

BRILLIANCE
CHINA AUTOMOTIVE
HOLDINGS LIMITED

(華晨中國汽車控股有限公司)*

(Incorporated in Bermuda with limited liability)

Stock Code : 1114

Brilliance Auto
華 晨 汽 車



2019
Annual Report

**for identification purposes only*

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Corporate Information

BOARD OF DIRECTORS

Mr. Wu Xiao An
(also known as Mr. Ng Siu On) (*chairman*)
Mr. Yan Bingzhe (*chief executive officer*)
Mr. Qian Zuming
Mr. Zhang Wei
Mr. Xu Bingjin*
Mr. Song Jian*
Mr. Jiang Bo*

* *independent non-executive director*

AUTHORISED REPRESENTATIVE

Mr. Wu Xiao An

CHIEF FINANCIAL OFFICER

Mr. Qian Zuming

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

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Chater House
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Hong Kong

AUDITOR

Grant Thornton Hong Kong Limited
Level 12, 28 Hennessy Road
Wanchai
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited,
Hong Kong Branch

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISORS TO THE COMPANY

Appleby
Lau, Horton & Wise LLP

INVESTOR RELATIONS

Weber Shandwick
10th Floor, Oxford House
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,				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Statement of Profit or Loss Data:					
Revenue	3,861,949	4,377,263	5,304,723	5,125,118	4,862,855
Profit before Income Tax Expense	6,292,456	5,359,046	3,899,766	3,424,537	3,324,798
Income Tax Expense	(215,454)	(64,552)	(33,953)	(35,933)	(44,529)
Profit for the Year	6,077,002	5,294,494	3,865,813	3,388,604	3,280,269
Attributable to:					
Equity Holders of the Company	6,762,707	5,820,909	4,376,120	3,682,074	3,494,733
Non-controlling Interests	(685,705)	(526,415)	(510,307)	(293,470)	(214,464)
	6,077,002	5,294,494	3,865,813	3,388,604	3,280,269
Basic Earnings per Share	RMB1.34041	RMB1.15374	RMB0.86776	RMB0.73103	RMB0.69536
Diluted Earnings per Share	RMB1.34041	RMB1.15374	RMB0.86738	RMB0.72987	RMB0.69258
Statement of Financial Position Data:					
Non-current Assets	30,355,523	32,818,148	28,824,292	24,033,672	19,897,290
Current Assets	19,114,481	9,281,708	9,031,839	7,009,340	7,174,984
Current Liabilities	(14,805,123)	(10,131,964)	(10,964,975)	(8,322,660)	(7,871,885)
Non-current Liabilities	(189,429)	(143,070)	(190,949)	(121,829)	(136,708)
Non-controlling Interests	(549,919)	(745,078)	(177,256)	1,125,334	831,864
Shareholders' Equity	33,925,533	31,079,744	26,522,951	23,723,857	19,895,545

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, 2019.

China’s economic growth further slowed to its weakest pace in almost 30 years in the year 2019, with gross domestic product (“**GDP**”) rising 6.1% compared to 2018. According to the China Association of Automobile Manufacturers, total Chinese vehicle sales decreased by 8.2% to 25.8 million units in 2019. Of this figure, passenger vehicle sales accounted for 21.4 million units, a drop of 9.6% from the previous year. Nevertheless, premium passenger vehicle sales had gone against the negative overall market development, registering unit sales growth of approximately 8.9% during the year. The commendable growth in premium passenger vehicle sales was primarily driven by new product launches and solid demand for premium autos in China.

During the year, BMW Brilliance Automotive Ltd. (“**BBA**”) had continued to deliver respectable results amidst the incessant economic turmoil caused by the Sino-American trade tension. BBA achieved sales of 545,919 BMW vehicles in 2019, representing an increase of approximately 17.1% compared to the previous year. The joint venture had continued to focus its efforts in production capacity expansion and launch of new models to the market. The new X3 model launched in mid-2018 had contributed full year additional volumes in 2019, and was a major factor for BBA’s sales volume improvement achieved during the year. In addition, the all-new 3-series which is the leading premium sports sedan in its segment was launched in July 2019, and the seventh locally produced BMW model, the X2, also came to market at the end of 2019. The launch of the new products further invigorated BBA’s product offerings in China, and together with our other key models such as the 5-series, X1 and 1-series sedan continued to deliver sales volumes in 2019. Furthermore, the construction of the third production plant of BBA, as well as the extension of the existing Dadong, Tiexi and battery facilities were all proceeding well on track in 2019.

