang Bo, an independent non-executive director. Mr. Jiang Bo is the chairman of the subsidiary senior management appointment committee. The duties of the committee include appointing, transferring and re-appointing the subsidiary senior management, and dealing with matters related to the subsidiary senior management succession planning.

During 2022, the subsidiary senior management appointment committee has, by passing written resolutions, approved:

– the change of directors of the Company's overseas subsidiaries;

– the changes in directors and senior management of the Company's subsidiaries in the PRC, and

– the resignation of Mr. Sun Baowei and the appointment of Mr. Zhang Wei as the executive vice president of supply chain of the Company as well as the chairman and a director of a PRC subsidiary.

The subsidiary senior management appointment committee has not held any physical meeting in 2022. Since its establishment in July 2022, consent/approval from the subsidiary senior management appointment committee were obtained via circulation of written resolutions.

C.9 Huachen undertaking

As announced by the Company on 3rd October, 2022, Huachen, an indirect controlling shareholder of the Company, has given an irrevocable and unconditional undertaking to the Company whereby, among others, Huachen will procure the directors nominated by it to participate in the management, operations, finance and other matters of the Company only through their capacity as directors, will not allow or nominate, directly or indirectly, whether through Huachen's subsidiaries, joint ventures or by other methods, save for Mr. Shen Tie Dong who is a director of the Company as at the date of the said announcement, any employees of Huachen and its subsidiaries to remain or hold any office in the Company (together with its subsidiaries and joint ventures), and will ensure that any of the employees or agents of Huachen and its subsidiaries do not directly or indirectly influence, participate in and direct the Company (together with its subsidiaries and joint ventures) in any management, operational, financial or other matters.

D. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

D.1 Financial reporting

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, 2022, 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. Management of the Company has also provided explanation and information to the Board to enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

It has always been the practice of the Company to provide directors with monthly updates of the Company to facilitate an assessment of the Company's performance, position and prospects. However, due to the delay in the publication of the 2021 annual results and the 2022 interim results, the Company was unable to provide monthly updates of the Company to all members of the Board pursuant to code provision D.1.2 of the CG Code.

All directors acknowledge their responsibility for preparing the financial statements for the year ended 31st December, 2022. Currently, the Company's external auditor is Grant Thornton Hong Kong Limited (the "**Auditor**").

For the year ended 31st December, 2022, the audit and non-audit service fees paid or payable to the Auditor by the Company amounted to approximately HK$2,600,000 (approximately RMB2,286,000) (2021: HK$3,600,000, or approximately RMB2,987,000) and HK$495,000 (approximately RMB425,000) (2021: HK$550,000, or approximately RMB456,000), respectively. The non-audit services mainly included a review on the 2022 interim consolidated financial statements. Further, as stated in note 7 to the financial statements on page 130 of this annual report, the auditors' remuneration paid or payable by the Group for the year ended 31st December, 2022 amounted to approximately RMB2,499,000 (2021: approximately RMB4,366,000) 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 86 to 87 of this annual report.

D.2 Risk management and internal control

Internal control review and internal audit function

The Board is entrusted with the responsibility of evaluating and determining the nature and extent of the risks exposure, including, amongst others, material risks relating to environment, social and governance aspects which can have significant impacts on a company's financial performance, reputation, and ability to operate, 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 ensuring an annual review of its effectiveness, with focus on material controls, including financial, operational and compliance control, is conducted so that the interests of the shareholders are well protected. Risk management and internal control 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.

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 was 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.

The Group'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. The Board is ultimately responsible for the Company's operating activities, supervise the effective implementation of the written policies and 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 respective companies with the support from each department in effectively identifying and managing different risks, formulate and implement plans for risk-based management, implement the procedures for identifying and managing risks, and communicate the policies and guidelines to employees through the provision of proper training and education from time to time. Since October 2022, an internal control and compliance officer has been designated to monitor the overall compliance function of the Group and steps have been taken to coordinate with the Company's chief financial officer and financial controllers of the subsidiaries of the Group on internal communications and trainings, as well as compliance requirements of ad hoc matters.

According to the Group's internal control policies, the Group 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, operation, collection, treasury, information technology, and human resources. The second line of defense of the Group includes the risk management, the legal and compliance, and internal control functions. As the third line of defense, the Group shall engage an independent internal control consultant to perform the internal audit function for the Group and to assist the audit committee in reviewing the first and second lines of defense.

As disclosed in the Company's announcement dated 29th October, 2021 and 30th June, 2022, the Company had engaged Moore Advisory Services Limited (the "**Internal Control Consultant**") as the independent internal control consultant of the Company to carry out a review of the internal control systems and procedures of the Group and made recommendations of remedial measures (the "**Initial Internal Control Review**"). As further disclosed in the Company's announcement dated 3rd October, 2022, the Group had implemented all the remedial measures recommended and the Internal Control Consultant was satisfied that the Group has in place sufficient and reliable corporate governance, internal control and financial reporting systems.

To ensure that the enhanced internal control systems continue to be intact, in furtherance to the Initial Internal Control Review, the Internal Control Consultant has been engaged by the Company to carry out a follow up review on the enhanced internal control systems with focus on finance and guarantee and to identify any gaps or opportunities for improvement (the "**Further Enhanced Internal Control Review**"). Recommendations to further refine the internal control systems and procedures were reported to the management of the relevant companies of the Group, and all the recommended refining measures were implemented by 29th March, 2023. The Internal Control Consultant had completed the Further Enhanced Internal Control Review for the year ended 31st December, 2022 (the "**IC Reporting Period**") and had provided a written report to the audit committee. In addition, the Internal Control Consultant had a meeting with the audit committee and the Board on 29th March, 2023 to report its findings.

No significant internal control defects were identified during the IC Reporting Period.

The audit committee has conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the IC Reporting Period, and considered the adequacy of resources, qualifications and experience, training and budget of the Company's accounting, internal audit and financial reporting functions, and concluded that the Group's risk management and internal control systems were effective and adequate for the IC Reporting Period.

Handling and dissemination of inside information

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.

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.

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.

Whistleblowing policy

In compliance with code provision D.2.6 of the CG Code, the Board adopted a whistleblowing policy on 30th December, 2022 which aims to enable the Group's employees and those who deal with the Group to raise concerns (the "**Whistleblowers**"), in confidence and anonymity. Procedures are formulated to enable the Whistleblowers to report suspected improprieties in any matters related to the Group directly to the audit committee. The whistleblowing policy is available on the website of the Company.

Anti-corruption policy

In compliance with code provision D.2.7 of the CG code, the Board adopted an anti-corruption policy (the "**Anti-Corruption Policy**") on 30th December, 2022 which sets out the basic standard of conduct which applies to all directors, officers and employees of the Company and its wholly-owned subsidiaries (collectively known as "**Those Employees**"). It also provides guidance to Those Employees on acceptance of advantage and handling of conflict of interest when dealing with the Company's business. The Company also encourages and expects our business partners including suppliers, contractors and clients to abide by the principles of the Anti-Corruption Policy. The Company will review the anti-corruption mechanism regularly to improve its effectiveness and align with the applicable laws and regulations. The Anti-Corruption Policy is available on the website of the Company.

D.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 30th December, 2022, a revised terms of reference of the audit committee was adopted for incorporation of certain amendments to the CG Code made by the Stock Exchange and housekeeping amendments. The terms of reference of the audit committee have included the duties set out in code provisions D.3.3(a) to (n) and D.3.7 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 a 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 2022, the audit committee met five (5) times and discharged its responsibilities. Attendance of individual members at audit committee meetings in 2022 were as follows:

Number of meetings	**5**
Mr. Song Jian	5/5 (100%)
Mr. Jiang Bo	5/5 (100%)
Mr. Dong Yang	5/5 (100%)
Average attendance rate	100%

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

The following is a summary of the work performed by the audit committee during 2022:

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

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

– reviewing the audited financial statements and final results announcements for the years ended 31st December, 2020 and 2021;

– reviewing the interim reports and the interim results announcements for the six months ended 30th June, 2021 and 30th June, 2022;

– meeting with the Auditor to go through any significant audit issues or key findings noted during the audit of the Group's 2020 and 2021 final results;

– meeting with the Auditor to go through any significant key findings on the internal control and financial reporting matters based on the review on the Group's 2021 and 2022 unaudited interim results;

– reviewing the continuing connected transactions for 2020 and 2021;

– making recommendations to the Board for seeking shareholders' approval on the re-appointment of external auditor and the fixing of auditor's remuneration;

– reviewing and adopting the revised 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.

The audit committee has also conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the financial year ended 31st December, 2022, details of which are set out in section D.2 above.

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.

Full minutes of the audit committee meetings are kept by the company secretary. Draft and final versions of the minutes of the audit committee meetings are sent to all members of the audit committee for comments and records, 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.

E. REMUNERATION

E.1 The level and make-up of remuneration and disclosure

The Company has adopted the "Policy and Guidelines of the Remuneration Committee" (as amended and restated with effect from 27th March, 2013) which sets out the guidelines in determining the remuneration level and package of the Company. The remuneration committee shall take into accounts a number of objectives and factors set out in the policy in considering and conducting reviews of remuneration of individual directors and senior management and shall monitor and assess the remuneration packages with reference to the Company's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions. No director should be involved in deciding that director's own remuneration.

E.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, 27th March, 2013 and 30th December, 2022, respectively for incorporation of certain amendments after a regular review by the Board and amendments to the CG Code made by the Stock Exchange). 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 provisions E.1.2(a) to (i) of the CG Code.

During 2022, the remuneration committee met once (1) and discharged its responsibilities. Attendance of individual members at remuneration committee meeting in 2022 were as follows:

Number of meeting	**1**
Mr. Song Jian	1/1 (100%)
Mr. Jiang Bo	1/1 (100%)
Mr. Dong Yang	1/1 (100%)
Mr. Wu Xiao An	1/1 (100%)
Mr. Shen Tie Dong	1/1 (100%)
Average attendance rate	100%

The remuneration committee is responsible for making recommendations to the Board regarding the Group's policy and structure for all remuneration of directors and senior management and approving the remuneration package of the individual executive directors and senior management. The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other 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 2022 included:

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

– considering and approving the employment contract of the executive vice president and chief financial officer;

– reviewing and adopting the revised terms of reference of the remuneration committee;

– reviewing 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/her own remuneration.

In 2022, the remuneration committee has not reviewed and/or approved any matters relating to share schemes under Chapter 17 of the Listing Rules.

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 records, 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.

The Company has disclosed the directors' remuneration policy, details of any remuneration payable to members of senior management by band and other remuneration related matters in its annual reports.

F. SHAREHOLDERS ENGAGEMENT

F.1 Effective communication

The Company communicates information to the shareholders through different channels, including, among others, its periodical financial announcements and reports, annual general meetings and other general meetings (if any), all the corporate communications and other publications on the Company's website. The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, using annual general meetings or other general meetings to communicate with them and encourage their participation.

Dividend Policy

Code provision F.1.1 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.

F.2 Shareholders' meetings

The Company attaches great importance to communications with shareholders. Information on the Group's activities, business, strategies and developments is provided to the shareholders through different channels, including, among others, the Company's annual reports and interim reports, all the corporate communications and other publications on the Company's website and annual general meetings and other general meetings of the Company. Shareholders of the Company are encouraged to attend the general meetings of the Company which offer a valuable forum for dialogue and interaction with management. Shareholders were provided with sufficient notice of meeting. The Company has arranged to address questions from shareholders at the shareholders' meetings.

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

In accordance with code provision F.2.2 of the CG Code, Mr. Wu Xiao An, the chairman of the Board, Mr. Jiang Bo, the chairman of the audit committee and remuneration committee, and Mr. Song Jian, the chairman of nomination committee, attended the 2022 AGM. All other directors also attended the 2022 AGM in person or by way of telephone conference.

Pursuant to code provision F.2.2 of the CG Code, the Company invited 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. In addition, the Company has also invited its legal advisers as to Hong Kong laws to attend the 2022 AGM to provide advice to the Company in addressing questions from shareholders or other legal advice where necessary.

At the 2022 AGM, the chairman has provided an explanation of the procedures for conducting a poll at the commencement of the meeting. Poll results were posted on the website of the Stock Exchange (as well as on the website of the Company) on the day of the holding of the shareholders' meeting.

G. SHAREHOLDERS' RIGHT

G.1 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.

G.2 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.

G.3 Shareholders' enquiries

Shareholders may at any time make queries to the Board or 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

H.1 Significant changes in the Company's bye-laws

There was no amendment made to the bye-laws of the Company during the year 2022.

Subsequent to the financial year and as announced in the Company's announcement dated 29th March, 2023, the Company proposed to seek approval from the shareholders at the 2023 AGM for certain amendments to the existing bye-laws of the Company (the "**Existing Bye-laws**") for the purposes of, among others, (i) conform to the core shareholder protection standards set out in Appendix 3 to the Listing Rules; (ii) allow general meetings to be held as a hybrid meeting or an electronic meeting where shareholders of the Company may attend by electronic means in addition to physical meeting where shareholders attend in person; (iii) bring the Existing Bye-laws in line with the relevant requirements of the Listing Rules and the applicable laws of Bermuda; and (iv) make some other housekeeping amendments, including consequential amendments in line with the above amendments to the Existing Bye-laws. The Company also proposes to adopt a new set of bye-laws in substitution for, and to the exclusion of, the Existing Bye-laws by way of a special resolution to be approved by the shareholders at the 2023 AGM.

A circular containing the relevant details will be despatched to the shareholders in April 2023.

H.2 Shareholders' communication policy

The Board gives high priority to maintaining balanced, clear, and transparent communications with its shareholders and other investors to facilitate their understanding of the Company's performance and prospects, as well as the market environment in which it operates.

To promote effective communication with its shareholders, the Company adopts a shareholders' communication policy on 28th March, 2012 with the objectives to ensure that the Company provides timely, clear and reliable information to the shareholders to allow them to make informed decisions and assessment of the performance and prospect of the Company, and views of the shareholders and stakeholders are communicated to the Company in assistance of the Company's development of appropriate strategies and measures in line with the interests of the shareholders. The policy is available on the website of the Company.

The Board will regularly review the shareholders' communication policy to ensure its effectiveness. During the year, the Board has conducted a regular review on the implementation and effectiveness of the policy, and slightly revised the same with effect from 30th December, 2022. Throughout the year, the Company has an ongoing dialogue with its shareholders and other investors through various communication channels set out in the shareholders' communication policy. Shareholders' meetings were held at which the Board members, chairmen or members of respective committees, and external auditor of the Company and such other person as the Board deems appropriate have attended the general meetings to respond to questions addressed to the Company. Further, meetings with analysts and investors (either presence in person or via telephone conference) were arranged from time to time. As such, the Board concluded that the shareholders' communication policy was effective during the year.

Environmental, Social and Governance Report

INTRODUCTION

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 ESG performance, please read the Report in conjunction with the section headed "Corporate Governance Report" on pages 33 to 57 of this annual report.

STATEMENT FROM THE BOARD

Governance Structure and Overall Approach

The Board has overall responsibility for the Group's sustainable business development through ESG strategy. The Board should regularly review and approve the Group's goals by incorporating the ESG-related social responsibilities and corporate governance issues in the pursuit of business development, and put forward suggestions for improvement.

The Group is committed to strictly comply with environmental, social and governance laws and regulations, report operational matters to the Board in a timely manner, and strengthen environmental, safety, health, corporate governance, social responsibility and related protection systems. Simultaneously, it should also strengthen environmental, social and governance management from multiple dimensions, such as organization, human resources, funding, materials, facilities, management and training.

In the context of severe global warming, public awareness and understanding of energy saving and environmental protection has gradually increased and the society requires enterprises to save energy and reduce emissions. The Group is committed to protecting natural resources and operating environment in order to fulfill its corporate responsibilities.

We acknowledge that ESG can contribute to corporate awareness and corporate responsibility. It also helps enterprises deepen their understanding of supply chain needs, enhance reputation, improve fund-raising and risk management capabilities, attract investors, retain talents, enhance innovation capabilities, gain social recognition, reduce costs, and increase profitability.

Through ESG management, enterprises can better identify their own problems, and seek for solutions, so as to improve their business and operations. By establishing an ESG management system, conducting regular evaluations and formulating strategic sustainable development plans, companies can strive to achieve corporate sustainable development goals.

Despite the environmental challenges faced by our industry, we have been focusing our business operation to support the development on NEVs. BBAFC, our subsidiary in China has formed strategic long-term partnerships with Tesla and Li Auto. Our subsidiaries, Ningbo Yumin and Mianyang Ruian are also focusing on producing NEV-related products. We also continue to engage in the research and development and manufacture of camshafts for vehicle engines related to hybrid vehicles. We believe that supporting the development of NEVs is promoting a culture of low-carbon transformation. Enhanced NEV-related products will also encourage the end users to purchase more environmental-friendly vehicles such as NEV vehicles.

Reporting Principles

The Report is prepared according to the "comply or explain" provisions and the four reporting principles as required by the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Listing Rules (the "**ESG Reporting Guide**"):

1. Materiality: Based on our continuous communication with stakeholders, the Group has formulated models to analyze environmental and social aspects. Based on our internal materiality analysis, ESG topics that may influence our stakeholders are disclosed.

2. Quantitative: Numerical ESG data are presented and our ESG performance can be compared against our peers, industry standards and our previous year's performance, where applicable. Details of calculation basis are disclosed in relevant sections of the Report.

3. Balance: All information disclosed in the Report shall be unbiased. There will not be any misleading presentation format, selection and omission that may inappropriately influence the decision or judgment by stakeholders.

4. Consistency: To ensure comparability, all calculations and assumptions of ESG key performance indicators ("**KPIs**") are consistent with the previous year, where applicable. Any changes in our methodologies are disclosed in the Report to inform stakeholders.

Reporting Boundary

In our ESG report for the year 2021, the Company mainly focused on BBAFC's core business of auto finance products and services in the PRC. For 2022, we consider our manufacturing businesses have become more relevant to the Group in terms of revenue for the year. Hence, we have expanded our reporting scope for disclosure purposes.

The scope of the Report mainly focuses on the Group's principal activities for the period from 1st January, 2022 to 31st December, 2022 (the "**Reporting Period**"). Relevant key subsidiaries include:

- BBAFC;
- Shanghai Hidea;
- Ningbo Yumin;
- Xing Yuan Dong;
- Dongxing Automotive; and
- Mianyang Ruian.

The KPIs required to be disclosed under the ESG Reporting Guide are included in the "Environmental Sustainability" and "Social Sustainability" sections of the Report. In addition to the reporting principles of the ESG Reporting Guide, the Report also discloses the relevant laws and regulations that have been complied with.