Chairman's Statement (Cont'd)

BBA has also continued to expand its dealer network which had reached 551 full service 4S shops nationwide as at 31st December, 2019. BBA continued to work closely with its sales organisation on all fronts in an effort to sustain the liquidity and profitability of its dealers. BBA's sales activities also continue to be supported by the BMW auto finance company and Herald International Financial Leasing Co. Ltd., both of which have been performing well in supporting the sales effort of and contributing profits to BBA. In addition, Ling Yue Digital Information Technology Co., Ltd., the wholly-owned subsidiary of BBA formed in January 2019, is the first independent digital company of BMW Group worldwide. It will act as the data service provider and innovation incubator to BBA, with an initial focus on the key areas of IT solutions, data consolidation, and in-car connectivity, which will all work towards facilitating BBA's product engineering and customer retention efforts.

As for our minibus and multi-purpose vehicle ("MPV") business under Renault Brilliance Jinbei Automotive Company Limited ("RBJAC"), during 2019, this joint venture continued to transform and upgrade itself leveraging on the support of our partner Renault. The joint venture has successfully integrated the Renault-Nissan-Mitsubishi alliance manufacturing quality standard, which enables the sharing of vehicle platform, engines and technology for a new heavy-van model which will be localised in 2021 from the Renault product portfolio. In addition, the company also actively responded to the China VI emission policy requirement by upgrading its existing model. Furthermore, the joint venture also gained exposure to overseas markets via connection to the Renault sales network, and received favorable feedback on both the quality and performance of its products.

Brilliance-BEA Auto Finance Co., Ltd. ("BBAFC"), our auto finance subsidiary in China, was able to extensively grow both its new business volume as well as profits during 2019. BBAFC now actively engages with our captive partners – Huachen Automotive Group Holdings Company Limited ("Huachen"), BMW and RBJAC, our exclusively branded service partner – Jaguar Land Rover, as well as our key strategic partner – Tesla. Over and above these established relationships, further incremental growth was achieved through the realisation of selected 'multi-brand' opportunities, as well as the addition of several leading new energy vehicle manufacturers within the Chinese market. The dedicated focus on continual process optimisation and digitalisation, coupled with a strong emphasis on risk management, were crucial factors for the remarkable growth and positive development throughout the year.

Chairman's Statement (Cont'd)

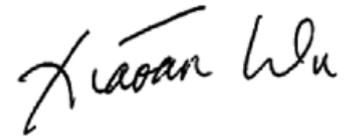
As for 2020, despite the ongoing uncertainties amid the sprawling COVID-19 pandemic, BBA remains to be cautiously confident about the outlook for the rest of the year. The year 2020 had opened to a great start in January for BBA against a declining market. However, February was hard hit by the Wuhan epidemic, and BBA's deliveries were significantly affected. Supply chain was disrupted, but with the concerted efforts of our purchasing and logistics teams working swiftly to utilise all levers to identify alternative solutions, the supply chain in China has been stabilised. Forced closures of dealer outlets since the end of January have gradually been released, and at this time 95% of our dealer network is opened and active again, albeit with reduced staffing capacity. In general, we have started seeing early signs of improvements in March. With incoming orders gaining momentum and assuming the current positive trend continues, we see a chance for sales to return to a normal level by the end of April, as market demand for premium auto continues to be robust. The launch of the 2020 new models such as the 5-series facelift and the all-new iX3 will proceed in the second half of the year as planned. The iX3, which is the X3 battery electric ("BEV") variant, will be the first pure battery electric vehicle to be produced in BBA, and the first world product to be solely offered by BBA via exports to all markets.

In 2020, RBJAC will work towards reinforcing its medium-van market share and penetrating the heavy-van segment, while continuing with the development of electrified models. The joint venture will continue to deepen its co-operation with Renault on vehicle engineering and production management. The product pipeline includes both heavy-van and medium-van models to be launched in the next two to three years which are expected to overhaul the company's performance over time. As for BBAFC, the company will continue to diversify its funding resources through the expansion of numerous local and global banking partnerships, with the implementation of retail co-lending with multiple bank partners to further support the company's aggressive growth strategy. BBAFC is also well on its path to launch its initial long-term international bank syndication loan, which will also further support the growth and funding diversity required in 2020 and beyond.

Chairman's Statement (Cont'd)

The rest of 2020 will be extremely challenging for the Group, given the scale of the coronavirus pandemic and deep market uncertainty. The safety and welfare of all our employees will continue to be paramount, while at the same time we will work hard to keep up with business operations while minimising risks. With proper steering and adaptation of a flexible approach, we are confident that our group companies will be able to navigate the unprecedented circumstance which is now before us, and are hopeful that the second half of the year will bring further recovery to the Company's performance.

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



Wu Xiao An
(also known as Ng Siu On)

Chairman

27th March, 2020

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, 2019.

PRINCIPAL ACTIVITIES

The Company is a holding company. The Group is principally engaged in the manufacture and sale of minibuses, MPVs and automotive components, and the provision of auto financing service in the People's Republic of China (the "PRC") through its subsidiaries and major joint venture. RBJAC (formerly known as Shenyang Brilliance JinBei Automobile Co., Ltd. ("**Shenyang Automotive**")) is the Company's major operating subsidiary in the PRC, whose equity interests are beneficially owned as to 51% by the Company. BBA, the Company's 50% owned major joint venture, engages in the manufacture and sale of BMW vehicles in the PRC. BBAFC, the Company's 55% owned subsidiary, engages in the provision of auto financing service to customers and dealers in the PRC. The principal activities of the Company's subsidiaries are set out in note 38 to the financial statements.

Prior to May 1998, the Company's sole operating asset was its interests in RBJAC. As a result, the Company's historical results of operations had been primarily driven by the sales price, sales volume and cost of production of RBJAC's minibuses. With a view to maintain quality, ensure a stable supply of certain key components and develop new businesses and products, the Company has acquired interests in various suppliers of components and established joint ventures in the PRC since May 1998. With additional investments and joint ventures, the Company's income base has since been broadened and its financial performance has been diversified from that of RBJAC.

In May 1998, the Company acquired indirect interests in two automotive components suppliers in the PRC: a 51% equity interest in Ningbo Yuming Machinery Industrial Co., Ltd. ("**Ningbo Yuming**"), which primarily engaged in the production of automobile window molding, stripping and other auto components; and a 50% equity interest in Mianyang Xincheng Engine Co., Ltd. ("**Mianyang Xincheng**"), which primarily engaged in the development, manufacturing and sale of light-duty gasoline and diesel engines for use in passenger vehicles and 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 Brilliance Ruian Automotive Components Co., Ltd. ("**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 Yuming which became a wholly owned subsidiary of the Company on 25th November, 2004.

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

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

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

On 27th March, 2003, the Company, through its indirect subsidiary, Shenyang JinBei Automotive Industry Holdings Co., Ltd. ("**SJAI**"), entered into a joint venture contract with BMW Holding B.V. to produce and sell BMW-designed and branded sedans in the PRC. As at the date of this report, the registered capital and total investment cost of the joint venture, BBA, is Euro 150 million and Euro 450 million, respectively; and the Company's effective interests in BBA is 50%. The locally produced BMW sedans were formally launched in the PRC in the fourth quarter of 2003. BBA commenced production and sale of BMW sport activity vehicles in the PRC in early 2012.

Report of Directors (Cont'd)

In April 2018, the PRC government announced that the foreign ownership restrictions in the Chinese auto sector would be relaxed and the Chinese market for passenger vehicles would be opened up in 2022. Against these developments and background, the Company agreed with BMW on a new ownership structure of BBA, together with other new products and strategic investments in BBA as well as the extension of the current joint venture term to the year 2040, subject to fulfilment of several conditions. At a special general meeting held on 18th January, 2019, the shareholders of the Company approved the transfer of a 25% ownership of BBA from the Group to BMW (the “**Disposal**”). Completion is expected to take place no later than 2022 subject to certain conditions including the necessary approvals by the PRC government.

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

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

On 29th December, 2003, the Company entered into agreements in relation to the proposed acquisition of an indirect 40.1% interest in Shenyang JinBei Automotive Co., Ltd. (“**JBC**”), a supplier of automotive components for the Group’s minibuses and an A-Share company listed on the Shanghai Stock Exchange. In 2018 and 2019, the Company was refunded all the prepayments for the acquisition, and therefore the acquisition ceased to proceed further.

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, established Shenyang Brilliance Power Train Machinery Co., Ltd. (“**Shenyang 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 Shenyang Brilliance Power to Huachen. As a result, the Company’s beneficial interests in Shenyang Brilliance Power decreased from 75.01% to 49%.