STAKEHOLDERS ENGAGEMENT

The Group attaches great importance to communication with its major stakeholders, and formulates and implements short-term and long-term sustainability strategies with reference to their opinions. Based on its business scope and nature, the Group identifies stakeholders closely related to the Group's development, and analyses the concerns of stakeholders. The Group 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, the Group analyses, evaluates, prioritises and manages material ESG-related issues through, among other things, the following processes:

Stakeholders	Communication Activities
Government and Regulators	✓ Policy documents and guidelines ✓ Meetings ✓ Regular reports and information ✓ Special reports ✓ Regulatory inspection and supervisions ✓ Work reports
Shareholders	✓ Shareholder meetings ✓ Regular business reports ✓ Compliance information disclosures ✓ Website
Directors	✓ Regular board meetings ✓ Written resolutions of the Board
Employees	✓ Performance management ✓ Regular meetings with employees ✓ Employee satisfaction surveys ✓ Trainings ✓ Interviews
Customers	✓ Marketing activities ✓ Customer service hotlines and e-mails ✓ Customer surveys ✓ Official online communication platforms such as WeChat applet, APP
Suppliers	✓ Supplier meetings ✓ Contract negotiations ✓ Tendering and bidding activities

MATERIALITY ANALYSIS

In accordance with the ESG Reporting Guide issued by the Stock Exchange, the Group has formulated models to analyse environmental and social aspects. Through the aforementioned engagement activities and the subsequent internal analysis, the Company has identified and confirmed the material environmental and social issues applicable to the Group with reference to the main concerns of stakeholders, evaluated and weighted these environmental and social issues, and prioritised the relevant risks.

Environment

A1. Emissions	A2. Use of Resources	A3. Environment and Natural Resources	A4. Climate Change
• Reducing Emissions	• Reducing Energy Consumption • Reducing Water Consumption • Reducing Paper Material Consumption	• Reducing GHG Emissions • Reducing Hazardous Waste	• Response to Climate Change • Green Online Customer Interaction Channels

Social

B1. Employment	B2. Health and Safety	B3. Development and Training	B4. Labour Standards
• Recruitment • Diversity and Equal Opportunity • Compensation and Benefits • Dismissal • Employee Engagement and Activities • Staff Stability and Turnover	• Prevention of COVID-19 • Occupational Health	• Knowledge and Skill Training	• Child Labour Prevention • Forced Labour

B5. Supply Chain Management	B6. Product Responsibility	B7. Anti-corruption	B8. Community Investment
• Social Responsibilities • Customer Rights Protection • Customer Data Protection and Privacy • Customer Complaint Management • Prevention of Bribery	• NEV Business Strategy • Online Application and Training Platform • Digitally Focused Marketing Strategy • Customer Rights and Data Protections	• Anti-corruption • Prevention and Whistle-blowing • Anti-corruption Training	• Charities

ENVIRONMENTAL SUSTAINABILITY

During the Reporting Period, the Group 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 and followed the general objective to "protect the environment, prevent pollution, comply with laws and regulations, and persist with improvements" (保護環境、防治污染、遵紀守法、持續改進). This Report discloses the Group's policies and KPIs on emissions, use of resources, environment and natural resources, and climate change for the Reporting Period.

A1. Emissions

The Group is in strict compliance with all relevant laws and regulations on air and GHG emissions, including but not limited to, Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) and Water Pollution Prevention Law of the People's Republic of China (《中華人民共和國水污染防治法》).

During the Reporting Period, the Group was not aware of any non-compliance with laws and regulations related to emissions and environment.

Air Emissions

During the Reporting Period, the usage of motor vehicles and production activities are the primary activities that generate air pollutants. Welding of parts, cooling and lubrication process are the main activities that generate emissions during the production. The composition of emissions is complex, the emissions that generate in the welding activities will cause damage to the natural environment and indirectly harm our health. Furthermore, the emissions from the cooling and lubrication process will aggravate environmental pollution.

With the increase in business activities, vehicle usage and production will inevitably increase, which in turn leads to more air pollutants being emitted into the atmosphere. The Group has adopted the following air emission reduction measures to reduce the adverse impact of emissions on the environment:

- continue to explore and research other ways to reduce test drive pollutant level
- deliver outstanding customer service to enhance vehicle efficiency, such as conducting periodic vehicle inspections and maintenance
- issue guidance on prolonging the service life of employees' vehicles and reducing fuel consumption
- use environmentally friendly materials
- dispose of the exhaust gases that contains high concentrations of harmful chemicals by combustion
- dispose of the exhaust gases with high dust content by a combination of processes such as adsorption and filtration or ion oxidation according to the characteristics after simple filtration of particulate matter and discharged at high altitude

Our vehicles are also used for business travels by employees. The Group strives to utilise other communication channels to reduce the frequency of business trips, such as arranging online conferences and video calls. Through leveraging on technology, it also enhances operational efficiency. If meeting in person is required for business purposes, the Group encourages the use of public transportation for long distances, and cycling or walking for short distances.

The Group will continue monitoring the business activities that generate air pollutants and we will continue to introduce new controls whichever considered necessary to ensure the compliance of relevant regulations and ensure our business operations are effectively supervised to minimise the air pollutants generated from our business activities.

During the Reporting Period, the Group had adhered to the relevant air emission laws and regulations. The air emission data of motor vehicles emissions and production emissions of the Group are as follows:

Air Emissions	Unit	2022	2021[1]	Percentage Change[1]
Total air emissions	**Kg**	**581.24**	N/A	N/A
– Nitrogen Oxides (NO_x)	Kg	**485.25**	N/A	N/A
– Sulphur Oxides (SO_2)	Kg	**90.73**	N/A	N/A
– Particulate Matter (PM)[3]	Kg	**5.26**	N/A	N/A
Intensity of air emissions	**Unit/RMB million operating income**	**0.51**[2]	N/A	N/A

Notes:

1. As a result of the extended reporting boundary, this Report further covers the air emission based on the materiality analysis results of the current year. Hence, only air emission figures for 2022 are included in the Report.

2. Intensity was calculated by dividing the Group's RMB1,130.73 million operating income in 2022.

3. During the Reporting Period, the Group used diesel-fueled forklift trucks in the production process, which generated air emissions in daily operations. However, it was not possible to collect data on the kilometers traveled by the forklifts. Hence, the NOx and PM from forklift trucks were not included in the calculation of air emissions.

GHG Emissions

One of the critical aspects of climate change is global warming. It disrupts the balance of nature and ultimately affects the livelihoods of our employees, clients and communities. In the past decade, global warming has been accelerated by human activities such as burning of fossil fuels and deforestation.

The Group has been closely monitoring the level of GHG emissions and exploring different ways to reduce the usage of carbon footprint. The Group has issued notices to employees for saving energy, such as Measures to Water, Electricity and Office Supplies Conservation (《關於加強節約用水用電和辦公室用品的措施》).

The Group's GHG emissions are grouped into direct (Scope 1), energy indirect GHG emissions (Scope 2) and other GHG emissions (Scope 3), which include natural gas and fuel consumption, purchased electricity and other business activities that lead to other GHG emissions such as business travels and paper waste etc.

During the Reporting Period, the GHG emissions are summarised as follows:

GHG Emissions	Unit	2022	2021	Percentage Change[1]
Total emissions	**Tonnes CO_2e**	**20,273.23**	167.00	+12,039.66%
– Scope 1 (Direct GHG Emissions)	Tonnes CO_2e	**927.03**	N/A[2]	N/A
– Scope 2 (Indirect GHG Emissions)	Tonnes CO_2e	**19,252.71**	135.00	+14,161.27%
– Scope 3 (Other Indirect GHG Emissions)	Tonnes CO_2e	**93.49**	32.00	+192.16%
Intensity of GHG emissions	**Unit/RMB million operating income**	**17.93**[3]	0.94[4]	1,807.45%

Notes:

1. The reporting scope was extended from 1 subsidiary in 2021 ESG report to 6 subsidiaries in this Report. Hence, there is a significant percentage change in the GHG emissions.

2. As a result of the extended reporting boundary, this Report further covers the Scope 1 emission based on the materiality analysis results of the current year. Hence, only Scope 1 figures for 2022 are included in the Report.

3. Intensity was calculated by dividing the Group's RMB1,130.73 million operating income in 2022.

4. Intensity was calculated by dividing BBAFC's RMB178.26 million operating income in 2021.

The largest proportion of GHG emissions comes from Scope 2 which were the indirect emissions from the consumption of electricity. The Group endeavors to reduce the GHG emissions by reducing energy consumption level.

In order to effectively implement the goal of carbon neutrality, the Group will minimise the GHG emissions in the production process through a series of measures such as technological innovation and energy conservation management. Our approach to conserving energy will be elaborated in the "Use of Resources" section.

Hazardous Waste

Hazardous waste of the Group is mainly generated from the production of automotive products. This includes Nonwoven Fabric Waste (900-041-49), Electrical Equipment (HW16), Printing Consumables (HW12), Cleaning Chemicals (HW34), Batteries Waste (HW29), Iron Scrap Waste (HW21), and Oil Products Waste (HW08). These wastes are separately collected and sorted according to the National Catalogue of Hazardous Wastes (Version 2021) （《國家危險廢物名錄(2021年版）》）. The Group has established measures for the management of solid waste （《固體廢物管理辦法》） and hazardous waste. The wastes are collected and delivered to the specified storage point at the workplace. The safety management department of the Group will then provide information of the wastes to the Environmental Protection Bureau in mainland China. Direct disposal of hazardous waste into the environment is strictly prohibited. All hazardous wastes are collected, recycled, transferred and disposed of by contracted companies which are licensed to handle hazardous waste.

Details of hazardous waste generated by the Group during the Reporting Period are summarised as follows:

Hazardous Waste	Unit	2022	2021[1]	Percentage Change
Total hazardous waste	**Tonnes**	**1,628.08**	N/A	N/A
Intensity of hazardous waste	**Unit/RMB million operating income**	**1.44**[2]	N/A	N/A

Notes:

1. As a result of the extended reporting boundary, this Report further covers the hazardous waste based on the materiality analysis results of the current year. Hence, only hazardous waste figures for 2022 are included in the Report.

2. Intensity was calculated by dividing the Group's RMB1,130.73 million operating income in 2022.

Non-hazardous Waste

Solid waste of the Group includes commercial and production waste in daily operations which includes plastic, paper and domestic garbage. During the Reporting Period, the non-hazardous waste of our subsidiaries Mianyang Ruian and Ningbo Yumin were around 32.92 tonnes and the intensity of non-hazardous was around 0.03 tonnes per RMB million operating income. The Group implements waste classification rules and reduces unnecessary waste from the source by utilizing old office equipment and furniture. Meanwhile, the Group pays attention to corporate social responsibility, undertakes the mission of green environmental protection, and adheres to the path of sustainable development. For redundant office furniture, the Group gives priority to donating to institutions capable of recycling.

The Group will continue to strictly comply with the requirements of the Water Pollution Prevention and Control Law of the People's Republic of China （《中華人民共和國水污染防治法》）, Environmental Protection Law of the People's Republic of China （《中華人民共和國環境保護法》）, as well as technical specification for pollutant discharge permit application and issuance – automobile manufacturing industry, apply for pollutant discharge permit and entrust qualified third parties to conduct monthly, quarterly and annual environmental monitoring. The Group will also continue to compile and complete emergency response plan for environmental emergency events, and file such plan with local ecological environment authorities, so as to discharge pollutants lawfully.

Wastewater Discharge

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

During the Reporting Period, the Group generated and discharged approximately 177,172.70 tonnes of production wastewater and domestic sewage.

The amount of chemical oxygen demand (COD) and ammonia nitrogen (NH3-N) of the wastewater are summarised as follows:

Wastewater pollutants	Unit	2022	2021[1]	Percentage Change
Wastewater pollutants	**Tonnes**	**309.16**	N/A	N/A
– Chemical oxygen demand (COD)	Tonnes	**159.00**	N/A	N/A
– Ammonia nitrogen (NH_3-N)	Tonnes	**150.16**	N/A	N/A
Intensity of wastewater pollutants	**Unit/RMB million operating income**	**0.35**[2]	N/A	N/A

Notes:

1. As a result of the extended reporting boundary, this Report further covers the wastewater emission based on the materiality analysis results of the current year. Hence, only wastewater emission figures for 2022 are included in the Report.

2. Intensity was calculated by dividing the Group's RMB1,130.73 million operating income in 2022.

The Group has set up sewage treatment station in manufacturing workshops to treat wastewater generated from the cooling and lubrication process. Before such wastewater is discharged into the sewer system of the manufacturers, the normal amount of pollutants in the wastewater should be lower than the limits stipulated in the Integrated Wastewater Discharge Standard (GB8978-1996) （《污水綜合排放標準（GB8978-1996）》）. All production and domestic sewage generated by the Group is treated by the sewage treatment station to meet the required standards before being discharged into the municipal sewer system. The normal amount of major pollutants, such as chemical oxygen demand (COD) and ammonia nitrogen (NH_3-N), in the wastewater should be below than the limits stipulated in the Integrated Wastewater Discharge Standard (GB8978-1996) （《污水綜合排放標準（GB8978-1996）》）in order to meet the requirements of the relevant environmental protection standards.

A2. Use of Resources

The Group strictly controls the use of 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 consumed by the Group were electricity, water, natural gas and packaging materials. The Group focuses on digital marketing where possible and to enhance employees' awareness of environmental protection, the Group placed emphasis on methods to minimize the wastage of certain key resources. The Group also sets out the conditions and guidelines for using high-power consuming equipment such as air conditioners, computers and lights, as well as encouraging staff to recycle and reuse packaging materials. There is no issue in sourcing water during the Reporting Period.

Energy

The following table presents the use of energy during the Reporting Period:

Use of Resources	Unit	2022	2021[1]	Percentage Change[2]
Direct energy consumption	**MWh**	**3,835.79**	N/A	N/A
– Petrol	MWh	**710.32**	N/A	N/A
– Diesel	MWh	**436.31**	N/A	N/A
– Natural gas	MWh	**2,689.16**	N/A	N/A
Indirect energy consumption	**MWh**	**31,556.65**	135.88	+23,123.90%
– Electricity purchase	MWh	**31,556.65**	135.88	+23,123.90%
Total energy consumption	**MWh**	**35,392.44**	135.88	+25,946.82%
Intensity of energy consumption	**Unit/RMB million operating income**	**31.30**[3]	0.76[4]	4,018.42%

Notes:

1. As a result of the extended reporting boundary, this Report further covers the usage of petrol, diesel and natural gas based on the materiality analysis results of the current year. Hence, only direct energy consumption figures for 2022 are included in the Report.

2. The reporting scope was extended from 1 subsidiary in 2021 ESG report to 6 subsidiaries in this Report. Therefore, there is a significant percentage change in the consumption.

3. Intensity was calculated by dividing the Group's RMB1,130.73 million operating income in 2022.

4. Intensity was calculated by dividing BBAFC's RMB178.26 million operating income in 2021.

The Group's energy consumption mainly derives from the daily production of factories and the operation of office premises. Reducing energy consumption will reduce GHG emissions. Therefore, the Group encourages employees to reduce energy consumption, and provides energy-saving and emission-reduction training to ensure that all staff abide by and implement energy-saving measures. In conjunction, the Group actively explores the adoption of more environmentally friendly technologies in business operations. The Group's measures to save electricity include but not limited to:

- display environmental protection signs such as "Please turn off all the lights after work" in prominent positions in offices
- require staff to turn off electrical appliances before leaving
- promote the use of energy-saving lighting systems such as LEDs
- keep the air conditioning system operating at 26 degrees Celsius
- turn on the air conditioner only on half the floor during overtime work
- check the electrical usage status regularly to prevent unnecessary wastage
- introduce new technology and new equipment to save energy for production activities

Water

Due to the expanded scope of business activities under review, there was an increase in water consumption during the Reporting Period. Details of water consumption of the Group during the Reporting Period are as follows:

Water Consumption	Unit	2022	2021	Percentage Change[1]
Total water consumption	**m^3**	**177,172.70**	28.00	+632,659.64%
Intensity of water consumption	**Unit/RMB million operating income**	**156.69**[2]	0.15[3]	104,360.00%

Notes:

1. The reporting scope was extended from 1 subsidiary in 2021 ESG report to 6 subsidiaries in this Report. Therefore, there is a significant increase in consumption.

2. Intensity was calculated by dividing the Group's RMB1,130.73 million operating income in 2022.

3. Intensity was calculated by dividing BBAFC's RMB178.26 million operating income in 2021.

The Group's water consumption arises from the daily production of factories and the operation of office premises. The Group regularly reminds its employees of the importance of saving water, and requests them to conserve water where possible. The Group's measures to save water include but not limited to:

- 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

Packaging Material

The sustainable management of packaging materials is critical to enhance the efficiency of resource usage. The Group's packaging material consumption mainly comes from sales of parts and components. In order to enhance the efficiency of the use of packaging materials, we continue to promote the reduction, lightness and substitution of packaging, and explore the application of low-carbon and recyclable green packaging through technological innovation and process optimization to minimize the impact on the environment.

The following table presents the use of packaging materials during the Reporting Period:

Packaging Material	Unit	2022	2021	Percentage Change[1]
Total Packaging Material Consumption	**Tonnes**	**591.27**	N/A	N/A
– Plastic	Tonnes	**48.86**	N/A	N/A
– Paper	Tonnes	**540.01**	N/A	N/A
– Crate	Tonnes	**0.5**	N/A	N/A
– Wrapping tape	Tonnes	**0.26**	N/A	N/A
– Waste paper box	Tonnes	**0.5**	N/A	N/A
– Wrapping film	Tonnes	**0.3**	N/A	N/A
– Waste wood	Tonnes	**0.2**	N/A	N/A
– Wooden board	Tonnes	**0.64**	N/A	N/A

Note:

1. As a result of the extended reporting boundary, this Report further covers the packaging material consumption based on the materiality analysis results of the current year. Hence, only the packaging material consumption figures for 2022 are included in the Report.

The Group has formulated work standards such as packaging material reduction and recycling into product development, material procurement, process management and other links, and worked with upstream and downstream companies to minimize the potential adverse environmental impact of packaging materials in product production and transportation.

A3. Environment and Natural Resources

The principal activities of the Group are the manufacture and sale of automotive components and the provision of auto financing service in the PRC. The significant impacts of the manufacture activities on the environment are the GHG emissions and hazardous waste that can cause climate change and pollute the environment. Furthermore, water is the natural resource with high utilization rate in the production activities of the Group. Excessive water usage can lead to water shortages and damage the ecosystem.

The Group strictly complied with Water Law of the People's Republic of China （《中華人民共和國水法》） ， Energy Conservation Law of the People's Republic of China （《中華人民共和國節約能源法》） and other laws, regulations and relevant systems of the places where it operated, actively identified and managed the risks of natural resources used in the enterprise, and planned and utilized natural resources in a rational manner.

The Group has taken steps to reduce its impact on the environment and conserve natural resources. The Group's emission reduction and resources conservation measures are mentioned in sections "A1. Emissions" and "A2. Use of resources". All employees of the Group are required to follow the instructions in the daily production of the business.

A4. Climate Change

As climate change induces extreme weather conditions such as torrential rain, blizzard, extreme cold, heat wave and thick smog, the Group attaches great importance to the impact of climate change on the environment. The Group also has to balance the interests of all stakeholders with appropriate measures.

Chinese government announced China's "30•60" dual-carbon goal in 2020 and continued to promote the "dual-carbon" actions, whereby a green, low-carbon transformation has become the new guidepost for the development of the automotive industry.

The Group will continue to regularly review 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. With an aim to enhancing the Group's sustainability performance, the Group 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.

Carbon Neutrality Action

The management integrated GHG emission reduction targets and plans into the strategic planning of the Group and regularly reviewed and supervised the climate change-related work of the management and the related departments and managed their progress and performance. Moreover, the Group will keep abreast of and comply with relevant regulatory laws and regulations and introduce new process, new technology and new equipment to save energy and reduce consumption in an efficient manner. In its production activities, the Group will take environmental protection factors into consideration in the process of product development, design and production management.

Customer Service Hotline and Email Box

Certain subsidiaries have also set up a dedicated customer service mailbox, which is not only a bridge between corporations and customers, but also allows us to reply customers' inquires promptly in an environmental friendly way and builds up a better relationship with customers.

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 protect the environment. BBAFC has used the OA system since its establishment, which basically realizes the online office process. Nowadays, with the development of cloud technology, most of the content has been transferred to cloud storage, which not only ensures data security, but also makes it easier for employees to complete daily operations in a standardized manner. The OA system also helps to improve the operational efficiency of the approval process, and is conducive to the management's corporate planning.

Mobile Platforms for E-application and E-contracting

In terms of digitalization development, BBAFC has always been at the forefront of the industry. In early 2020, before the outbreak of the pandemic, BBAFC has completed the construction of the mobile terminal entry system which allowed electronic application and electronic signing. With the continuous improvement of the system, an increasing number of customers choose to complete the contract signing through the mobile terminal. Currently, there are about 4,638 electronic contracts and 27,542 other types of electronic documents stored in the system, which is equivalent to reducing carbon dioxide emissions by 161kg and planting 9 trees.

SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B1. Employment

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

Recruitment

The Group strictly complies with the Labour Law of the People's Republic of China （《中華人民共和國勞動法》） and the Labour Contract Law of the People's Republic of China （《中華人民共和國勞動合同法》） in its recruitment activities based on the principles of complying with the relevant requirements of national labour policies, laws and regulations as well as meeting the needs and strategic operational objectives of the Group in different developmental stages. The Group has consistently adhered to a people-oriented concept in its recruitment, and has formulated and implemented the recruitment and selection policy, which specifies the Group's recruitment processes to improve the quality and efficiency of its recruitment activities.

Diversity and Equal Opportunity

Cultural diversity plays an important role in the growth and development of an enterprise. The Group has been hiring employees of different gender, age, ethnicities, races, nationalities and regions, religious beliefs, political ideologies, and academic backgrounds.

The Group values employees' development and encourages internal transfer. The Group shares job vacancies with internal employees as the first priority.

The Group 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 Group currently employs a total of 5 employees with disabilities in BBAFC, Xing Yuan Dong, Dongxing Automotive and Mianyang Ruian.

In order to effectively identify outstanding employees and promote talents, the Group 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 Group.

Compensation and Benefits

The Group 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 belief, political ideology, and disability.

The Group sets minimum, maximum and average salary ranges for personnel at all levels so as to meet the diverse job needs of relevant positions and the overall market level. Generally, the median value of the salary range reflects the market rate for the positions in the industry. Market survey is conducted periodically to ensure the Group's remuneration package maintains market competitiveness. Results of market survey will be used as a guideline when setting and reviewing the salary range in the Group.

According to the Labour Law of the People's Republic of China, the Group makes full contribution to the "Five Insurances and One Fund"（五險一金）(including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund) for all employees on time and according to local standards. The Group provides national statutory holidays in strict accordance with the relevant regulations. Employees' work and rest schedule are arranged according to the prescribed working hours, workload and statutory holidays. Eligible employees are also entitled to paid holidays.

The working hours and holidays of the subsidiaries are in line with the relevant requirements of national labour policies, laws and regulations. Subsidiaries have formulated employee manuals, and strictly abide by the working hours and holidays stipulated by the law of the companies' location. In general, employees work eight hours a day, five days a week from Monday to Friday, and enjoy statutory holidays. The Group 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 laws, subsidiaries have additionally established supplemental benefits policies to protect the rights of employees. The companies entrust insurance companies to provide additional commercial insurances to employees, including accident insurance, critical illness insurance, hospital allowance, supplementary medical insurance and supplementary medical insurance for employees' spouse and children.

Dismissal

Subsidiaries have established termination of employment policy that clearly stipulates the dismissal policy in accordance with relevant policies where the employment contract is concerned.

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.

Total Workforce

During the Reporting Period, Xing Yuan Dong and Dongxing Automotive have suspended the business operation which led to a significant decrease of workforce by 68.76% compared with previous year. The current workforce are all full-time employees. The distribution of our workforce by gender, age group and geographical region are as follows:

Category	**Number of Employees[1] (Percentage)** **2022**	2021	**Percentage Change[1]**
Gender			
– Male	**955 (74.32%)**	3,359 (81.67%)	–71.57%
– Female	**330 (25.68%)**	754 (18.33%)	–56.23%
Age Group			
– 30 or below	**329 (25.6%)**	513 (12.47%)	–35.87%
– Between 31-40	**685 (53.31%)**	1,666 (40.51%)	–58.88%
– Between 41-50	**205 (15.95%)**	1,239 (30.21%)	–83.45%
– 51 or above	**66 (5.14%)**	695 (16.9%)	–90.50%
Geographical Region			
– Northeastern China	**90 (7.00)%**	2,962 (72.02%)	–96.96%
– Northern China	**N/A**	7 (0.17%)	N/A
– Eastern China	**N/A**	618 (15.03%)	N/A
– Southern China	**N/A**	18 (0.44%)	N/A
– Central China	**N/A**	5 (0.12%)	N/A
– Northwestern China	**N/A**	3 (0.07%)	N/A
– Southwestern China	**N/A**	500 (12.16%)	N/A
– Southeastern China	**735 (57.20%)**	N/A	N/A
– Western China	**460 (35.80%)**	N/A	N/A

Employee Turnover Rate

During the Reporting Period, the Group's overall employee turnover rate was approximately 31.00% (2021: 20.30%). The employee turnover rate by gender, age group and geographical region is presented in the table below:

Category	Employee turnover rate (percentage)		Percentage
	2022	2021	**Change**[1]
Gender			
– Male	**300 (31.41%)**	617 (15.02%)	+109.15%
– Female	**97 (29.39%)**	217 (5.28%)	+456.70%
Age Group			
– 30 or below	**74 (22.49%)**	173 (4.21%)	+434.26%
– Between 31-40	**140 (20.44%)**	357 (8.70%)	+134.92%
– Between 41-50	**119 (58.05%)**	111 (2.70%)	+2,049.95%
– 51 or above	**64 (96.97%)**	193 (4.69%)	+1,967.58%
Geographical Region			
– Northeastern China	**84 (93.33%)**	734 (17.85%)	–88.56%
– Northern China	**N/A**	3 (0.07%)	N/A
– Eastern China	**N/A**	89 (2.16%)	N/A
– Southern China	**N/A**	1 (0.02%)	N/A
– Central China	**N/A**	1 (0.02%)	N/A
– Northwestern China	**N/A**	1 (0.02%)	N/A
– Southwestern China	**N/A**	6 (0.16%)	N/A
– Southeastern China	**257 (35.00%)**	N/A	N/A
– Western China	**56 (12.17%)**	N/A	N/A

Note:

1. Due to the operation suspension of Xing Yuan Dong and Dongxing Automotive, there was a significant increase of employee turnover rate during the Reporting Period.

B2. Health and Safety

The Group is committed to providing a safe and healthy working environment for all employees, and strictly implements the PRC laws and regulations on occupational health and safety. The Group 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 trainings, the Group tries to enhance employees' ability to prevent and respond to fires, and reduce and prevent employees' occupational safety accident risks. During the Reporting Period, subsidiaries participated in fire drills arranged by property management office of the office premises, regularly cleaned the air-conditioning systems and other office equipment, and implemented comprehensive hygiene management in the workplace. Office premises are equipped with first aid kits in case of emergency. The Group is committed to creating a clean, tidy, smoke-free, non-toxic, healthy and safe working environment for its employees.

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

COVID-19 Pandemic

Since the outbreak of the COVID-19 pandemic, the Group has taken several precautionary measures to protect its employees and resume production. The Group provides face masks to the employees and checks their temperature from time to time on a daily basis. Effective prevention methods against the pandemic are also disseminated to the staff in a timely manner to enhance their knowledge of the virus, eliminate fear, and stabilize employees' emotions. The measures have successfully mitigated the impact of the pandemic on the Group's daily operation and production.

During the Reporting Period, the COVID-19 pandemic continued to pose an impact on the society and economy. The Group 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 pandemic prevention rules and regulations, which clearly standardizes the working methods and procedures during the pandemic at the company level, department level and employee level
- implement job rotation and flexible working hours
- monitor employees' health daily
- disinfect workplaces daily
- prepare sufficient anti-pandemic resources to its staff
- organize anti-pandemic & keep-healthy competition
    - Table tennis competition
    - Safety knowledge quiz game
    - Tournament competition

B3. Development and Training

The Group endeavors to support the growth of employees' capability that will help themselves and enhance their own competitiveness.

In order to improve the overall quality and professional expertise of all employees, the Group provides training to employees according to the annual plan, focusing on training employees, helping them to develop and plan their careers in an all-round way, and enhancing employees' core competencies, professional knowledge and skills. Online and offline trainings on professional skills, quality enhancements, business and product knowledge, occupational ethics and safety, management skills, leadership and team work co-operation are provided. The Group also provides specialized training activities for employees at different levels such as frontline, mid-level and senior staff.

During the Reporting Period, the Group has arranged a total of 41,353 hours of trainings to all staff, which represented an average of 32.18 hours of trainings per employee.

Percentage of Employees Trained

As a result of the implementation of the social pandemic prevention measures and cost control measures, the percentage of employees trained decreased. During the Reporting Period, 162 full-time employees representing 12.61% of the total workforce were provided with trainings. The distribution of the trained employees by gender and employee category are as follows:

Category	**Percentage of Employees Trained (%)**		**Percentage**
	2022	2021	**Change**[1]
Gender			
– Male	**45.68%**	76.10%	–39.98%
– Female	**54.32%**	23.90%	+127.28%
Employee category[1]			
– Senior management	**4.94%**	Nil	N/A
– Middle management	**29.63%**	Nil	N/A
– Frontline and other employees	**65.43%**	Nil	N/A

Note:

1. The number of trained employees were categorised in a different way in the 2021 ESG report as compared to this Report. Therefore, comparative figures are not available for the year 2021.

Average Training Hours Completed per Employee

The average training hours completed by the employees of the Group by gender and employment category are as follow:

Category	**Average Training Hour**		**Percentage**
	2022	2021	**Change**
Gender			
– Male	**34.58**	18.00	+92.13%
– Female	**25.23**	14.60	+72.79%
Employee category[1]			
– Senior management	**24.02**	Nil	N/A
– Middle management	**17.44**	Nil	N/A
– General employees	**33.79**	Nil	N/A

Note:

1. The employees' average training hours were categorised in a different way in the 2021 ESG report as compared to this Report. Therefore, comparative figures are not available for the year 2021.

B4. Labour Standards

The Group is committed to protecting human rights, and strictly complies with the applicable provisions of national labour policies, laws and regulations in the PRC including the Labor Law of the People's Republic of China and Labor Contract Law of the People's Republic of China. The Group prohibits the recruitment of child labour. During the recruitment process, candidates are required to provide 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 Group without forced labour.

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

During the Reporting Period, the Group did not violate any laws and regulations related to the prevention of child and forced labour.

OPERATING PRACTICES

B5. Supply Chain Management

While the Group strongly supports sustainability development, the Group also expects its suppliers to fulfill the same social responsibilities. Thus, the general terms and conditions of supplier contracts require suppliers to fulfill their social responsibilities and clearly enforce them to comply. Furthermore, suppliers must ensure that their own suppliers adhere to the same laws to facilitate compliance throughout the supply chain. Suppliers must agree to and abide by these compulsory requirements before they are engaged.

Suppliers of the Group mainly provide raw materials, production auxiliary materials for vehicles, information technology solutions, daily office supplies, transportation, renovation services, business process outsourcings, and information technology consultation services, etc. The Group has established the procurement management guidelines, such as supplier management control program (《供應商管理控制程序》) to ensure the fairness of procurement system and procedures, and to ensure that consumer rights and customer data are protected and customer complaints are properly managed. During the Reporting Period, the Group strengthened supplier access management, and enhanced environmental and social responsibility impact assessment during the supplier access audit and evaluation procedures. We requested all key suppliers to provide the qualification certificate, product performance record, documentary for environment protection, credit status and etc. to the related department for conducting supplier qualification review and we also conducted onsite inspections on the suppliers to verify the information provided and to ensure that the development, production, quality control and delivery capacity of the products of suppliers meet the requirements. The report was checked by the department heads and approved by the general manager. Qualified suppliers will then be added to the qualified supplier directory (《合格供應商目錄》) kept by the related department. By strictly controlling the access threshold of suppliers, the Group has created a responsible supply chain.

Suppliers are subject to regular performance assessments covering the dimensions of technical capabilities, quality, cost and delivery. Moreover, the Group identifies and detects supply chain risks to minimise ESG risk exposure to ensure that any supplier failing to meet requirements consistently will be eliminated. The Company pays close attention to the quality, safety, environment and other elements of suppliers.

The Group has also adopted measures to prevent employees from receiving personal benefits from suppliers, such as requiring suppliers and relevant employees to declare their interests and preventing them from accepting benefits.

During the Reporting Period, the Group had 213 key suppliers (2021: BBAFC had 28 suppliers) and all of them were based in the PRC.

B6. Product Responsibility

The parts, automotive components, financial products and services that are provided by the Group are designed to support a wide range of individual and institutional retail customers, from a diverse landscape of local and import manufacturers.

As an organization, the Group is committed to ensuring protection of the environment for future generations. The Group achieves this by managing its use of resource, improving efficiency and reducing emissions. All these help to contribute to limiting its carbon footprint and maximizing energy savings.

Financial products and services

Our current business strategy on financial products and services continue to focus on the NEV segment, which supported over 92% of the new business concluded in 2022 and makes up 79% of the serviced portfolio.

BBAFC's innovative products are designed with end-user customer needs in mind, and BBAFC 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. The Group tracks the satisfaction levels after each customer's interaction with the Group and the results are measured and evaluated, so that the Group may learn, adjust, and improve.

BBAFC has developed its own online training platform for internal and external use, which allows end-user customers, co-operation partners, and employees to browse training and financial product knowledge materials. Digital training reduces the need to travel for sales and training teams, which in turn reduces carbon footprint and contributes to the environment. The platform offers comprehensive product-related information, online examinations, individual progress information, and records continuous learning and development achievements.

The innovative use of technology also extends to the personalized marketing campaigns that have gone largely digital and paperless. With the support of strong corporate online exposure, BBAFC tries to maximize the use of online and digital platforms, and minimize the use of traditional marketing materials.

Parts and automotive components

In relation to the parts and automotive components production, the Group had issued guidelines to employees on governing the standard procedures such as standard operation book （《作業標準書》）. The Group had also set up policies such as monitoring and measurement procedures for products and manufacturing processes （《產品和製造過程的監視和測量程序》） and nonconforming product management procedures （《不合格品管理程序》） to ensure the product quality fulfils the set quality standard. Quality assurance department closely monitors all the quality and performance verification for production.

During the Reporting Period, the recalled rate per unit of total products sold or shipped was 0.18%. The Group is in strict compliance with the defective automobile products recall management regulations implementation measures （《缺陷汽車產品召回管理條例實施辦法》） for the recall procedures. All recalled products were filed in accordance with the recall plan with the national administration for market regulation. The Group had arranged for the product recall in a timely manner, and resolved the issues for customer to eliminate safety risks.

Complaints handling

During the Reporting Period, the Group received a total of 84 customer complaints (2021: BBAFC received 21 customer complaints). With complaint handling process in place and by taking appropriate follow-up actions, the complaints solution rate reached 100%.

Protecting intellectual property rights and customer data

The Group emphasises the importance of the protection of intellectual property rights. According to the Patent Law of the People's Republic of China （《中華人民共和國專利法》）, China's Trademark Law （《中國商標法》） and Enterprise Intellectual Property Management （《企業知識產權管理規範》）, the Group fully reviewed the existing intellectual property rules and enterprise standards and improved its intellectual property management system. All software and information provided by the Group are legally authorised and it only procures licensed products.

The Group has also formulated guidelines in relation to consumer rights protection guidelines, customer complaint management policy and retail customer complaint management task manual to continuously improve the complaint management process, and safeguard consumer rights by closely listening to customers.

Key areas that are currently receiving a lot of attention are customer rights protection and customer data protection. The Group has specific rules on how customer data is managed, and employees are regularly reminded of the relevant governance rules. The Group conducts regular information security trainings for employees to strengthen their security awareness. Employees in different departments have different access right to the data to ensure the customer data are well protected and only accessible by designated personnel.

During the Reporting Period, the Group has made every effort to ensure that there was no violation of laws and regulations regarding product responsibility, data privacy or intellectual property rights.

B7. Anti-corruption

The Group and its employees strictly abide by the applicable laws relating to corruption, bribery and money laundering in the relevant jurisdictions in which the Group operates, including the Anti-Money Laundering Law of the People's Republic of China and the Anti-Unfair Competition Law. The Group has zero tolerance for any form of corruption. If the Group becomes aware of any violations, it will take serious and necessary actions promptly to end the violations. The Group will also hand over the employees who violated the law to judicial authorities and will not tolerate such behaviour.

In addition, the Group has established an anti-corruption policy （《反貪污政策》） which has been posted on the Company's website as a guideline for all directors, officers and employees of the Company and its wholly-owned subsidiaries. The Group will periodically review this policy to bring it up to date with the changing environment. Further, the Group will continue to raise employees' awareness of anti-commercial bribery and anti-corruption, emphasising that the Group will not offer or accept any form of bribery or kickback, and will not tolerate any corrupt behavior in order to establish a good reputation and a positive working environment.

During the Reporting Period, four subsidiaries of the Group, namely Ningbo Yumin, Xing Yuan Dong, Shanghai Hidea and Dongxing Automotive, had organized anti-corruption and anti-bribery trainings to their directors and staff, with a total training time of 638 hours. Due to the lockdown of the city, the other 2 subsidiaries was unable to organise anti-corruption training during the Reporting Period. Moreover, the Group has notified its staff to follow the established anti-corruption guidelines and policies, and encouraged its directors and staff to update their knowledge of anti-corruption from time to time.