The Company, through SJAI, had once held an indirect 9.9% equity interest in RBJAC, in addition to a direct 51% equity interest in RBJAC. On 23rd June, 2017, SJAI and JBC entered into an acquisition agreement, pursuant to which SJAI agreed to acquire 39.1% equity interest in RBJAC from JBC. On 4th July, 2017, the Company and Renault entered into a framework cooperation agreement, pursuant to which the Group agreed to dispose of 49% equity interest in RBJAC to Renault. Currently, RBJAC is owned as to 51% by SJAI and 49% by Renault.

Mianyang Xincheng was formerly a sino-foreign equity joint venture established in the PRC owned as to 50% by each of Southern State Investment Limited, a wholly owned subsidiary of the Company, and Mianyang Xinhua Internal Combustion Engine Joint-stock Company Limited. Subsequent to the completion of group restructuring in August 2011 and pre-IPO investment in October 2011 and immediately before the global offering which took place in March 2013, Mianyang Xincheng was indirectly held as to 100% by Xincheng China Power Holdings Limited (“**Power Xincheng**”) which was in turn indirectly held as to 42.54% by the Company. On 13th March, 2013, the shares of Power Xincheng 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. Following the listing of Power Xincheng in March 2013 and the partial exercise of an over-allotment option to issue an addition 33,808,000 shares of Power Xincheng in April 2013, the indirect shareholding of the Company in Power Xincheng decreased from 42.54% to 31.07%. Currently, the Company, through its wholly-owned subsidiary, indirectly holds 31.20% equity interest in Power Xincheng.

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

Report of Directors (Cont'd)

REVENUE AND CONTRIBUTION

The Group's revenue and contribution to profit from operations for the year ended 31st December, 2019, analysed by product category, are as follows:

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision of auto financing service RMB'000	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination RMB'000	Total RMB'000
Segment sales	3,391,432	169,441,062	479,659	(169,450,204)	3,861,949
Segment results	(1,345,151)	20,393,874	51,979	(20,375,245)	(1,274,543)
Unallocated costs net of unallocated income					(48,183)
Interest income					101,395
Finance costs					(95,460)
Share of results of:					
Joint ventures	-	7,626,004	-	-	7,626,004
Associates	(16,757)	-	-	-	(16,757)
Profit before income tax expense					6,292,456

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2019 are set out in the financial statements of the Group on pages 92 and 93.

BUSINESS REVIEW

The Company is an investment holding company. The principal activities of the Company's subsidiaries are the manufacture and sale of minibuses, MPVs and automotive components, and the provision of auto financing service to customers and dealers in the PRC. RBJAC (formerly known as Shenyang Automotive) is the Company's major operating subsidiary in the PRC, which contributed about 64.3% of the revenue of the Group in 2019.

Business discussion and analysis

The consolidated revenues of the Group (which comprised primarily net sales derived from the businesses operated by our major operating subsidiaries including RBJAC, Xing Yuan Dong, and BBAFC) for the year ended 31st December, 2019 was RMB3,861.9 million, representing a decrease of 11.8% from the RMB4,377.3 million generated during the year ended 31st December, 2018. The decrease in revenues was mainly due to a drop in the sales volumes of minibuses and MPVs as well as reduced sales of automotive components during the year.

Report of Directors (Cont'd)

RBJAC sold 40,197 minibuses and MPVs in 2019, which was 6.5% lower than the 43,000 vehicles sold in 2018. Of the minibuses sold, 36,210 units were Haise minibuses, representing a 7.0% decrease from the 38,924 units sold in 2018. The unit sales of Granse MPV also decreased by 6.8% from 3,007 units in 2018 to 2,803 units in 2019. The decrease in the sales volumes of Haise and Granse was due to a matured product portfolio and increasingly intensive market competition. The implementation of certain new regulations in China had also prevented the sale of certain RBJAC products and negatively affected its sales.

Cost of sales decreased by 7.4% from RMB4,090.7 million in 2018 to RMB3,787.6 million in 2019. The percentage decrease in cost of sales was lower than the percentage decrease in revenues, mainly attributable to a change in depreciation policy for tools and moulds, and an increase in certain direct material and production costs. As a result, the gross profit margin of the Group had dropped from 6.5% in 2018 to 1.9% in 2019.

Other income increased by 12.6% from RMB141.3 million in 2018 to RMB159.1 million in 2019 due to an increase in recognised government grant and certain government compensation received for the relocation of a subsidiary's factory during the year.