In order to improve employees' understanding and awareness of responsibility, the Group has formulated the internal accountability system and posted the whistleblowing policy （《舉報政策》） on the Company's website to determine and investigate the responsibilities of employees who violate national laws and regulations, financial regulations and company internal rules. The system clearly stipulates the scope, reporting procedures and investigation procedures.

According to the whistleblowing policy, the reporter who makes appropriate reports is assured of protection against unfair dismissal, unwarranted disciplinary action or victimization. Furthermore, the Group would reserve the right to take appropriate action against anyone who initiates or threatens to initiate retaliation against the reporters.

At the same time, the Group will continuously monitor the compliance risks in its daily operation, and check whether the regulatory indicators meet the regulatory requirements, whether there are serious violations, commercial bribery or unfair competition, and whether any criminal cases have occurred. Employees who discover any serious violations are encouraged to report it to the audit committee of the Board through a designated email which is stated in the whistleblowing policy of the Group. The audit committee of the Board would review the concern and complaint, and make the appropriate investigation arrangement.

To the best of our knowledge, the Group was not involved in any corruption, bribery, extortion, fraud and money laundering, nor was there any filed and concluded corruption proceedings against the Group and its employees in 2022.

B8. Community Investment

The Group believes that the fulfillment of corporate social responsibility means conducting business in a responsible manner, 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 establish a corporate image with internal cohesiveness and external influences with a strong sense of political and social responsibility.

As a member of the community, the Group actively fulfills its social responsibilities and is committed to contributing to the construction of a sustainable society. During the Reporting Period, the Group has contributed 506 hours on community activities, including:

- participated in the volunteer work for Asia Pulp's third vaccination
- participated in the volunteer work for Lejiang Mingting Nucleic Acid Sampling Exercise
- participated in the volunteer work to maintain the order of nucleic acid testing in Weidou basketball court
- participated in the volunteer work of distributing supplies and maintaining order during the silent period in Beilun District
- participated in the volunteer work of building a civilized city

Independent Auditor's Report

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

QUALIFIED OPINION

We have audited the consolidated financial statements of Brilliance China Automotive Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 88 to 178, which comprise the consolidated statement of financial position as at 31st December, 2022, 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.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the Group's consolidated financial position as at 31st December, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

As stated in our Independent Auditor's Report on the Group's financial statements for the year ended 31st December, 2021 dated 26th August, 2022, regarding the matters described in note 2 to the consolidated financial statements for the year ended 31st December, 2021, we were unable to obtain satisfactory explanations and adequate evidence related to certain fund flows and the corresponding expected credit loss allowance in relation to the balances resulting from these fund flows in 2021. Because of this matter having a possible effect on the comparability of the corresponding figures for the current year in the consolidated statements of profit or loss, comprehensive income and cash flows for the year ended 31st December, 2022, our opinion on the consolidated financial statements is therefore qualified in these respects.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion on the Group's consolidated financial position thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

KEY AUDIT MATTERS (Cont'd)

Key audit matter | **How the matter was addressed in our audit**

Interest in a major associate

The Group's 25% interest in BMW Brilliance Automotive Limited ("**BBA**") (note 16), is accounted for under the equity method. The Group's share of BBA's net assets was approximately RMB18,790,940,000 as at 31st December, 2022. The amounts noted below are those in the BBA financial statements (i.e. on a 100% basis).

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:

- Recoverability of accounts receivable – BBA's accounts receivable is mainly related to automotive components business. As at 31st December, 2022, the accounts receivable balance of BBA was approximately RMB2,197,996,000.

- Sufficiency of warranty provision – BBA's warranty provision is mainly related to product guarantees for vehicles sold. As at 31st December, 2022, the warranty provision balance of BBA was approximately RMB7,137,345,000.

BBA is a major associate of the Group and is audited by an auditor other than Grant Thornton (the "**Component Auditor**"). 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 audit instructions, we have determined that the audit work performed and evidence obtained were sufficient for our purpose. We have met with 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.

The audit procedures performed on the recoverability of accounts receivable included the following:

- testing the effectiveness of BBA's control over the monitoring of receivables over the collection periods;

- considering whether BBA's provision policy on expected credit loss was appropriate given the changing economic conditions faced by the dealers;

- comparing post-period end cash collections to BBA's expectations at 31st December, 2022; and

- 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.

KEY AUDIT MATTERS (Cont’d)

Key audit matter	How the matter was addressed in our audit
Interest in a major associate (Cont’d)	
	The audit procedures performed on the sufficiency of warrant provision included the following: • obtaining an understanding of the process for determining the assumptions and parameters employed in the estimation of warranty provision; • evaluating the appropriateness as well as effectiveness of controls for determining the assumptions and parameters; • performing reasonableness test on several parameters and re-calculation on different type of provision; and • performing vouching test on the actual claims of warranty provision incurred in order to draw conclusions on the reasonableness of the assumptions. 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.

KEY AUDIT MATTERS (Cont'd)

Key audit matter	How the matter was addressed in our audit

Expected credit loss ("ECL") allowances assessment on accounts receivable from third parties and affiliated companies, loan receivables, other receivables, dividend receivable and amounts due from affiliated companies (collectively referred to as "Receivables")

As at 31st December, 2022, the Group had, net of corresponding ECL allowances, (i) accounts receivable from third parties and affiliated companies of approximately RMB282,075,000; (ii) loan receivables of approximately RMB2,423,951,000; (iii) other receivables of approximately RMB22,640,000; (iv) dividend receivable of approximately RMB20,381,000; and (v) amounts due from affiliated companies of approximately RMB24,304,000.

Management applied a simplified approach in calculating ECL allowance on accounts receivable from third parties and affiliated companies and recognised loss allowances based on lifetime ECL at each reporting date.

And the Group measured the ECL allowances for other financial assets measured at amortised cost (including loan receivables, other receivables, dividend receivable and amounts 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 recognised lifetime ECL.

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.

As a result, the impairment assessment involved significant management's judgements and use of estimates in the evaluation of ECL.

Our audit procedures in relation to the impairment assessment on Receivables included the following:

- obtaining an understanding of the basis of management's judgements about the recoverability of Receivables and evaluating the full provision of uncollectible amounts made by management for those 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;

- assessing the reasonableness of estimates used to determine the ECL allowance 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;

- testing the arithmetical accuracy of the calculations and the data integrity of information used by management to develop the provision matrix, including account receivables' ageing analysis as at 31st December, 2022, on a sample basis, by comparing individual items in the analysis with the relevant invoices and other supporting documents;

- Involving the valuation specialist to assess the ECL allowance and comparing to the management's estimation; and

- evaluating the disclosures regarding the ECL allowance assessment of Receivables in notes 18, 21, 23 and 33 to the consolidated financial statements.

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

OTHER INFORMATION

The directors are responsible for other information. The other information comprises all information included in the 2022 annual report of the Company, but does not include consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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
Certified Public Accountants
11th Floor,
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

29th March, 2023

Chan Tze Kit
Practising Certificate No.: P05707

Consolidated Statement of Profit or Loss

For the year ended 31st December, 2022

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

	Note	2022 RMB'000	2021 RMB'000
Revenue	5	**1,130,725**	2,141,946
Cost of sales		**(895,153)**	(1,961,217)
Gross profit		**235,572**	180,729
Other income		**139,593**	53,370
Interest income		**416,323**	49,801
Selling expenses		**(33,930)**	(140,461)
General and administrative expenses		**(437,802)**	(2,941,517)
Net expected credit loss ("**ECL**") allowance on loans and receivables		**(475,748)**	(1,011,930)
Finance costs	6	**(12,927)**	(125,667)
Share of results of:			
A joint venture		**2,379,782**	14,514,842
Associates		**6,543,795**	(119,556)
		8,754,658	10,459,611
Gain on disposal of partial equity interest in a joint venture		**4,895,929**	–
Other taxes related to the disposal		**(7,287,093)**	–
		(2,391,164)	–
Gain on deconsolidation of subsidiaries	35	**779,278**	–
Profit before income tax credit (expense)	7	**7,142,772**	10,459,611
Income tax credit (expense)	8	**4,058**	(18,817)
Profit for the year		**7,146,830**	10,440,794
Attributable to:			
Equity holders of the Company		**7,146,895**	11,960,525
Non-controlling interests		**(65)**	(1,519,731)
		7,146,830	10,440,794
Earnings per share	9		
– Basic		**RMB1.41655**	RMB2.37064
– Diluted		**RMB1.41655**	RMB2.37064

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2022

	2022 **RMB'000**	2021 RMB'000
Profit for the year	**7,146,830**	10,440,794
Other comprehensive income (expense) that will be subsequently reclassified to consolidated statement of profit or loss, net of tax		
Share of other comprehensive income (expense) of a joint venture	**747,009**	(2,920,222)
Share of other comprehensive income (expense) of associates	**517,516**	(50)
Fair value gain on notes receivable at fair value through other comprehensive income ("**FVOCI**")	**322**	105
	1,264,847	(2,920,167)
Other comprehensive income that will not be subsequently reclassified to consolidated statement of profit or loss, net of tax		
Change in fair value of equity investments	**461**	2,582
Total comprehensive income for the year	**8,412,138**	7,523,209
Attributable to:		
Equity holders of the Company	**8,412,203**	9,042,918
Non-controlling interests	**(65)**	(1,519,709)
	8,412,138	7,523,209

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2022

	Attributable to the owners of the Company											
	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 (disposal) 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, 2022	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
Transactions with equity holders of the Company												
Release on disposal of partial equity interest of a jointly controlled entity	-	704,352	-	-	-	-	-	-	-	704,352	-	704,352
Release of reserve upon deconsolidation of a subsidiary	-	-	-	-	-	-	2,350,481	-	(2,350,481)	-	1,925,998	1,925,998
	-	704,352	-	-	-	-	2,350,481	-	(2,350,481)	704,352	1,925,998	2,630,350
Profit for the year	-	-	-	-	-	-	-	-	7,146,895	7,146,895	(65)	7,146,830
Other comprehensive income												
Share of other comprehensive income of a joint venture	-	747,009	-	-	-	-	-	-	-	747,009	-	747,009
Share of other comprehensive income of associates	-	517,473	-	-	43	-	-	-	-	517,516	-	517,516
Change in fair value of financial assets	-	-	-	461	322	-	-	-	-	783	-	783
Total other comprehensive income	-	1,264,482	-	461	365	-	-	-	-	1,265,308	-	1,265,308
Total comprehensive income	-	1,264,482	-	461	365	-	-	-	7,146,895	8,412,203	(65)	8,412,138
As at 31st December, 2022	397,176	(186,879)	2,476,082	(5,709)	(308)	39,179	-	120,000	48,605,713	51,445,254	771,573	52,216,827

Consolidated Statement of Changes in Equity (Cont'd)

For the year ended 31st December, 2022

	Attributable to the owners of the Company											
	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, 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
Transactions with equity holders of the Company												
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
Total other comprehensive expense	–	(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 Financial Position

As at 31st December, 2022

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Intangible assets	12	**37,935**	41,468
Property, plant and equipment	13	**444,185**	726,126
Land lease prepayments	14	**76,029**	78,147
Interests in a joint venture	15	**–**	41,554,943
Interests in associates	16	**19,727,942**	987,766
Equity investments	17	**9,924**	9,463
Long-term loan receivables	18	**1,314,172**	1,517,536
Other non-current assets		**87,832**	78,352
Total non-current assets		**21,698,019**	44,993,801
Current assets			
Cash and cash equivalents		**28,463,276**	1,049,252
Statutory deposit reserves at central bank		**32,500**	32,500
Pledged and restricted short-term bank deposits	19	**3,461,922**	745,195
Inventories	20	**185,201**	298,387
Accounts receivable	21	**282,075**	310,860
Notes receivable	22	**94,470**	109,490
Other current assets	23	**1,209,141**	2,411,510
Total current assets		**33,728,585**	4,957,194
Current liabilities			
Accounts payable	24	**366,829**	1,087,348
Notes payable		**170,149**	334,388
Other current liabilities	25	**292,322**	2,713,671
Short-term bank borrowings	27	**350,000**	2,167,338
Long-term bank borrowings due within one year	27	**7,500**	390,600
Income tax payable		**10,337**	2,661
Provision for loss on unauthorised guarantees	28	**1,917,062**	1,917,062
Total current liabilities		**3,114,199**	8,613,068
Net current assets (liabilities)		**30,614,386**	(3,655,874)
Total assets less current liabilities		**52,312,405**	41,337,927

Consolidated Statement of Financial Position (Cont'd)

As at 31st December, 2022

	Note	**2022 RMB'000**	2021 RMB'000
Non-current liabilities			
Other non-current liabilities	25	**95,578**	156,088
Long-term bank borrowings	27	**–**	7,500
Total non-current liabilities		**95,578**	163,588
NET ASSETS		**52,216,827**	41,174,339
Capital and reserves			
Share capital	31(a)	**397,176**	397,176
Reserves	32	**51,048,078**	41,931,523
Total equity attributable to equity holders of the Company		**51,445,254**	42,328,699
Non-controlling interests		**771,573**	(1,154,360)
TOTAL EQUITY		**52,216,827**	41,174,339

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

Zhang Wei

Director

Consolidated Statement of Cash Flows

For the year ended 31st December, 2022

	Note	**2022** **RMB'000**	2021 RMB'000
Operating activities			
Cash generated from operations	34	**619,415**	1,249,755
Interest and financing service income received		**662,684**	386,411
Corporate income tax recovered (paid)		**14,779**	(30,332)
Net cash generated from operating activities		**1,296,878**	1,605,834
Investing activities			
Acquisition of property, plant and equipment and additions of intangible assets		**(34,290)**	(219,754)
(Increase) Decrease in short-term and pledged bank deposits		**(2,972,474)**	1,268,828
Dividends received from associates		**10,658,065**	–
Dividends received from equity investments		**–**	282
Proceeds from disposal of property, plant and equipment		**1,660**	814
Proceeds from disposal of partial interest of a joint venture, net		**20,654,054**	–
(Increase) Decrease in other non-current assets		**(11,392)**	38,411
Net cash generated from investing activities		**28,295,623**	1,088,581
Financing activities			
Issue of notes payable	34(b)	**–**	100,000
Repayments of notes payable	34(b)	**–**	(1,384,000)
Payment of lease liabilities	34(b)	**(21,174)**	(20,890)
Government grants received	34(b)	**13,224**	22,008
Proceeds from bank borrowings	34(b)	**877,000**	1,362,338
Repayments of bank borrowings	34(b)	**(2,659,500)**	(3,923,800)
Loan to a related party	33(e)	**–**	(404,000)
Loan to a third party		**–**	(206,000)
Repayment of bank borrowings for a deconsolidated subsidiary		**(372,273)**	–
Proceeds of loan from non-controlling interest of a subsidiary		**–**	629,438
Capital contributions from non-controlling shareholders		**–**	294,000
Finance charges paid for lease liabilities		**(1,756)**	(3,699)
Interest paid		**(13,998)**	(132,329)
Net cash used in financing activities		**(2,178,477)**	(3,666,934)
Increase (Decrease) in cash and cash equivalents		**27,414,024**	(972,519)
Cash and cash equivalents, as at 1st January,		**1,049,252**	2,021,771
Cash and cash equivalents, as at 31st December,		**28,463,276**	1,049,252

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2022

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, 2022.

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 associate, BMW Brilliance Automotive Ltd. ("**BBA**"), the manufacture and sale of 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**").

The Group's subsidiary, Renault Brilliance Jinbei Automotive Company Limited ("**RBJAC**") of which principal activities are the manufacture and sale of minibuses and multi-purpose vehicles ("**MPVs**"), is under restructuring (the "**RBJAC Restructuring**") accepted by the Shenyang Intermediate People's Court on 12th January, 2022. Under the court order, a restructuring committee was also formed to seek new investors or to liquidate the subsidiary. Pursuant to the relevant laws in respect of restructure 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. after the restructuring committee was formed. Accordingly, the Company considers that the Group has lost control over RBJAC from 12th January, 2022.

In addition, another Group's subsidiary, Shenyang Brilliance Jindong Development Co., Ltd. ("**SBDAC**") with principal activity of trading of automotive components has also started the liquidation process on 26th July, 2022. The Company considers that the Group has lost control over SBDAC on 26th July, 2022.

Accordingly, the financial statements of these two subsidiaries are not consolidated into the Group's consolidated financial statements from the time the Group lost control over them.

2. PRINCIPAL ACCOUNTING POLICIES

2.1. 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 2021 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 for the annual financial statements beginning on or after 1st January, 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS 2018-2020
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations

The impact of the adoption of the New and Amended HKFRSs are discussed below in note 2.2. Other than as noted below, the adoption of the New and Amended HKFRSs have no material impact on the Group's consolidated financial statements.

2.2. Adoption of New and Amended HKFRSs

(i) Amendments to HKAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

(ii) Amendments to HKAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.2. Adoption of New and Amended HKFRSs (Cont'd)

(iii) Amendments to HKFRSs "Annual Improvements to HKFRS Standards 2018-2020"

The Annual Improvements to HKRS Standards 2018-2020 include a number of amendments to various HKFRSs, which are summarised below.

Amendments to HKFRS 1 provide an option for a subsidiary to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of its parent company (based on the parent company's date of transitions to HKFRSs) if a subsidiary adopts HKFRSs later than its parent company and applies paragraph D16(a) of HKFRS 1.

Amendments to HKFRS 9 clarify that, for the purpose of applying the "10 per cent" test for derecognition of financial liability, the borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to illustrative example 13 accompanying HKFRS 16 remove the illustration of the reimbursement of leasehold improvements by the lessor from the example as the example is not clear as to why such payments are not a lease incentive, which in turn remove any potential confusion regarding the treatment of lease incentives that might arise.

Amendments to HKAS 41 remove a requirement to exclude cash flows from taxation when measuring fair value of a biological asset, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

Amendments to HKFRS 1, HKFRS 9 and HKAS 41 are effective for annual period beginning on or after 1st January, 2022. Earlier application is permitted. The amendments to HKFRS 16 only regard an illustrative example, so no effective date is stated. The directors of the Group expect that the annual improvements have no material impact on the consolidated financial statements.

(iv) Amendments to HKFRS 3 "Reference to the Conceptual Framework"

The amendments update the reference in HKFRS 3 to the latest version of "Conceptual Framework for Financial Reporting" issued in March 2018, and add an exception to the requirement for an entity to refer to "Conceptual Framework for Financial Reporting" to determine what constitutes an asset or liability.

Besides, the exception also specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or HK(IFRIC)-Int 21 "Levies" if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should apply the criteria in HKAS 37 or HK(IFRIC)-Int 21 respectively (instead of the "Conceptual Framework for Financial Reporting") to determine whether a present obligation exists at the acquisition date.

(v) Accounting Guideline 5 (Revised) "Merger Accounting for Common Control Combination"

Accounting Guideline 5 was revised to clarify why a common control transaction involving inserting a shell company between a parent entity and a single subsidiary or between a parent entity and a group of subsidiaries is not common control combination in the Accounting Guideline 5 and why, in practice, a principle similar to that for a reverse acquisition is applied to those transactions.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.3. 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 2.9 below.