Interest income increased by 67.1% from RMB60.7 million in 2018 to RMB101.4 million in 2019 due to an increase of cash deposits in the second half of the year as a result of the receipt of dividends from BBA and contribution of additional paid-up capital by the non-controlling interests of RBJAC.

Selling expenses have stayed relatively flat in 2019 compared to 2018, despite a decrease in revenues. As such, selling expenses as a percentage of revenue has risen from 8.6% in 2018 to 9.8% in 2019. The higher selling expense ratio in 2019 was due to increases in advertising and staff costs.

General and administrative expenses increased by 28.5% from RMB918.1 million in 2018 to RMB1,179.4 million in 2019 primarily due to an increase in the provision of inventories not included in costs of sales. As a result, general and administrative expenses as a percentage of revenue have increased from 21.0% in 2018 to 30.5% for 2019.

Finance costs decreased by 16.2% from RMB113.9 million in 2018 to RMB95.5 million in 2019 due to less financing being arranged through discounting of bank guaranteed notes and a decrease in bank borrowings coupled with lower borrowing rates realised over the course of the year.

Report of Directors (Cont'd)

Net profits contributed to the Group by BBA increased by 22.1% from RMB6,244.8 million in 2018 to RMB7,626.0 million in 2019. The BMW joint venture achieved sales of 545,919 BMW vehicles in 2019, an increase of 17.1% as compared to 466,182 BMW vehicles sold in 2018. The 2019 sales volumes of the BMW models produced and sold by BBA were as follows:

BBA BMW Models	2019 (Units)	2018 (Units)	% Change
1-series	44,965	41,242	9.0%
2-series	3,680	8,503	-56.7%
3-series	109,199	134,600	-18.9%
5-series	163,521	146,014	12.0%
X1	97,375	97,418	-0.1%
X2	5,600	n/a	n/a
X3	121,579	38,405	216.6%
Total	545,919	466,182	17.1%

The Group's share of results of associates turned from a profit of RMB33.3 million in 2018 to a loss of RMB16.8 million in 2019. This was primarily attributable to weakened results of Power Xincheng and Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. realised during the year.

The Group's profit before income tax expense increased by 17.4% from RMB5,359.0 million in 2018 to RMB6,292.5 million in 2019. Income tax expense increased by 233.6% from RMB64.6 million in 2018 to RMB215.5 million in 2019, primarily due to withholding taxes paid for the dividend income from a subsidiary to the Company.

As a result of the above, the Group recorded net profit attributable to equity holders of the Company of RMB6,762.7 million for the year 2019, representing an increase of 16.2% from the RMB5,820.9 million realised in 2018. Basic earnings per share in 2019 amounted to RMB1.34041, compared to RMB1.15374 in 2018. In addition, return on capital employed (as defined by the EBITDA ÷ average capital employed) for 2019 was 20.6%, compared to 19.7% for 2018.

Report of Directors (Cont'd)

Financial highlights

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

Principal risks and uncertainties facing the Group

During 2019, we identified the following main risks and uncertainties which the Group was exposed to:

1. *Capital expenditure requirements*

Automobile manufacturing is a capital intensive business with frequent product updates to keep abreast of customer demands and to maintain competitive edge. In response to market demand, RBJAC needs to constantly undertake new research and development (R&D) projects to expand its product portfolio and upgrade its products, which might require extra capital expenditures and funding in the future. Currently, the financial position of RBJAC is healthy, with a strong credit record and solid relationship with a number of commercial banks. Given the fast development of the automobile industry, which necessitates growing investment in product R&D in the future and greater efforts in marketing campaigns, RBJAC faces risks that are beyond the Group’s control as to whether it can meet its capital requirements over the next few years. Such risks include, among others, changes in bank interest rates and relevant policies.

2. *Relatively high corporate gearing ratio*

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

3. *Market risks*

In 2019, China recorded a 6.1% growth in GDP, representing a decrease of 1 percentage point against the previous year. The macro-economy was on the decline, same as in 2018, and the early implementation of China VI emission standards (國六排放標準) and the uncertainties brought by the Sino-US trade frictions have caused consumers to remain cautious, leading to a sluggish market sentiment. 25.8 million vehicles were sold in China during 2019, which represented a year-on-year decrease of 8.2%. The period featuring fast development momentum has come to an end after years of rapid growth, and the Chinese automobile market is in a new stage of comprehensive adjustment.

4. *Regulation risk*

China has imposed more stringent policies and regulations on the automobile industry, such as China VI emission standards, three-stage fuel consumption standards for LCVs (輕型商用車三階段油耗標準), tightening and revision of the technical specifications for safety of power-driven vehicles (機動車安全技術條件升級整改), as well as on-board diagnostics tests for new and in-use vehicles (新車及在用車車載診斷系統on-board diagnostics檢測) etc. Automobile manufacturers may need to increase their investments and costs to comply with the requirements under such regulations and policies. Reduction in new energy subsidies and set-off of deficit of fuel consumption points (燃油負積分抵償) may also exert greater pressure on technical upgrades and cost reduction.

Report of Directors (Cont'd)

5. *Outbreak of novel coronavirus COVID-19*

The outbreak of novel coronavirus COVID-19 in around late December 2019 has affected major cities and numerous towns in the PRC and around the world. The coronavirus outbreak presents not only a public health crisis but also disruptions to businesses and supply chains. The PRC government has introduced a number of measures to combat the spread of the coronavirus, including but not limited to extending the national Chinese New Year holiday period, suspending public transportation services, and requesting some local enterprises to delay the return of work. Facing a shortage in auto parts, and to limit the spread of the virus as a result of government's control policies and promoting the 'work from home' philosophy, some of our manufacturing plants and offices were temporarily closed till early March 2020. Automotive production, component supply chain and business operation have experienced a temporary stopover. The Group has put in place contingency measures to lower the impact from the outbreak.

The novel coronavirus pandemic has brought a relatively large impact to the production, operation and vehicle sales of RBJAC. As the supply of parts and components was disrupted by the lockdown of cities and roads at the beginning of the epidemic, production could not meet original schedule, and the sales to end-users has also dropped. RBJAC has set up an emergency taskforce chaired by its chief executive officer to handle the epidemic and implement a series of plans and measures to mitigate the impact. With respect to securing the supply of parts and components for production, RBJAC closely liaised with municipal and district government departments and has received tremendous help with the resumption of road use, logistics and storage and continuous supply of parts and components. As a result, it has been able to ensure normal production after gradually resolving the shortage of protective equipment and auto parts. In terms of sales, RBJAC sent protective gears such as face masks to end dealers, to help them resume offline sales capacity as soon as possible. Furthermore, through donating negative pressure ambulances, it has proactively promoted the positive image and recognition of the brand as well as the number of orders for this product. By launching multiple online channels and platforms, more sales methods targeting key customers have been deployed. Overseas markets are also being explored with the aim of boosting export sales. Going forward, RBJAC will introduce various interest-free auto financing plans through retail channels in order to minimise the impact of the epidemic on domestic auto sales. Last but not least, RBJAC is actively procuring the R&D of new vehicle models to penetrate different market segments, thereby expanding its share in the LCV market in spite of the adverse conditions.

Reduction in retail sales of the automotive manufacturers is one of the challenges brought by COVID-19 to BBAFC. A series of action plans have been implemented by BBAFC with an aim to overcome or mitigate the current challenges. These measures include, among others, focusing sales resources on high potential OEM to ensure long-term growth and profitability, implementation of innovative on-line solutions to support sales networks and facilitate its customers to complete 'Finance Journey' remotely, and enhancement of collections activities to maximise loans recovery. To ensure sustainability and profitability, BBAFC has also taken other measures like diversifying its funding structures, cost control, and extending BBAFC's retail co-lending footprint to all other major business streams.

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

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

Report of Directors (Cont'd)

Likely future development of the Group's business

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

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

Impacted by the deleveraging funding strain in the short run and diminishing marginal utility in the long run, the Chinese economy will suffer from slower growth and undergo a period of adjustment. However, with the development strategy to build up human resources, technologies and domestic consumption, coupled with consumption upgrade and urbanisation, the domestic economy is expected to maintain steady development despite lower GDP growth rates.

2. Market polarisation

In 2019, the automobile market showed polarised trends for passenger and commercial vehicles: while the passenger vehicle market plummeted due to a market cool-down resulting from the end of purchase tax cuts two years ago and a significant reduction in new energy subsidies, the commercial vehicle market was backed by a series of policies such as the crackdown against speeding and overloading (治超治限) and the phasing out of China III vehicle emission standards (國三淘汰). As a result, overall commercial vehicle sales dipped slightly by 1% to 4.32 million units in 2019.