2.4. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gains or losses have been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "*Financial Instruments*" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.4. Basis of consolidation (Cont'd)

(ii) Non-controlling interests

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

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

(iii) Associates and joint ventures

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

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

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

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

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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.4. Basis of consolidation (Cont'd)

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

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

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

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

(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 re-translated into the functional currency at rates of exchange prevailing at the reporting date. Exchange differences arising in these cases are dealt with in profit or loss.

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.5. 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.

2.6. 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 2.19 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 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.7. 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.

2.8. 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.

2.9. 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.9. 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 expected credit loss ("**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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.9. 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.10. 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.10. 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 4(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.

2.11. 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 2.9).

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.12. 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 2.9 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

2.13. 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 12 and 13, 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.14. 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.

2.15. 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.

2.16. 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.

2.17. 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.18. 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.

2.19. 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.19. 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.19. 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.

2.20. 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 30.

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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.21. 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.22. Revenue recognition

Revenue arises mainly from the sales of 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.23. 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.

2.24. 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 automotive components for the year ended 31st December, 2022 and the manufacture and sale of minibuses, MPVs and automotive components for the year ended 31st December, 2021;

(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;
- results of deconsolidation of subsidiaries;
- results of disposal of partial interest in a joint venture and the respective tax;
- 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.24. Segment reporting (Cont'd)

Segment assets include all assets other than interests in a joint venture (note 15), interests in associates (note 16) and equity investments (note 17). In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Segment liabilities include all liabilities other than corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

In addition, segment assets and segment liabilities include assets and liabilities of the "manufacture and sale of BMW vehicles" segment, which are currently reported on the basis of the Group's share of equity interests in BBA included in the consolidated financial statements prepared under HKFRSs.

2.25. 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.25. Related parties (Cont'd)

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.

2.26. 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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "**2022 Amendments**")[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")[2,4]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
HKFRS 17	Insurance Contracts[1]

1 Effective for annual periods beginning on or after 1st January, 2023

2 Effective for annual periods beginning on or after 1st January, 2024

3 No mandatory effective date determined yet but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1st January, 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" was revised to align the corresponding wording with no change in conclusion

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the accounting policies set out in note 2, 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.

3. 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

The net book values of the Group's property, plant and equipment including right-of-use assets (other than construction-in-progress) (note 13) and land lease prepayments (note 14) as at 31st December, 2022 were approximately RMB416,151,000 (2021: approximately RMB666,331,000) and RMB76,029,000 (2021: approximately RMB78,147,000), 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 (note 12) as at 31st December, 2022 were approximately RMB37,935,000 (2021: approximately RMB41,468,000). 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, 2022, carrying values of interests in associates (note 16) was approximately RMB19,727,942,000 (2021: approximately RMB987,766,000). The interests in associates also include goodwill of investment in listed associates of approximately RMB72,799,000 (2021: approximately RMB72,799,000) which was fully impaired (2021: same) and goodwill in investment in unlisted associate of RMB26,654,000 (2021: 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 (2021: same). Based on the assessment, no further impairment loss as at 31st December, 2022 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, 2022, the Group had inventories (note 20) of approximately RMB185,201,000 (2021: approximately RMB298,387,000) (net of provision for inventories of approximately RMB74,670,000 (2021: approximately RMB145,419,000)). Should there be an unexpected change in market condition, the provision may not be adequate and further impairment may be required.

3. 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, 2022, the Group had accounts receivable from third parties and affiliated companies (notes 21 and 33(c)) totalling approximately RMB282,075,000, net of ECL allowance of approximately RMB144,948,000 (2021: approximately RMB310,860,000, net of ECL allowance of approximately RMB351,863,000), loan receivables (note 18) of approximately RMB2,423,951,000, net of ECL allowance of approximately RMB44,682,000 (2021: approximately RMB3,451,120,000, net of ECL allowance of approximately RMB63,436,000), other receivables (note 23) (included in other current assets and non-current assets) totalling of approximately RMB22,640,000, net of ECL allowance of approximately RMB4,216,871,000 (2021: approximately RMB252,893,000, net of ECL allowance of approximately RMB4,288,357,000), dividend receivable from an affiliated company (note 33(f)) RMB20,381,000, net of ECL allowance of approximately RMB619,000 (2021: RMB16,534,000, net of ECL allowance of approximately RMB566,000) and amounts due from affiliated companies (note 33(e)) of approximately RMB24,304,000, net of ECL allowance of approximately RMB2,853,178,000 (2021: approximately RMB22,268,000, net of ECL allowance of approximately RMB3,041,681,000).

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

In the past, the Group makes provisions for product warranties (note 25(a)) granted by the Group in respect of certain products sold by RBJAC. 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. As RBJAC was deconsolidated from the Group as set out in note 1 and no sales transactions in relation to any products sold by RBJAC, no further warranty provision is recognised at 31st December, 2022.

(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. The Group had performed impairment assessment for certain assets owned by a subsidiary under the suspension of its production, impairment loss of RMB4,000 was recognised as at 31st December, 2022.

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 12 and note 13, respectively.

4. 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, accrued expenses, 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 and bank balances and deposits.

In order to minimise credit risk, credit history and background of new customers and debtors are checked. Credit limits with credit terms of 30 to 90 days are set for customers. Customers considered to be high risk are traded on cash basis or upon receipt of bank guaranteed notes. 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, 2022.

The Group performs impairment assessment under ECL model on loan receivables and other receivables based on 12-month 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 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.

4. 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, dividend receivables from an affiliated company, 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, 2022:

	2022		2021	
	Gross carrying amount RMB'000	**ECL allowance RMB'000**	Gross carrying amount RMB'000	ECL allowance RMB'000
Accounts receivable	**325,631**	**46,162**	409,216	102,461
Accounts receivable from affiliated companies	**101,392**	**98,786**	253,507	249,402
Loan receivables	**2,468,633**	**44,682**	3,514,556	63,436
Amounts due from affiliated companies	**2,877,482**	**2,853,178**	3,063,949	3,041,681
Dividend receivable from an affiliated company	**21,000**	**619**	17,100	566
Other receivables	**4,239,506**	**4,216,866**	4,541,152	4,288,259
Other receivables grouped under other non-current assets	**5**	**5**	98	98
Pledged and restricted short-term bank deposits	**3,461,922**	**–**	745,195	–
	13,495,571	**7,260,298**	12,544,773	7,745,903

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, 2022 and 2021 is the carrying amount as disclosed in note 4(e).

4. 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, 2022 and 2021, the remaining contractual maturities of the Group's financial liabilities, based on undiscounted cash flows, are summarised below:

As at 31st December, 2022

	Within 1 year or repayable on demand RMB'000	Over 1 year but within 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Financial liabilities					
Accounts payable	**366,829**	**–**	**–**	**366,829**	**366,829**
Notes payable	**170,149**	**–**	**–**	**170,149**	**170,149**
Other payables	**152,085**	**–**	**–**	**152,085**	**152,085**
Accrued expenses	**33,743**	**–**	**–**	**33,743**	**33,743**
Bank borrowings	**366,910**	**–**	**–**	**366,910**	**357,500**
Lease liabilities	**19,665**	**16,475**	**–**	**36,140**	**34,615**
Amounts due to affiliated companies	**69,921**	**–**	**–**	**69,921**	**69,921**
	1,179,302	**16,475**	**–**	**1,195,777**	**1,184,842**

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
Financial liabilities					
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
	6,652,989	48,414	41,622	6,743,025	6,656,380

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

(c) Currency risk

The Group's business mainly operates in the PRC with most of its transactions denominated and settled in RMB. Receivables and payables, and cash and cash equivalents denominated in foreign currencies which is mainly U.S. Dollars and Hong Kong Dollars are not significant; and therefore exposure to foreign currency translation risk is considered not significant. The Group had not used any financial instrument to hedge against foreign exchange risk.

At 31st December, 2022, 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 RMB1 million lower/higher (2021: approximately RMB3 million lower/higher), mainly as a result of foreign exchange losses/gains on translation of the U.S. Dollar denominated accounts receivable, cash and cash equivalents and short-term bank deposits.

(d) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing bank loans, discounted bank guaranteed notes and bank deposits except for the lease liabilities charging fixed interest rate.

Funds not required by the Group in the short-term are kept as temporary demand or time deposits in commercial banks and the Group does not hold any market risk-sensitive instruments for speculative purposes.

Assuming the cash and cash equivalents, short-term deposits, pledged short-term bank deposits, short-term bank borrowings, long-term bank borrowings, notes payable and statutory deposit reserves at central bank for financing outstanding as at 31st December, 2022 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 RMB119,186,000 (2021: decrease or increase the profit after tax and equity of the Group by approximately RMB730,000). 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 2021.

4. 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, 2022 and 2021 are categorised as follows:

	2022	2021
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents	**28,463,276**	1,049,252
Statutory deposit reserves at central bank	**32,500**	32,500
Pledged and restricted short-term bank deposits	**3,461,922**	745,195
Accounts receivable	**282,075**	310,860
Loan receivables	**2,423,951**	3,451,120
Other receivables	**22,640**	252,893
Amounts due from affiliated companies	**24,304**	22,268
Financial assets at FVOCI (non-recycling):		
Listed equity securities	**5,786**	5,325
Unlisted equity securities	**4,138**	4,138
Financial assets at FVOCI (recycling):		
Notes receivable	**94,470**	109,490
	34,815,062	5,983,041

	2022	2021
	RMB'000	RMB'000
Financial liabilities		
Financial liabilities measured at amortised cost:		
Accounts payable	**366,829**	1,087,348
Notes payable	**170,149**	334,388
Other payables	**152,085**	1,431,616
Accrued expenses	**33,743**	142,460
Lease liabilities	**34,615**	85,345
Bank borrowings	**357,500**	2,565,438
Other borrowing	**–**	193,934
Amounts due to affiliated companies	**69,921**	815,851
	1,184,842	6,656,380

4. **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:

		2022			2021	
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Financial assets						
Financial assets at FVOCI (non-recycling)						
– Listed equity investment	**5,786**	**–**	**–**	5,325	–	–
– Unlisted equity investment (recycling)	**–**	**–**	**4,138**	–	–	4,138
– Notes receivable	**–**	**94,470**	**–**	–	109,490	–
	5,786	**94,470**	**4,138**	5,325	109,490	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, 2022 and 2021.

5. REVENUE AND SEGMENT INFORMATION

Revenue earned during the year represents:

	2022 RMB'000	2021 RMB'000
Sale of minibuses, MPVs and automotive components, net of consumption tax, discounts and return	**877,945**	1,750,985
Interest and service charge income from provision of auto financing service, net of other indirect taxes	**252,780**	390,961
	1,130,725	2,141,946

Sale of automotive components are recognised at a point of time.

As the Group's revenue from sale of minibuses and MPVs were all through RBJAC, upon the deconsolidation of RBJAC, no sale of minibuses and MPVs was recognised for 2022. The sales for the year ended 31st December, 2022 only consists of manufacturing and sale of automotive components.

During the year, the Group had one largest customer with aggregate revenue of approximately RMB243,989,000 or 22% of the Group's revenue (2021: one largest customer with aggregate revenue of approximately RMB282,105,000 or 13% of the Group's revenue). Other than the largest customer, no other customer had aggregate revenue reaching or exceeding 10% of the Group's revenue during the year (2021: same).

Although the Group's products are primarily sold in the PRC, the Group also has sale to the overseas markets and the sales by location of customers are as follows:

	2022 RMB'000	2021 RMB'000
PRC	**777,845**	1,624,825
Other Asian countries	**2,395**	6,771
Latin America and Caribbean Sea	**35,238**	26,715
Europe	**55,385**	35,498
Middle East	**–**	18,120
African countries	**–**	32,625
Others	**7,082**	6,431
	877,945	1,750,985

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 2.24. All segment assets are located in the PRC.

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating segments – 2022

	Manufacture and sale of 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	**877,945**	**235,589,367**	**252,780**	**(235,589,367)**	**1,130,725**
Segment results	**(517,628)**	**40,996,364**	**678**	**(40,965,075)**	**(485,661)**
Unallocated costs net of unallocated income					**(86,654)**
Interest income					**416,323**
Finance costs					**(12,927)**
Gain on disposal of partial equity interest in a joint venture	**–**	**4,895,929**	**–**	**–**	**4,895,929**
Other taxes related to the disposal	**–**	**(7,287,093)**	**–**	**–**	**(7,287,093)**
Gain on deconsolidation of subsidiaries	**779,278**	**–**	**–**	**–**	**779,278**
Share of results of:					
A joint venture	**–**	**2,379,782**	**–**	**–**	**2,379,782**
Associates	**(29,770)**	**6,573,565**	**–**	**–**	**6,543,795**
Profit before income tax credit					**7,142,772**

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)
Profit before income tax expense					10,459,611

5. **REVENUE AND SEGMENT INFORMATION** (Cont'd)

Operating segments – 2022

	Manufacture and sale of 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	33,548,673	164,927,049	2,754,914	(165,578,702)	35,651,934
Interests in associates	937,002	18,790,940	–	–	19,727,942
Equity investments					9,924
Unallocated assets					36,804
Total assets					55,426,604
Segment liabilities	2,809,915	89,763,288	1,040,306	(90,414,941)	3,198,568
Unallocated liabilities					11,209
Total liabilities					3,209,777
Other disclosures:					
Capital expenditures					
– Owned assets	28,694	21,064,875	5,178	(21,064,875)	33,872
– Right-of-use assets	13,491	1,380,060	116	(1,380,060)	13,607
Depreciation of property, plant and equipment					
– Owned assets	52,945	5,418,520	993	(5,418,520)	53,938
– Right-of-use assets	16,546	336,569	4,573	(336,569)	21,119
Amortisation of land lease prepayments	2,118	82,112	–	(82,112)	2,118
Amortisation of intangible assets	2,269	180,726	7,027	(180,726)	9,296
Provision for inventories	5,250	1,735,498	–	(1,735,498)	5,250
Reversal of provision for inventories sold	1,168	943,243	–	(943,243)	1,168
Net provision (reversal) of ECL allowance	451,999	(500,000)	23,749	500,000	475,748
Impairment losses on assets	4	–	–	–	4
Income tax (credit) expense	(4,690)	9,942,539	632	(9,942,539)	(4,058)

5. 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
Total assets					49,950,995
Segment liabilities	6,986,992	92,662,146	2,432,461	(93,319,945)	8,761,654
Unallocated liabilities					15,002
Total liabilities					8,776,656
Other disclosures:					
Capital expenditures					
– 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
Depreciation of property, plant and equipment					
– 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

6. FINANCE COSTS

	2022 **RMB'000**	2021 RMB'000
Interest expense on:		
– Bank borrowings	**10,736**	84,444
– Discounted bank guaranteed notes/net loss arising on FVOCI	**435**	37,524
– Finance charges on lease liabilities	**1,756**	3,699
	12,927	125,667

7. PROFIT BEFORE INCOME TAX (CREDIT) EXPENSE

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

	Note	**2022** **RMB'000**	2021 RMB'000
Charging:			
ECL allowance on:			
– Accounts receivable	21(a)	**5,624**	24,240
– Loan receivables	18	**23,393**	6,576
– Other receivables grouped under			
– Current assets	23(a)	**46,664**	24,477
– Non-current assets		**–**	65
– Accounts receivable from affiliated companies	33(c)	**–**	86,124
– Amounts due from affiliated companies	33(e)	**405,191**	870,448
– Dividend receivable from an affiliated company	33(f)	**53**	–
Impairment losses on assets:			
– Owned property, plant and equipment (b)	13	**–**	1,356,823
– Owned intangible assets (b)	12	**4**	631,968
– Right-of-use assets (b)	13	**–**	40,109
Staff costs (including directors' emoluments)	11(a)	**341,675**	479,969
Amortisation of intangible assets (a)	12	**9,296**	68,604
Amortisation of land lease prepayments	14	**2,118**	2,118
Loss on disposal of property, plant and equipment:			
– Owned assets		**12,668**	1,701
– Right-of-use assets		**176**	842
Depreciation of property, plant and equipment:			
– Owned assets	13	**53,938**	219,202
– Right-of-use assets	13	**21,119**	22,125
Cost of inventories		**808,517**	1,735,230
Exchange loss, net (b)		**–**	14,445
Provision for inventories	20	**5,250**	93,465
Auditors' remuneration (b)		**2,499**	4,366
Research and development costs (b)		**19,078**	55,075
Warranty provision (b)		**1,378**	2,977
Lease charges:			
– Short-term leases with lease terms of 12 months or shorter		**6,178**	12,678
– Low value items		**15**	205
Crediting:			
Exchange gain, net (b)		**4,848**	–
Reversal of provision for inventories sold	20	**1,168**	9,948
Rental income from land and buildings		**1,031**	4,241
Reversal of warranty provision (b)		**–**	2,935
Reversal of ECL allowance on:			
– Accounts receivable from affiliated companies	33(c)	**5,084**	–
– Other receivables grouped under non-current assets		**93**	–

(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.

8. INCOME TAX (CREDIT) EXPENSE

The income tax (credit) expense recognised in the consolidated statement of profit or loss represents:

	2022 RMB'000	2021 RMB'000
Current tax		
PRC corporate income tax		
– Current year	**2,162**	13,739
– (Over) Under provision in prior years	**(6,220)**	5,078
Total income tax (credit) expense	**(4,058)**	18,817

(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 (2021: 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. For the profits generated by the Group's subsidiaries in the PRC, 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 these PRC subsidiaries. Unremitted earnings (determined under PRC GAAP) subject to this withholding tax totalled approximately RMB29,063,092,000 at 31st December, 2022 (2021: approximately RMB7,339,846,000).

8. INCOME TAX (CREDIT) EXPENSE (Cont'd)

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

	2022 RMB'000	2021 RMB'000
Profit before income tax (credit) expense	7,142,772	10,459,611
Calculated at a weighted average statutory taxation rate in the PRC of 25.31% (2021: 25.77%)	1,807,577	2,695,704
Effect of tax holiday	(1,077)	(191)
Tax effect of non-taxable income	(132,786)	(4,333)
Tax effect of non-deductible expenses	15,977	76,699
Profits attributable to a joint venture	(594,945)	(3,628,710)
Gain on deconsolidation of subsidiaries	(194,820)	–
Gain on disposal of partial equity interest of a joint venture net of other taxes related to the disposal	597,791	–
(Profits) Losses attributable to associates	(1,635,949)	29,889
Unrecognised temporary differences	(482,376)	592,561
Unrecognised tax losses net of utilisation of previously unrecognised tax losses	622,770	252,120
(Over) Under provision in prior years	(6,220)	5,078
Tax (credit) expense for the year	(4,058)	18,817

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately RMB7,146,895,000 (2021: approximately RMB11,960,525,000) by the weighted average number of ordinary shares of 5,045,269,000 shares (2021: 5,045,269,000 shares).

Diluted earnings per share is the same as basic earnings per share for the year ended 31st December, 2022 (2021: same) as there was no potential dilutive ordinary share in issue during the year (2021: same).

10. DIVIDENDS

On 13th January, 2023, the Company declared a dividend of HK$0.96 per share (2021: nil) totalling HK$4,843,458,000 (2021: nil).

The directors of the Company did not recommend any dividend payment at the Board meeting held on 29th March, 2023 in respect of the Group's 2022 annual results.

11. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT

(a) Staff costs

	2022 RMB'000	2021 RMB'000
Wages, salaries and performance related bonus	**186,034**	346,476
Pension costs – defined contribution plans	**15,225**	38,642
Staff welfare costs	**140,416**	94,851
	341,675	479,969

(b) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Other emoluments				
	Fee RMB'000	Bonus RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2022					
Executive directors					
Mr. Wu Xiao An	–	4,313	3,932	16	8,261
Mr. Shen Tie Dong *(Note 6)*	–	–	–	–	–
Mr. Zhang Wei	–	–	571	–	571
Mr. Sun Baowei *(Note 8)*	–	–	1,933	–	1,933
Mr. Xu Daqing *(Note 5)*	–	–	–	–	–
	–	4,313	6,436	16	10,765
Independent non-executive directors					
Mr. Song Jian	216	86	–	–	302
Mr. Jiang Bo	216	86	–	–	302
Mr. Dong Yang *(Note 4)*	216	86	–	–	302
Dr. Lam Kit Lan, Cynthia *(Note 7)*	60	24	–	–	84
	708	282	–	–	990
	708	4,595	6,436	16	11,755

11. 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 2021 are as follows:

	Other emoluments				
	Fee RMB'000	Bonus RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2021					
Executive directors					
Mr. Wu Xiao An	–	4,135	3,769	15	7,919
Mr. Yan Bingzhe *(Note 1)*	–	–	–	–	–
Mr. Shen Tie Dong *(Note 6)*	–	–	–	–	–
Mr. Zhang Wei	–	–	–	–	–
Mr. Sun Baowei *(Note 8)*	–	–	1,985	–	1,985
Ms. Ma Nina *(Note 2)*	–	–	–	–	–
	–	4,135	5,754	15	9,904
Independent non-executive directors					
Mr. Xu Bingjin *(Note 3)*	124	83	–	–	207
Mr. Song Jian	124	83	–	–	207
Mr. Jiang Bo	124	83	–	–	207
Mr. Dong Yang *(Note 4)*	76	83	–	–	159
	448	332	–	–	780
	448	4,467	5,754	15	10,684

Note 1: Mr. Yan Bingzhe resigned on 12th August, 2021.

Note 2: Ms. Ma Nina resigned on 5th November, 2021

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

Note 4: Mr. Dong Yang was appointed as a director of the Company on 21st May, 2021.

Note 5: Mr. Xu Daqing was appointed as a director of the Company on 26th September, 2022.

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

Note 7: Dr. Lam Kit Lan, Cynthia was appointed as a director of the Company on 21st September, 2022.

Note 8: Mr. Sun Baowei resigned on 16th September, 2022.

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

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

In both 2022 and 2021,

– 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/her own remuneration.

11. 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:

	2022 **Number**	2021 Number
Under HK$500,000	–	2
HK$500,001 to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$3,500,000	–	2
HK$3,500,001 to HK$4,000,000	–	–
HK$4,000,001 to HK$4,500,000	–	–
HK$4,500,001 to HK$5,000,000	–	–
HK$5,000,001 to HK$5,500,000	**1**	–
HK$5,500,001 to HK$6,000,000	–	1

(d) Five highest paid individuals

The five highest paid individuals in the Group during the year included two directors (2021: two directors), details of whose emoluments have been disclosed in note (b) above. The emoluments paid to the remaining three individuals (2021: three individuals) for the year are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries and other benefits	**6,186**	8,122
Performance related bonus	**1,714**	2,178
Contributions to retirement benefits schemes	**15**	15
	7,915	10,315

11. 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:

	2022 **Number**	2021 Number
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	2
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**–**	–
HK$4,500,001 to HK$5,000,000	**–**	–
HK$5,000,001 to HK$5,500,000	**1**	–
HK$5,500,001 to HK$6,000,000	**–**	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 (2021: same).

12. INTANGIBLE ASSETS

	Development costs RMB'000	Specialised software RMB'000	Total RMB'000
Cost			
As at 1st January, 2021	2,678,846	112,951	2,791,797
Additions	116,088	5,290	121,378
Transfer from construction-in-progress	1,649	955	2,604
As at 31st December, 2021	2,796,583	119,196	2,915,779
As at 1st January, 2022	**2,796,583**	**119,196**	**2,915,779**
Deconsolidation of a subsidiary	**(2,796,583)**	**(39,499)**	**(2,836,082)**
Additions	**–**	**5,380**	**5,380**
Transfer from construction-in-progress	**–**	**485**	**485**
As at 31st December, 2022	**–**	**85,562**	**85,562**
Accumulated amortisation and impairment losses			
As at 1st January, 2021	2,119,818	53,921	2,173,739
Amortisation	55,366	13,238	68,604
Impairment loss	621,399	10,569	631,968
As at 31st December, 2021	2,796,583	77,728	2,874,311
As at 1st January, 2022	**2,796,583**	**77,728**	**2,874,311**
Deconsolidation of a subsidiary	**(2,796,583)**	**(39,499)**	**(2,836,082)**
Amortisation	**–**	**9,296**	**9,296**
Reclassification from construction-in-progress	**–**	**98**	**98**
Impairment loss	**–**	**4**	**4**
As at 31st December, 2022	**–**	**47,627**	**47,627**
Net book value			
As at 31st December, 2022	**–**	**37,935**	**37,935**
As at 31st December, 2021	–	41,468	41,468

As at 31st December, 2021, a number of those assets were impaired due to suspension of certain production of minibuses, MPVs and automotive components and the restructuring of RBJAC. The recoverable amounts of these assets were measured based on their fair value less 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 recognised during the year ended 31st December, 2021.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Tools and moulds, machinery and equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost						
As at 1st January, 2021	962,808	3,297,893	387,898	68,578	576,587	5,293,764
Additions	31,734	39,725	9,586	415	166,192	247,652
Transfer to intangible assets	–	–	–	–	(2,604)	(2,604)
Inter-transfer	7,466	102,182	3,807	617	(114,072)	–
Disposals/Write-off	(12,947)	(651)	(730)	(5,732)	(1,020)	(21,080)
As at 31st December, 2021	989,061	3,439,149	400,561	63,878	625,083	5,517,732
As at 1st January, 2022	**989,061**	**3,439,149**	**400,561**	**63,878**	**625,083**	**5,517,732**
Deconsolidation of subsidiaries	**(626,843)**	**(2,568,597)**	**(335,004)**	**(37,360)**	**(607,039)**	**(4,174,843)**
Additions	**5,962**	**11,705**	**341**	**841**	**23,250**	**42,099**
Reclassification to intangible assets	**–**	**–**	**–**	**–**	**(485)**	**(485)**
Inter-transfer	**–**	**12,528**	**–**	**71**	**(12,599)**	**–**
Disposals/Write-off	**(23,403)**	**(133,760)**	**(8,316)**	**(8,150)**	**(176)**	**(173,805)**
As at 31st December, 2022	**344,777**	**761,025**	**57,582**	**19,280**	**28,034**	**1,210,698**
Accumulated depreciation and impairment losses						
As at 1st January, 2021	465,285	2,320,634	283,124	54,652	47,375	3,171,070
Charge for the year	51,700	161,049	25,540	3,038	–	241,327
Impairment losses	276,512	556,739	43,396	2,372	517,913	1,396,932
Eliminated on disposals/ Write-off	(11,240)	(586)	(583)	(5,314)	–	(17,723)
As at 31st December, 2021	782,257	3,037,836	351,477	54,748	565,288	4,791,606
As at 1st January, 2022	**782,257**	**3,037,836**	**351,477**	**54,748**	**565,288**	**4,791,606**
Deconsolidation of subsidiaries	**(613,083)**	**(2,425,784)**	**(303,138)**	**(33,732)**	**(565,014)**	**(3,940,751)**
Charge for the year	**29,374**	**40,805**	**3,394**	**1,484**	**–**	**75,057**
Reclassification to intangible assets	**–**	**–**	**–**	**–**	**(98)**	**(98)**
Eliminated on disposals/ Write-off	**(23,374)**	**(121,527)**	**(7,543)**	**(6,681)**	**(176)**	**(159,301)**
As at 31st December, 2022	**175,174**	**531,330**	**44,190**	**15,819**	**–**	**766,513**
Net book value						
As at 31st December, 2022	**169,603**	**229,695**	**13,392**	**3,461**	**28,034**	**444,185**
As at 31st December, 2021	206,804	401,313	49,084	9,130	59,795	726,126

13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

As at 31st December, 2022, 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 RMB35.4 million (2021: approximately RMB152.8 million).

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

	Buildings	**Machinery and equipment**	**Motor vehicles**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1st January, 2021	77,067	–	158	77,225
Additions	4,324	352	–	4,676
Modification of lease agreements	25,621	–	–	25,621
Disposals/Write-off	(842)	–	–	(842)
Depreciation	(21,914)	(132)	(79)	(22,125)
Impairment	(40,109)	–	–	(40,109)
As at 31st December, 2021	44,147	220	79	44,446
Additions	**5,846**	**7,645**	**–**	**13,491**
Modification of lease agreements	**116**	**–**	**–**	**116**
Disposals/Write-off	**(29)**	**(147)**	**–**	**(176)**
Depreciation	**(19,394)**	**(1,666)**	**(59)**	**(21,119)**
As at 31st December, 2022	**30,686**	**6,052**	**20**	**36,758**

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 14.

The details of the lease liabilities in respect of the above right-of-use assets are set out in note 26.

14. 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, 2022 amounts to approximately RMB2,118,000 (2021: approximately RMB2,118,000).

	2022 **RMB'000**	2021 RMB'000
Cost		
At 1st January, and	**122,586**	122,586
Deconsolidation of subsidiaries	**(20,170)**	–
At 31st December,	**102,416**	122,586
Accumulated amortisation		
As at 1st January,	**44,439**	42,321
Deconsolidation of subsidiaries	**(20,170)**	–
Charge for the year	**2,118**	2,118
As at 31st December,	**26,387**	44,439
Net book value		
As at 31st December,	**76,029**	78,147

At 31st December, 2022, the Group's bank borrowings are secured by the Group's land lease prepayments with a net book value of approximately RMB28.1 million (2021: approximately RMB30.8 million).

15. INTERESTS IN A JOINT VENTURE

	2022 **RMB'000**	2021 RMB'000
Share of net assets by equity method		
– Unlisted joint venture	**–**	41,554,943

On 11th February, 2022, the Group disposed of 25% equity interests in BBA to the another shareholder of BBA for a consideration, net of all respective taxes, of RMB20,654,054,000 resulting a loss on disposal of RMB2,391,164,000. After the disposal of 25% equity interests in BBA, the remaining equity interest in BBA is reclassified from interests in a joint venture to interest in associates (note 16).

15. INTERESTS IN A JOINT VENTURE (Cont'd)

BBA's assets and liabilities and the respective net assets shared by the Group as at 10th February, 2022 are as follows:

	As at 10th February, 2022 RMB'000	As at 31st December, 2021 RMB'000
Non-current assets	**67,130,177**	67,051,197
Current assets	**107,823,907**	108,720,835
Current liabilities	**(71,128,114)**	(78,033,673)
Non-current liabilities	**(14,462,502)**	(14,628,473)
Net assets	**89,363,468**	83,109,886
Proportion of the Group's ownership interest in BBA	**50%**	50%
Carrying amount of the Group's interest in BBA	**44,681,734**	41,554,943

The aggregate financial information of BBA which are accounted for using equity method for the period from 1st January, 2022 to 10th February, 2022 ("**date of completion**") is summarised as follows:

	From 1st January, 2022 to 10th February, 2022 RMB'000	Year ended 31st December, 2021 RMB'000
Revenue	**29,193,591**	231,629,487
Interest income	**201,282**	1,126,624
Income tax	**(1,567,588)**	(7,642,295)
Profit after income tax	**4,759,564**	29,058,545
Other comprehensive income (expense)	**1,494,018**	(5,840,444)
Total comprehensive income	**6,253,582**	23,218,101

16. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets by equity method and goodwill:		
Associates listed in Hong Kong	**595,309**	631,399
Less: impairment loss for interests in an associate listed in Hong Kong *(Note i)*	**(72,799)**	(72,799)
	522,510	558,600
Unlisted associates		
– BBA	**18,790,940**	–
– Other unlisted associates	**456,699**	471,373
	19,247,639	471,373
Less: impairment loss for interests in an unlisted associate *(Note ii)*	**(42,207)**	(42,207)
	19,205,432	429,166
	19,727,942	987,766
Fair value of investment in associates listed in Hong Kong	**136,677**	238,514

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 Shenyang Brilliance Power Train Machinery Co., Ltd. ("**Brilliance Power**") which is in the process of restructuring.

16. INTERESTS IN ASSOCIATES (Cont'd)

Details of the Group's principal associates as at 31st December, 2022 and 2021 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 2022	2021	Principal activities
BBA	Shenyang, the PRC	Euro150,000,000	Equity joint venture	**25.00%**	Note 1	Manufacture and sale of BMW vehicles
Power Xinchen	Cayman Islands	HK$12,822,118	Company with limited liability	**31.20%**	31.20%	Investment holding
Southern State Investment Limited	British Virgin Islands	US$1	Company with limited liability	**31.20%**	31.20%	Investment holding
Mianyang Xinchen Engine Co., Ltd. ("**Mianyang Xinchen**")	Mianyang, the PRC	US$100,000,000	Wholly foreign owned enterprise	**31.20%**	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%**	21.00%	Manufacture and sale of automotive engines
Shenyang JinBei Vehicle Dies Manufacturing Co., Ltd.	Shenyang, the PRC	RMB29,900,000	Equity joint venture	**48.00%**	48.00%	Manufacture and sale of automotive components
Shenyang ChenFa Automobile Component Co., Ltd. ("**ChenFa**") *(Note 2)*	Shenyang, the PRC	US$19,000,000	Equity joint venture	**25.00%**	25.00%	Development, manufacture and sale of engines and engine components
Brilliance Power *(Notes 2 & 3)*	Shenyang, the PRC	US$29,900,000	Equity joint venture	**49.00%**	49.00%	Manufacture and sale of power trains but in the process of restructuring

Note 1: BBA was a joint venture of the Group at 31st December, 2021 with indirectly equity interest of 50%.

Note 2: These associates are directly held by the Company. Other associates are indirectly held by the Company through its subsidiaries.

Note 3: 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.

16. INTERESTS IN ASSOCIATES (Cont'd)

As mentioned in note 15, BBA has become an associate of the Company since 11th February, 2022 which is individually material to the Group. The aggregate financial information of BBA which are accounted for using equity method for the period from 11th February, 2022 to 31st December, 2022 is summarised as follows:

	RMB'000
Current assets	**91,223,784**
Non-current assets	**73,703,265**
Current liabilities	**(72,215,242)**
Non-current liabilities	**(17,548,046)**
Net assets	**75,163,761**
Revenue	**206,395,776**
Cost of sales	**(156,671,655)**
Other income	**3,260,962**
Total expenses	**(18,315,871)**
Profit before income tax expense	**34,669,212**
Income tax expense	**(8,374,951)**
Profit for the period	**26,294,261**
Other comprehensive income	**2,069,893**
Total comprehensive income	**28,364,154**
Dividends received from the associate	**10,658,065**

16. INTERESTS IN ASSOCIATES (Cont'd)

In addition to BBA, Power Xinchen is also considered individually material to the Group. The aggregate financial information of Power Xinchen which are accounted for using equity method for the year ended 31st December, 2022 is summarised as follows:

	2022 **RMB'000**	2021 RMB'000
Current assets	**1,488,089**	1,067,978
Non-current assets	**2,668,042**	2,896,847
Current liabilities	**(1,815,665)**	(1,974,757)
Non-current liabilities	**(665,540)**	(199,452)
Net assets	**1,674,926**	1,790,616
Revenue	**1,652,481**	1,462,777
Cost of sales	**(1,550,089)**	(1,386,340)
Other income	**24,978**	109,204
Total expenses	**(238,101)**	(585,301)
Loss before income tax (expense) credit	**(110,731)**	(399,660)
Income tax (expense) credit	**(5,098)**	6,887
Loss for the year	**(115,829)**	(392,773)
Other comprehensive income (expense)	**139**	(161)
Total comprehensive expense	**(115,690)**	(392,934)

Aggregate information of associates that are not individually material:

	2022 **RMB'000**	2021 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**414,492**	429,166
Aggregate amounts of the Group's share of those associates:		
Profit (Loss) for the year	**6,326**	(23,506)
Other comprehensive income	**–**	–
Total comprehensive income (expense)	**6,326**	(23,506)

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

17. EQUITY INVESTMENTS

	2022 RMB'000	2021 RMB'000
Financial assets at FVOCI (non-recycling)		
– Unlisted equity investment	**4,138**	4,138
– Listed equity investment in Hong Kong	**5,786**	5,325
	9,924	9,463

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.

18. LOAN RECEIVABLES

	2022 RMB'000	2021 RMB'000
Loan receivables	**2,468,633**	3,514,556
Less: ECL allowance	**(44,682)**	(63,436)
	2,423,951	3,451,120
Less: current portion *(note 23)*	**(1,109,779)**	(1,933,584)
Long-term loan receivables	**1,314,172**	1,517,536
Gross loan receivables recoverable:		
– No later than 1 year	**1,134,146**	1,973,296
– Later than 1 year and no later than 5 years	**1,334,487**	1,541,260
	2,468,633	3,514,556

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.

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, 2022, loan receivables of approximately RMB143,574,000 (2021: approximately RMB88,785,000) were the outstanding balances to the Group under this joint auto financing arrangement.