In respect of the LCV market in which the key products of RBJAC are sold, sales volume tumbled in 2019 due to weakening general macro-economy and the early implementation of China VI emission standards. The sales of Haise minibuses, RBJAC's main model, decreased by 7.0% compared to 2018. Due to the early implementation of China VI emission standards and further restrictions on the sales of M1 vehicles in some regions, RBJAC recorded a decrease of 6.5% in sales volume for 2019.

3. Mild growth in market volume of minibuses

Urbanisation is the key driver of the minibus market. China's urbanisation rate is expected to reach 66% by 2025. Attributable to improving urban infrastructure and ongoing upgrade of the retail sector from traditional growth to new Internet- and AI-incorporated development, logistics demand in the cities is on the rise. Therefore, the minibus market still shows considerable potential. In recent years, the development of urban logistics platforms has boosted the usage of minibuses while technological advancements lengthened the useful lives of vehicles. Nevertheless, for the minibus market, the days of rapid growth are gone and market volume is growing at a lower rate. Narrow-body minibuses will be phased out by policy changes. Their market demand will be replaced by the demand for low-end MPVs and low-end wide-body minibuses. To cope with these market changes and capitalise on Renault's brand name, RBJAC will complement its traditional Haise minibuses, broaden its product portfolio and increase its market share by introducing new Renault products.

4. Brand upgrade

2019 marked the second year of RBJAC's brand reform. RBJAC has conducted image-building and promotion campaigns to raise public awareness of the novel brand. Afterwards, the main task will shift to the promotion of brand awareness and brand image. Therefore, RBJAC will focus on upgrading its brand and image comprehensively in terms of distributor network, services and user experience.

During the year, RBJAC launched a multi-channel marketing campaign to boost its sales, upgrade its brand and enhance its brand influence in collaboration with new media and new retail platforms. It also bolstered its export business by entering into a strategic cooperation agreement with AG, the largest automobile corporation in Chile, to secure an order to export 10,000 vehicles. In view of channel and market changes, RBJAC stimulated dealers' sales with joint marketing efforts, thereby delivering sales growth in the fourth quarter of 2019.

Report of Directors (Cont'd)

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

The outbreak of novel coronavirus COVID-19 in around late December 2019 has brought uncertainties to the Group's operating environment in the PRC. To combat the spread of the coronavirus, the Chinese government has introduced a number of measures, including but not limited to extending the national Chinese New Year holiday period and suspending public transportation services. As a result, and to limit the spread of the virus by promoting the 'work from home' philosophy, some of our manufacturing plants and offices were temporarily closed till March 2020. Automotive production and component supply chain have experienced delays. The Group has put in place contingency measures to lower the impact from the outbreak. The Company will continue to monitor the situation and assess its impact on the Group's operation.

Save as disclosed herein, to the knowledge of the directors of the Company, no important events affecting the Group have occurred since the end of the financial year.

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

Against the backdrop of severe global warming, the society requires enterprises to conserve energy and reduce emission, and the public have gradually improved their knowledge and understanding towards energy saving and environmental protection. The Company is concerned about the impacts caused by the manufacturing industry to the environment. RBJAC has consistently complied with applicable national and local laws, regulations, standards and relevant requirements, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) to establish its environmental protection management system. Following the general objective to "protect the environment, prevent pollution, comply with laws and regulations, and persist with improvement" (保護環境、防治污染、遵紀守法、持續改進), RBJAC has reinforced its target responsibility system (目標責任制) in respect of environmental protection based on the principle that "the person in charge bears the responsibility" (誰主管、誰負責). It established and implemented the environmental management system certification (環境管理體系認證) in accordance with GB/T24001-2016 Environmental Management Systems – Requirements with Guidance for Use (《環境管理體系要求及使用指南》). In 2019, the registration of the certification was maintained upon surveillance audit.

Every year, RBJAC appoints qualified monitoring institutions to monitor its sewage, exhaust gas and boundary noise. All of the monitoring indicators in 2019 met the requirements of the national and local standards on the discharge of pollutants, including the Integrated Wastewater Discharge Standard (《污水綜合排放標準》), the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) and the Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪聲排放標準》). In 2019, RBJAC has achieved the target of zero environmental pollution incident and met the pollutant emission standards. The construction projects of RBJAC strictly conform to the "three-stage simultaneous" requirement, according to which environmental protection facilities shall be designed, constructed and inspected simultaneously with main construction structures (「防治污染的設施必須與主體工程同時設計、同時施工和同時驗收」的環境三同時制度). In 2019, the Product Upgrade Development Project (《產品升級建設項目》) of RBJAC has completed environmental assessment and is being implemented. RBJAC carried out energy conservation, consumption reduction and cost cutting initiatives and enhanced energy conservation establishments and systems in accordance with the energy conservation plans of municipal and district governments as well as the economic indicators of the Group. It also established an energy cost optimisation taskforce (能源成本優化專項小組) to devise a future energy conversation plan by thoroughly analysing the electricity and gas consumption patterns of the production system. The taskforce also formulated improvement measures such as centralising production, optimising production schedule and repair of leakage and loss. As for the administrative branch, RBJAC has also formed an energy-saving management taskforce (行政節能管理小組) to conserve energy by optimising office air-conditioning, lighting and water consumption as well as grouping together all employees working overtime.