18. LOAN RECEIVABLES (Cont'd)

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

	2022 **RMB'000**	2021 RMB'000
At 1st January,	**63,436**	100,668
ECL allowance recognised	**23,393**	6,576
Write-off of uncollectible amounts	**(42,147)**	(43,808)
At 31st December,	**44,682**	63,436

	Stage 1 RMB'000	**Stage 2** RMB'000	**Stage 3** RMB'000	**Total** RMB'000
At 1st January, 2021	97,218	2,449	1,001	100,668
Transfer from Stage 1 to Stage 2	(3,223)	3,223	–	–
Transfer from Stage 1 to Stage 3	(44,962)	–	44,962	–
ECL allowance recognised during the year	5,934	174	468	6,576
Amount written off during the year	–	(2,449)	(41,359)	(43,808)
At 31st December, 2021 and 1st January, 2022	54,967	3,397	5,072	63,436
Transfer from Stage 1 to Stage 2	**(2,284)**	**2,284**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(36,888)**	**–**	**36,888**	**–**
ECL allowance recognised during the year	**23,001**	**203**	**189**	**23,393**
Amount written off during the year	**–**	**(3,396)**	**(38,751)**	**(42,147)**
At 31st December, 2022	**38,796**	**2,488**	**3,398**	**44,682**

19. PLEDGED AND RESTRICTED SHORT-TERM BANK DEPOSITS

Details of pledged and restricted short-term bank deposits as at 31st December, 2022 are as follows:

	2022	2021
	RMB'000	RMB'000
Restricted short-term deposits *(Note i)*	**3,328,387**	580,676
Pledged short-term deposits for bank guaranteed notes issued by the Group *(Note ii)*	**133,535**	164,519
	3,461,922	745,195

Note i: Approximately RMB3,326,238,000 (2021: approximately RMB312,552,000) and approximately RMB900,000 (2021: approximately RMB268,124,000) are restricted by the courts in the PRC for potential amounts the Group may need to settle for the lawsuits underway in respect of the unauthorised guarantees as detailed in note 28 and for settlements of claims by creditors for payment disputes of purchases of goods and capital assets against the Group upon the final court judgements, respectively.

The directors of the Company have assessed the respective liabilities and adequate provision and liabilities have been recognised in the consolidated financial statements. The directors of the Company considered the respective provision and liabilities are adequate.

Note ii: As at 31st December, 2022, in addition of short-term deposits pledged, the Group had also pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB37.4 million (2021: approximately RMB73.1 million) to secure the issue of bank guaranteed notes.

20. INVENTORIES

	2022	2021
	RMB'000	RMB'000
Raw materials	**91,091**	189,609
Work-in-progress	**21,982**	214,768
Finished goods	**146,798**	39,429
	259,871	443,806
Less: provision for inventories	**(74,670)**	(145,419)
	185,201	298,387

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

	2022	2021
	RMB'000	RMB'000
At 31st January,	**145,419**	192,756
Deconsolidation of subsidiaries	**(69,294)**	–
Provision for the year	**5,250**	93,465
Reversal for the year	**(1,168)**	(9,948)
Write-off of obsolete inventories	**(5,537)**	(130,854)
At 31st December,	**74,670**	145,419

The reversal of provision for inventories represents the reversal for provision previously recognised for inventories that were sold during the year (2021: same).

21. ACCOUNTS RECEIVABLE

	Note	2022 RMB'000	2021 RMB'000
Accounts receivable	21(a)	**279,469**	306,755
Accounts receivable from affiliated companies	33(c)	**2,606**	4,105
		282,075	310,860

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

	2022 RMB'000	2021 RMB'000
Less than six months	**284,736**	312,217
Six months to one year	**397**	4
Above one year but less than two years	**2,896**	75
Above two years but less than five years	**19,081**	36,088
Five years or above	**18,521**	60,832
	325,631	409,216
Less: ECL allowance	**(46,162)**	(102,461)
	279,469	306,755

As at 31st December, 2022, accounts receivable from third parties of approximately RMB10 million (2021: approximately RMB33 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 4(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, 2022.

	2022			2021		
	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	**284,736**	**2.1**	**6,115**	312,217	2.0	6,380
Six months to one year	**397**	**3.3**	**13**	4	–	–
Above one year but less than two years	**2,896**	**99.0**	**2,866**	75	70.7	53
Above two years but less than five years	**19,081**	**99.0**	**18,885**	36,088	98.4	35,511
Five years or above	**18,521**	**98.7**	**18,283**	60,832	99.5	60,517
	325,631		**46,162**	409,216		102,461

21. ACCOUNTS RECEIVABLE (Cont'd)

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

	2022 RMB'000	2021 RMB'000
At 1st January,	**102,461**	78,221
Deconsolidation of subsidiaries	**(61,923)**	–
ECL allowance recognised	**5,624**	24,240
At 31st December,	**46,162**	102,461

22. NOTES RECEIVABLE

	Note	2022 RMB'000	2021 RMB'000
Notes receivable	22(a)	**88,634**	105,145
Notes receivable from affiliated companies	33(d)	**5,836**	4,345
		94,470	109,490

(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, 2022 (2021: 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 (2021: same). The fair value is within level 2 of the fair value hierarchy.

23. OTHER CURRENT ASSETS

	Note	2022 RMB'000	2021 RMB'000
Other receivables	23(a)	**22,640**	252,893
Prepayments and other current assets		**20,213**	99,740
Other taxes recoverable		**11,824**	86,491
Amounts due from affiliated companies	33(e)	**24,304**	22,268
Dividend receivable from an affiliated company	33(f)	**20,381**	16,534
Short-term loan receivables	18	**1,109,779**	1,933,584
		1,209,141	2,411,510

23. OTHER CURRENT ASSETS (Cont'd)

(a) Other receivables

	2022 RMB'000	2021 RMB'000
Amounts due from Shenyang Huayixin Automobile Sales Co., Ltd. ("**Huayixin**")	**2,925,900**	2,925,900
Amounts due from Chenbao (Liaoning) Automobile Manufacturing Co., Ltd. ("**Chenbao**")	**1,148,400**	1,148,400
	4,074,300	4,074,300
Others	**165,206**	466,852
	4,239,506	4,541,152
Less: ECL allowance	**(4,216,866)**	(4,288,259)
At 31st December,	**22,640**	252,893

The amounts due from Huayixin arose from the Group's loss of the unauthorised pledged short-term deposits of the Group for bank financing facilities of bank guaranteed notes issued by Huayixin as a result of failure of repayment by Huayixin. Full amount of ECL allowance was already recognised.

The amounts due from Chenbao are all unsecured and except for RMB240,000,000 (As at 31st December, 2021: RMB240,000,000) which is interest-bearing at 4.0% per annum but defaulted in settlement to the Group, the remaining balance of RMB908,400,000 (As at 31st December, 2021: RMB908,400,000) is interest-free and has no fixed repayment terms. Full amount of ECL allowance was already recognised.

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:

	2022 RMB'000	2021 RMB'000
At 1st January,	**4,288,259**	3,913,782
Transfer from ECL allowance for pledged short-term bank deposits	**–**	350,000
Deconsolidation of subsidiaries	**(118,057)**	–
ECL allowance recognised	**46,664**	24,477
At 31st December,	**4,216,866**	4,288,259

23. 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, 2021	2,029	970	3,910,783	3,913,782
Transfer from Stage 1 to Stage 2	(2,029)	2,029	–	–
Transfer from ECL allowance for pledged short-term bank deposits	–	–	350,000	350,000
ECL allowance recognised during the year	938	10,164	13,375	24,477
At 31st December, 2021 and 1st January, 2022	938	13,163	4,274,158	4,288,259
Transfer from Stage 1 to Stage 2	**(938)**	**938**	**–**	**–**
Deconsolidation of subsidiaries	**(505)**	**(283)**	**(117,269)**	**(118,057)**
ECL allowance recognised (reversed) during the year	**607**	**(13,769)**	**59,826**	**46,664**
At 31st December, 2022	**102**	**49**	**4,216,715**	**4,216,866**

As at 31st December, 2022, included in ECL allowance is RMB4,074,300,000 (2021: RMB4,074,300,000) for the amounts due from Huayixin and Chenbao under Stage 3.

24. ACCOUNTS PAYABLE

	Note	2022 RMB'000	2021 RMB'000
Accounts payable	24(a)	**344,178**	823,527
Accounts payable to affiliated companies	33(g)	**22,651**	263,821
		366,829	1,087,348

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

	2022 RMB'000	2021 RMB'000
Less than six months	**262,352**	294,406
Six months to one year	**10,937**	320,802
Above one year but less than two years	**45,484**	24,984
Two years or above	**25,405**	183,335
	344,178	823,527

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

25. OTHER CURRENT LIABILITIES

	Note	**2022** **RMB'000**	2021 RMB'000
Contract liabilities		**1,717**	63,916
Other payables		**152,085**	1,431,616
Accrued expenses		**33,743**	142,460
Deferred income		**2,909**	21,942
Other taxes payable		**8,463**	10,068
Provision for warranty	25(a)	**–**	15,301
Deferred government grants	25(b)	**84,447**	89,326
Other borrowing	25(c)	**–**	193,934
Lease liabilities	26	**34,615**	85,345
Amounts due to affiliated companies	33(h)	**69,921**	815,851
		387,900	2,869,759
Less: non-current portion		**(95,578)**	(156,088)
Current portion		**292,322**	2,713,671

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.

In the past, the contract liabilities mainly consisted of deposits received from customers of RBJAC and SBDAC. As RBJAC and SBDAC deconsolidated from the Group as set out in note 1, the Group has recognised revenue of approximately RMB2 million during the year that was included for the remaining contract liabilities at the beginning of year. (2021: The Group recognised revenue of approximately RMB6 million during the year that was included in contract liabilities at the beginning of the year.)

25. OTHER CURRENT LIABILITIES (Cont'd)

Non-current portion of other liabilities at 31st December, 2022 composed of the following:

	Note	2022 RMB'000	2021 RMB'000
Provision for warranty	25(a)	–	6,654
Deferred government grants	25(b)	**79,568**	84,446
Lease liabilities	26	**16,010**	64,988
		95,578	156,088

(a) Provision for warranty

	2022 RMB'000	2021 RMB'000
Warranty to be provided		
– within one year	–	8,647
– over one year	–	6,654
	–	15,301

(b) Deferred government grants

	2022 RMB'000	2021 RMB'000
Government grants to be recognised as income		
– within one year	**4,879**	4,880
– over one year	**79,568**	84,446
	84,447	89,326

(c) Other borrowing

At 31st December, 2021, a short-term borrowing of RMB194 million from a financial institution secured by certain loan receivables and interest-bearing at 5.98% to 6.10% per annum were repaid in full by the Group during the year.

26. LEASE LIABILITIES

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

	2022 RMB'000	2021 RMB'000
Total minimum lease payments		
– due within one year	**19,665**	23,784
– due in the second to fifth years	**16,475**	40,773
– due after the fifth year	**–**	41,622
	36,140	106,179
Less: future finance charges on lease liabilities	**(1,525)**	(20,834)
Present value of lease liabilities	**34,615**	85,345
Present value of total minimum lease payments		
– due within one year	**18,605**	20,357
– due in the second to fifth years	**16,010**	32,802
– due after the fifth year	**–**	32,186
	34,615	85,345
Less: portion due within one year included under current liabilities	**(18,605)**	(20,357)
Portion due after one year included under non-current liabilities	**16,010**	64,988

As at 31st December, 2022, 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, 2022, the total cash outflows for the leases are RMB29,123,000 (2021: RMB37,472,000).

26. LEASE LIABILITIES (Cont'd)

As at 31st December, 2022, the Group has entered into leases for office and factory buildings and machinery and equipment.

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"	2022: 21 2021: 21	2022: 0.26 to 3.62 years 2021: 0.71 to 15.93 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"	2022: 1 2021: 1	2022: 0.35 years 2021: 1.35 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"	2022: 1 2021: 1	2022: 3.16 years 2021: 1.2 years	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.

27. BANK BORROWINGS

	2022 RMB'000	2021 RMB'000
Short-term bank borrowings:		
Secured bank borrowings	**200,000**	567,700
Unsecured bank borrowings	**150,000**	1,599,638
	350,000	2,167,338
Secured long-term bank borrowings:		
Due within one year	**7,500**	390,600
Due over one year	–	7,500
	7,500	398,100
	357,500	2,565,438

All short-term bank borrowings of approximately RMB350 million (2021: RMB827 million) were from a non-controlling interest of BBAFC. These short-term bank borrowings at 31st December, 2022 are interest-bearing at rates ranging from 5.50% to 5.65% per annum (2021: 5.03% to 8.00% per annum) and repayable from 6th January, 2023 to 20th December, 2023 (2021: repayable from 6th January, 2022 to 21st December, 2022).

27. BANK BORROWINGS (Cont'd)

As at 31st December, 2022, secured short-term bank borrowings are secured by the Group's loan receivables of approximately RMB249.5 million (2021: secured by land lease prepayments of approximately RMB2.0 million; buildings, tools and moulds, machinery and equipment and construction-in-progress totalling approximately RMB108.8 million, and loan receivables of approximately RMB718.6 million).

All long-term bank borrowings as at 31st December, 2022 were interest-bearing at rates from 4.30% to of 4.60% per annum (2021: from 4.10% to 5.23% per annum), repayable from 20th January, 2023 to 20th October, 2023 (2021: repayable from 20th January, 2022 to 20th December, 2022). The secured long-term bank borrowings are secured by the Group's land lease prepayments with a net book value of approximately RMB28.1 million (2021: approximately RMB28.8 million) and buildings, plant and equipment with an aggregate net book value of approximately RMB35.4 million (2021: approximately RMB43.9 million). The long-term bank borrowings at 31st December, 2021 were also secured by loans receivable of approximately RMB709.3 million.

28. PROVISION FOR LOSS ON UNAUTHORISED GUARANTEES

As set out in more details in the Group's consolidated financial statements for the year ended 31st December, 2021, Shenyang JinBei Automotive Industry Holdings Co., Ltd. ("**SJAI**") entered into some unauthorised guarantees for the repayment of bank borrowings by Huachen to four creditor banks in 2020 and 2021.

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. Details of the respective judgments were disclosed in the annual report of the Company for the year ended 31st December, 2021 and the interim report for the six months ended 30th June, 2022. SJAI and the creditors banks filed appeals to the Liaoning High People's Court and the appeal hearings were completed. The appeal judgments have clarified that SJAI shall only be held liable for 50% of such amount which cannot be discharged by the principal borrowers covered by the respective unauthorised guarantees. There has not been any confirmed knowledge to the Group that any of the creditor banks will proceed for further appeal.

Although it is still uncertain as to the losses in these unauthorised guarantees that SJAI will have to bear based on the appeal judgments as the restructuring of Huachen is still ongoing, the Group recognised the provision of RMB1,917,062,000 for the respective losses which is 50% of the bank facilities utilised under these unauthorised guarantees plus the respective legal costs.

29. DEFERRED TAX ASSET

As at 31st December, 2022, the Group had unrecognised deferred tax asset in respect of tax losses of approximately RMB2,607 million (2021: approximately RMB4,901 million) which will expire at various dates up to and including 2027 (2021: 2026).

In addition, as at 31st December, 2022, the Group also had not recognised deferred tax asset in respect of temporary differences of approximately RMB1,437 million (2021: approximately RMB6,230 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.

30. 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 14% to 16% (2021: 15% to 16%) 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% (2021: 5%) of the employee's salary with the maximum amount of HK$1,500 (2021: 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, 2022 were approximately RMB15.2 million (2021: approximately RMB38.6 million).

At 31st December, 2022 and 2021, the Group had no forfeited contributed available to reduce its contributions to the pension schemes in future years.

31. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

	2022		2021	
	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

	2022		2021	
	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, 2022, the Company did not have any outstanding share option.

31. 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 RMB357.5 million (2021: bank borrowings of approximately RMB2,565.4 million and notes payable for financing purpose of RMB100 million). As at 31st December, 2022, the Group's debt-to-equity ratio was 0.7% (2021: 6.5%).

(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, 2022, the Company had no outstanding share option under the Share Option Scheme (2021: nil).

32. RESERVES

(a) Retained earnings

The Group's retained earnings included an amount of approximately RMB1,735,849,000 (2021: approximately RMB1,733,825,000) 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, Shenyang XingYuanDong Automobile Co., Ltd. ("**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 BBA. 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.

33. 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 HKAS 24 (revised) 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 the ordinary and usual course of business and balances between the Group and its related parties, including other government-related entities.

Under the PRC law regulation, the Company is still the shareholder of these two deconsolidated subsidiaries as at 31st December, 2022 and the balances are included in this note.

33. 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 *(Note i)*	Major shareholder of the Company
Liaoning Shenhua Holdings Co., Ltd. ("**Shenhua Holdings**", formerly "Shanghai Shenhua Holdings Co., Ltd.")	Common directorship of certain directors of the Company
Brilliance Holdings Limited ("**BHL**")	Common directorship of a director of the Company
Renault SAS *(Note ii)*	49% non-controlling interest of RBJAC
The Bank of East Asia (China) Limited ("**BEAC**")	An affiliated company of Bank of East Asia and CaixaBank, S. A., collectively holding 45% of BBAFC

Note i: 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.

Note ii: As RBJAC was deconsolidated on 12th January, 2022, Renault SAS was not considered as related party under HKAS 24 (revised) Related Party Disclosures or connected persons pursuant to the Listing Rules.

(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.

	2022 **RMB'000**	2021 RMB'000
Sales of goods *(Note i)*:		
– Huachen and its affiliated companies	**–**	65,951
Purchases of goods and services *(Notes i and ii)*:		
– Huachen and its affiliated company	**64**	72,015
– Renault SAS	**–**	31,318
Comprehensive services provided to *(Note i)*:		
– Huachen and its affiliated company	**268**	9,079
Rental income from *(Notes ii and iii)*:		
– Huachen	**–**	3,051
Lease payments rent to *(Note ii and iii)*:		
– Huachen	**–**	3,813
Service fees from		
– BEAC	**16,798**	10,380

33. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(a) (Cont'd)

Note i: Certain transactions in relation to the Group's subsidiary, SBDAC incurred for the period from 1st January, 2022 to 26th July, 2022 would be considered as continuing connected transactions as the Company has lost control over SBDAC on 26th July, 2022 after SBDAC has started the liquidation process on 26th July, 2022 and the liquidation administrator assigned by the court has taken over the control of SBDAC from the Group.

Note ii: From 12th January, 2022, the Company has lost control over RBJAC as a court order from the PRC Court approved the restructuring of RBJAC on 12th January, 2022 and appointed the administrator of the restructuring. As a result, 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.

Note iii: Other than approximately RMB3,813,000 lease payments rent to Huachen in 2021, 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.

(b) In addition to the above and disclosed elsewhere in these consolidated financial statements, the Group also had the following material related party transactions:

	2022 **RMB'000**	2021 RMB'000
Sales of goods:		
– Shenhua Holdings and its affiliated companies	–	11,483
– A joint venture	**552**	9,749
– Associates	**10,565**	9,258
Purchases of goods:		
– A joint venture	–	544
– Associates	–	151,483
Other transactions:		
Comprehensive services provided for:		
– a joint venture	–	18,799
Interest income from:		
– Xinhua Investment Holdings Limited ("**Xinhua Investment**")	–	8,538
Interest to a non-controlling interest of BBAFC	**39,947**	46,974
Other income from affiliated companies of Shenhua Holdings	–	1,518
Lease payment rent to Shenhua Holdings	**592**	592
Purchases of property, plant and equipment from associates	–	4,113

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.

33. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(c) As at 31st December, 2022, the Group's accounts receivable from affiliated companies consisted of the following:

	2022	2021
	RMB'000	RMB'000
Accounts receivable from related parties:		
– Shenhua Holdings and its affiliated companies	**10,416**	10,416
– Huachen and its affiliated companies	**88,160**	238,830
– Associates	**2,816**	2,747
– A joint venture	**–**	1,514
	101,392	253,507
Less: ECL allowance	**(98,786)**	(249,402)
	2,606	4,105

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:

	2022	2021
	RMB'000	RMB'000
Less than six months	**2,698**	4,621
Six months to one year	**92**	1,797
Above one year but less than two years	**894**	31,054
Above two years but less than five years	**77,339**	193,969
Five years or above	**20,369**	22,066
	101,392	253,507

33. 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, 2022.

	2022			2021		
	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	**2,698**	**6.7**	**180**	4,621	11.2	516
Six months to one year	**92**	**4.3**	**4**	1,797	100.0	1,797
Above one year but less than two years	**894**	**100.0**	**894**	31,054	100.0	31,054
Above two years but less than five years	**77,339**	**100.0**	**77,339**	193,969	100.0	193,969
Five years or above	**20,369**	**100.0**	**20,369**	22,066	100.0	22,066
	101,392		**98,786**	253,507		249,402

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

	2022 RMB'000	2021 RMB'000
At 1st January,	**249,402**	166,361
ECL allowance recognised	**–**	86,124
Write-off of uncollectible amounts	**–**	(3,083)
Deconsolidation of subsidiaries	**(145,532)**	–
ECL allowance reversed	**(5,084)**	–
At 31st December,	**98,786**	249,402

(d) As at 31st December, 2022, the Group's notes receivable from affiliated companies arising from trading activities consisted of the following:

	2022 RMB'000	2021 RMB'000
Notes receivable from related parties:		
– Shenhua Holdings and its affiliated companies	**–**	2,740
– Associates	**5,836**	1,605
	5,836	4,345

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, 2022 (2021: same).

For the same reason as stated in note 22, 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.

33. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(e) As at 31st December, 2022, the amounts due from affiliated companies consisted of:

	2022 **RMB'000**	2021 RMB'000
Amounts due from related parties:		
– A joint venture	**–**	8,100
– Associates *(Note i)*	**1,586,830**	1,586,878
– An affiliated company of Shenhua Holdings	**62**	44
– Huachen and its affiliated companies	**498,655**	688,911
– Xinhua Investment *(Note ii)*	**364,924**	364,924
– Non-controlling interest of a subsidiary	**23,011**	11,092
– A company with common management personnel of a subsidiary of the Group *(Note iii)*	**404,000**	404,000
	2,877,482	3,063,949
Less: ECL allowance	**(2,853,178)**	(3,041,681)
	24,304	22,268

Note i: Included in amounts due from associates are unsecured advances to ChenFa totalling RMB858,000,000 (2021: RMB858,000,000) of which RMB68,000,000 (2021: RMB68,000,000) and RMB600,000,000 (2021: RMB600,000,000) bear interest at annual interest rates of 5.1% (2021: 5.1%) and 8.10% (2021: 8.10%), respectively, and the remaining balance of RMB190,000,000 (2021: RMB190,000,000) is interest-free. Another RMB640,000,000 (2021: RMB640,000,000) is due from Brilliance Power for the Group's loss of pledged short-term deposits for the bank guaranteed notes issued by Brilliance Power as a result of its failure to repay in 2021. Full ECL allowance was recognised for these amounts due.

Note ii: RMB364,924,000 (2021: RMB364,924,000) 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.

Note iii: Xing Yuan Dong advanced another RMB404 million to a related company with a common management personnel of a subsidiary of the Group in 2021. ECL allowance for the full amount of RMB404 million was recognised.

33. 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:

	2022	2021
	RMB'000	RMB'000
At 1st January,	**3,041,681**	1,471,233
Transfer from ECL allowance for pledged short-term deposits	**–**	700,000
ECL allowance recognised	**405,191**	870,448
Write-off of uncollectible amounts	**(403,273)**	–
Deconsolidation of subsidiaries	**(190,421)**	–
At 31st December,	**2,853,178**	3,041,681

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2021	166	88,892	1,382,175	1,471,233
Transfer from Stage 1 to Stage 2	(166)	166	–	–
Transfer from Stage 2 to Stage 3	–	(88,892)	88,892	–
ECL allowance recognised during the year	354	700	869,394	870,448
Transfer from ECL allowance for pledged short-term bank deposits	–	–	700,000	700,000
At 31st December, 2021 and 1st January, 2022	354	866	3,040,461	3,041,681
Transfer from Stage 1 to Stage 2	**(354)**	**354**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(866)**	**866**	**–**
Deconsolidation of subsidiaries	**(149)**	**–**	**(190,272)**	**(190,421)**
ECL allowance recognised during the year	**641**	**182**	**404,368**	**405,191**
Write-off of uncollectible amounts	**–**	**–**	**(403,273)**	**(403,273)**
At 31st December, 2022	**492**	**536**	**2,852,150**	**2,853,178**

As at 31st December, 2022, included in ECL allowance of RMB2,850,221,000 (2021: RMB3,040,461,000) 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.

33. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(f) As at 31st December, 2022, the details of dividend receivable from an affiliated company are as follows:

	2022 **RMB'000**	2021 RMB'000
Dividend receivable from an associate	**21,000**	17,100
Less: ECL allowances	**(619)**	(566)
	20,381	16,534

(g) As at 31st December, 2022, the Group's accounts payable to affiliated companies arising from trading activities consisted of the following:

	2022 **RMB'000**	2021 RMB'000
Due to related parties:		
– Associates	**11,479**	150,178
– A joint venture	**–**	42
– Huachen and its affiliated companies	**6,048**	108,094
– An affiliated company of BHL	**10**	364
– Shenhua Holdings and its affiliated companies	**–**	5,143
	17,537	263,821
– A deconsolidated subsidiary	**5,114**	–
	22,651	263,821

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:

	2022 **RMB'000**	2021 RMB'000
Less than six months	**–**	36,902
Six months to one year	**2,600**	128,822
Above one year but less than two years	**17,277**	60,468
Two years or above	**2,774**	37,629
	22,651	263,821

33. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(h) As at 31st December, 2022, the amounts due to affiliated companies by the Group consisted of:

	2022 **RMB'000**	2021 RMB'000
Amounts due to related parties:		
– Associates	**–**	6,876
– A joint venture	**–**	5,723
– Huachen and its affiliated companies	**–**	64,374
– Affiliated companies of BHL	**28,290**	27,861
– Affiliated companies of Shenhua Holdings	**–**	1,359
– Non-controlling interests of subsidiaries	**1,621**	709,658
	29,911	815,851
– A deconsolidated subsidiary	**40,010**	–
	69,921	815,851

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

(i) There was no lease liability due to Huachen as at 31st December, 2022 (2021: RMB42,082,000).

(j) Compensation benefits to key management personnel are as follows:

	2022 **RMB'000**	2021 RMB'000
Short-term employee benefits and post-employment benefits	**19,499**	23,765

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.

33. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(k) 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 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.

34. CASH GENERATED FROM OPERATIONS AND RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(a) Cash used in operations:

	2022 RMB'000	2021 RMB'000
Profit before income tax expense	**7,142,772**	10,459,611
Share of results of:		
– A joint venture	**(2,379,782)**	(14,514,842)
– Associates	**(6,543,795)**	119,556
Gain on deconsolidation of subsidiaries	**(779,278)**	–
Gain on disposal of partial equity interest in a joint venture	**(4,895,929)**	–
Other taxes related to the disposal of a joint venture	**7,287,093**	–
Interest and financing service income	**(669,103)**	(440,762)
Finance costs	**12,927**	125,667
Dividend income from equity investments	**–**	(282)
Reversal of provision for inventories sold	**(1,168)**	(9,948)
Depreciation of property, plant and equipment	**75,057**	241,327
Amortisation of intangible assets	**9,296**	68,604
Amortisation of land lease prepayments	**2,118**	2,118
Impairment loss on property, plant and equipment	**–**	1,396,932
Impairment loss on intangible assets	**4**	631,968
Loss on disposal of property, plant and equipment	**12,844**	2,543
Deferred income from government grants	**(18,103)**	(26,888)
Provision for inventories	**5,250**	93,465
Net provision (reversal) of ECL allowance on:		
– Accounts receivable	**5,624**	24,240
– Accounts receivable from affiliated companies	**(5,084)**	86,124
– Amounts due from affiliated companies	**405,191**	870,448
– Loan receivables	**23,393**	6,576
– Other receivables	**46,664**	24,477
– Dividend receivable from an associate	**53**	–
– Other receivables grouped under other non-current assets	**(93)**	65
Operating loss before working capital change	**(264,049)**	(839,001)
Increase in statutory deposit reserves at central bank	**–**	(936)
Decrease in inventories	**23,728**	125,568
(Increase) Decrease in accounts receivable	**(1,969)**	475,037
Decrease in loan receivables	**1,003,776**	2,049,835
Decrease (Increase) in notes receivable	**15,342**	(884)
Decrease in other current assets	**184,024**	117,497
Decrease in accounts payable	**(67,885)**	(371,968)
Decrease in notes payable	**(64,239)**	(323,599)
(Decrease) Increase in other current liabilities	**(209,313)**	18,206
Cash generated from operations	**619,415**	1,249,755

34. CASH GENERATED FROM 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	Deferred government grant RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1st January, 2022	**100,000**	**629,438**	**89,326**	**2,565,438**	**85,345**	**3,469,547**
Changes from financing cash flows:						
Cash received from financing from banks	**–**	**–**	**–**	**877,000**	**–**	**877,000**
Repayments to banks	**–**	**–**	**–**	**(2,659,500)**	**–**	**(2,659,500)**
Payments	**–**	**–**	**–**	**–**	**(21,174)**	**(21,174)**
Interest paid for lease liabilities	**–**	**–**	**–**	**–**	**(1,756)**	**(1,756)**
Government grant received	**–**	**–**	**13,224**	**–**	**–**	**13,224**
Changes from non-cash movements:						
Deferred income recognised	**–**	**–**	**(18,103)**	**–**	**–**	**(18,103)**
Deconsolidation of subsidiaries	**(100,000)**	**(629,438)**	**–**	**(425,438)**	**(42,723)**	**(1,197,599)**
Inception of lease liabilities	**–**	**–**	**–**	**–**	**13,491**	**13,491**
Termination of lease	**–**	**–**	**–**	**–**	**(440)**	**(440)**
Lease modification	**–**	**–**	**–**	**–**	**116**	**116**
Interest expense recognised *(note 6)*	**–**	**–**	**–**	**–**	**1,756**	**1,756**
At 31st December, 2022	**–**	**–**	**84,447**	**357,500**	**34,615**	**476,562**

	Notes payable for financing purpose RMB'000	Amounts due to affiliated companies for financing purpose 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
Changes from financing cash flows:						
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
Changes from non-cash movements:						
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 6)*	–	–	–	–	3,699	3,699
At 31st December, 2021	100,000	629,438	89,326	2,565,438	85,345	3,469,547

35. DECONSOLIDATION OF SUBSIDIARIES

As mentioned in note 1, the Group has lost controls over RBJAC and SBDAC during the year. Accordingly, their financial statements are no longer included in the Group's consolidated financial statements from the date the controls ceased in the year.

The details of the net liabilities of these subsidiaries deconsolidated as of the date of deconsolidation are as follows:

	RBJAC RMB'000	SBDAC RMB'000	Total RMB'000
Property, plant and equipment	234,092	–	234,092
Other long-term assets	2,006	–	2,006
Inventories	85,415	–	85,415
Accounts receivable	39,428	362	39,790
Other current assets	216,545	1,400	217,945
Pledged short-term bank deposits	254,860	887	255,747
Notes payable	(100,000)	–	(100,000)
Accounts payable	(1,090,882)	(40,409)	(1,131,291)
Other liabilities	(3,101,535)	(119,034)	(3,220,569)
Lease liabilities	(42,082)	(641)	(42,723)
Bank borrowings	(425,438)	–	(425,438)
Income tax payable	(3,045)	(969)	(4,014)
Total net liabilities deconsolidated	(3,930,636)	(158,404)	(4,089,040)
Non-controlling interests disposed of	1,925,998	–	1,925,998
Receivables from RBJAC and SBDAC	1,383,120	644	1,383,764
Gain on deconsolidation of subsidiaries	(621,518)	(157,760)	(779,278)
Net cash outflows arising on deconsolidation of subsidiaries			
Cash and cash equivalents deconsolidated of	–	–	–

36. COMMITMENTS

(a) Capital commitments

	2022 RMB'000	2021 RMB'000
Contracted but not provided for:		
– Construction projects	–	87,554
– Acquisition of plant and machinery	4,048	378,175
– Others	–	367,174
	4,048	832,903

At 31st December, 2021, capital commitments consisted of capital commitments of approximately RMB820,282,000 contracted but not provided for by RBJAC but was no longer the Group's capital commitments upon the deconsolidation of RBJAC during the year ended 31st December, 2022.

(b) Lease commitments

As lessee:

As at 31st December, 2022, the Group had future aggregate minimum lease payments of approximately RMB355,000 (2021: approximately RMB290,000) which are payable within one year under non-cancellable operating leases in respect of leased properties.

As lessor:

As at 31st December, 2022, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land use rights as follows:

	2022 RMB'000	2021 RMB'000
Within one year	388	3,972
In the second to fifth years inclusive	1,550	4,938
Over five years	656	1,033
	2,594	9,943

As at 31st December, 2021, lease commitments consisted of future aggregate minimum lease receipts to RBJAC under non-cancellable operating leases in respect of land use rights approximately RMB6,774,000 which was not recognised in the Group's consolidated financial statements in the year upon the deconsolidation of RBJAC.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
Non-current assets		
Property, plant and equipment	**9,798**	15,642
Interests in subsidiaries	**3,260,250**	3,251,050
Interests in associates	**6,482**	6,482
Equity investments	**5,786**	5,324
Total non-current assets	**3,282,316**	3,278,498
Current assets		
Cash and cash equivalents	**32,924**	121,678
Other current assets	**5,278**	5,483
Total current assets	**38,202**	127,161
Current liabilities		
Other current liabilities	**16,523**	20,158
Total current liabilities	**16,523**	20,158
Net current assets	**21,679**	107,003
Total assets less current liabilities	**3,303,995**	3,385,501
Non-current liabilities		
Lease liabilities	**4,943**	10,256
Total non-current liabilities	**4,943**	10,256
NET ASSETS	**3,299,052**	3,375,245
Capital and reserves		
Share capital	**397,176**	397,176
Reserves *(Note)*	**2,901,876**	2,978,069
TOTAL EQUITY	**3,299,052**	3,375,245

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

Zhang Wei
Director

37. 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, 2021	2,476,082	(8,752)	39,179	1,135,590	3,642,099
Loss and total comprehensive expense for the year	–	2,582	–	(666,612)	(664,030)
As at 31st December, 2021 and 1st January, 2022	**2,476,082**	**(6,170)**	**39,179**	**468,978**	**2,978,069**
Loss and total comprehensive expense for the year	**–**	**461**	**–**	**(76,654)**	**(76,193)**
As at 31st December, 2022	**2,476,082**	**(5,709)**	**39,179**	**392,324**	**2,901,876**

The directors consider that the Company had approximately RMB431.5 million (2021: approximately RMB508.2 million) available for distribution to shareholders.

38. INTERESTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 31st December, 2022 and 2021 were as follows:

Name of company	Registered capital/ issued and fully paid capital	Legal structure	Percentage of effective equity interest/ voting right attributable to the Company 2022 Directly	2022 Indirectly	2021 Directly	2021 Indirectly	Principal activities
RBJAC[7]	US$1,795,963,000	Equity joint venture	–	51%	–	51%	Under restructure
Ningbo Yumin[2]	US$22,500,000	Wholly foreign owned enterprise	–	100%	–	100%	Manufacture and sale of automotive components
Xing Yuan Dong[1]	US$150,000,000	Wholly foreign owned enterprise	100%	–	100%	–	Manufacture and trading of automotive components
Ningbo Brilliance Ruixing Auto Components Co., Ltd.[2]	US$5,000,000	Wholly foreign owned enterprise	100%	–	100%	–	Manufacture and trading of automotive components
Mianyang Ruian[3]	US$22,910,000	Wholly foreign owned enterprise	100%	–	100%	–	Manufacture and trading of automotive components
Shenyang Brilliance Dongxing Automotive Component Co., Ltd.[1]	RMB222,000,000	Wholly foreign owned enterprise	–	100%	–	100%	Manufacture and trading of automotive components and remodeling minibuses and sedans
SBDAC[8]	RMB10,000,000	Equity joint venture	–	100%	–	100%	In the process of liquidation

38. INTERESTS IN SUBSIDIARIES (Cont'd)

Name of company	Registered capital/ issued and fully paid capital	Legal structure	Percentage of effective equity interest/ voting right attributable to the Company 2022 Directly	2022 Indirectly	2021 Directly	2021 Indirectly	Principal activities
Shenyang Jianhua Motors Engine Co., Ltd.[1]	RMB155,032,500	Equity joint venture	–	100%	–	100%	Investment holding
China Brilliance Automotive Components Group Limited[6]	US$12,000	Company with limited liabilities	100%	–	100%	–	Investment holding
Brilliance Investment Holdings Limited[5]	US$1	Company with limited liabilities	100%	–	100%	–	Investment holding
Beston Asia Investment Limited[5]	US$1	Company with limited liabilities	100%	–	100%	–	Investment holding
Pure Shine Limited[5]	US$1	Company with limited liabilities	100%	–	100%	–	Investment holding
Key Choices Group Limited[5]	US$50,000	Company with limited liabilities	100%	–	100%	–	Investment holding
Brilliance China Finance Limited[5]	US$50,000	Company with limited liabilities	100%	–	100%	–	Investment holding
SJAI[1]	RMB1,500,000,000	Company with limited liabilities	–	100%	–	100%	Investment holding
Shanghai Hidea Auto Design Co., Ltd.[4]	US$2,000,000	Equity joint venture	25%	75%	25%	75%	Design of automobiles
BBAFC[4]	RMB1,600,000,000	Equity joint venture	55%	–	55%	–	Provision of auto financing service

1. Established and with principal activities in Shenyang, the PRC

2. Established and with principal activities in Ningbo, the PRC

3. Established and with principal activities in Mianyang, the PRC

4. Established and with principal activities in Shanghai, the PRC

5. Incorporated in the British Virgin Islands

6. Incorporated in Bermuda

7. RBJAC was deconsolidated on 12th January, 2022 as a court order from the PRC Court approved the restructuring of RBJAC on 12th January, 2022 and appointed the administrator of the restructuring to take over the control from the Group.

8. The Company has lost control over SBDAC on 26th July, 2022 after SBDAC has started the liquidation process on 26th July, 2022 and the liquidation administrator assigned by the PRC Court has taken over the control of SBDAC from the Group.

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 88 to 178 were approved and authorised for issue by the board of directors on 29th March, 2023.