In 2019, RBJAC was not engaged in any environmental breaches and did not have any complaints from the public or disputes concerning environmental pollution.

Report of Directors (Cont'd)

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, emphasises and strives to comply with the Companies Law of Bermuda, the Listing Rules, the Securities and Futures Ordinance (the “SFO”), applicable Hong Kong Companies Ordinance, and other relevant laws and regulations which have a material effect on the Company. The Company endeavors to safeguard its shareholders’ interests, enhance corporate governance and strengthen the functions of the Board.

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

The operation of RBJAC has always complied with national and local laws and regulations. It upholds honesty and integrity, and performs its social responsibility. In 2019, there was no major litigation or dispute against RBJAC.

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

The Company and its staff have exercised their best endeavours to strictly follow the applicable rules, regulations, laws and industry standard. The directors of the Company are not aware of any breach of laws or regulations which have a significant impact on the Group, nor are they aware of any litigation or cases of corruption, bribery, extortion, fraud and money laundering involving the Group in 2019.

Report of Directors (Cont'd)

Relationship with stakeholders and its importance

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

Key stakeholders	Importance
Investors	One of the Company's objectives is to create value for investors. The Company is committed to enhancing its operational efficiency and providing reasonable, sustainable and stable returns on investments. Regular meetings are held with investors to communicate corporate updates and to understand their opinions with the aim of improving the Company's operating performance.
Customers	<p>The Company strives to satisfy market demand in terms of product design and quality, and pursues technological innovation, in a bid to maintain a stable supply of high-quality products to customers.</p> <p>Beijing Xinlibao Economy & Trade Co., Ltd. (北京鑫利寶經貿有限公司) and Beijing Sanjiang Huida Automobile Sales & Service Co., Ltd. (北京三江慧達汽車銷售服務有限公司), which are the key customers of RBJAC, have extensive experience in the distribution of branded vehicles. They have maintained complete car purchasing and distribution relationship with RBJAC after over a decade of buying and selling JinBei's vehicles. The credit terms offered by RBJAC to its key customers are consistent with those offered to other customers. No provision is needed as the trade receivables from these key customers will be collected gradually after the end of each financial year. RBJAC relies on these key customers to sell its products. To mitigate the fluctuation in demand caused by the distribution capacity of downstream customers, the company reviews its product portfolio from time to time to ensure compliance with the customers' requirements. The company also conducts its own product promotion campaigns, actively participates in the management of 4S stores, and monitors downstream distribution channels.</p> <p>A customer satisfaction database has been established with the use of customer satisfaction surveys to collect the customers' opinion and devise improvement measures in respect of any deficiencies in order to boost product quality and customer satisfaction.</p>
Employees	Employees are an important cornerstone for corporate development. The Group places high priority on occupational health and safety, and strives to create an attractive working environment to motivate and retain talents, so as to enhance the sustainability of the Group.
Suppliers	Suppliers are fundamental to the production processes of the Group. In the principles of mutual benefit, risk sharing and co-development, the Group seeks to foster a win-win partnership with its suppliers. In identifying suitable suppliers, the Group focuses on partners with strong technology development ability, fast response, stability and consistency in design and production quality, high level of project management, cost competitiveness, and willingness to cooperate. In 2019, the Group established good cooperative relations with suppliers in the win-win principle, with no major disagreement with them. With respect to newly-developed vehicle models, the Group has also extended the supplier systems to new suppliers based on the existing supplier network of Renault-Nissan in China.

In 2019, the Company was engaged in positive and candid communication with its shareholders and investors through various channels, including general meetings, results press conferences, product launch events, and analyst and investor meetings. Such communication enabled the investors and customers to further understand the operation and development of the Company, and provided the investors with a platform to express their views to the management of the Company.

Report of Directors (Cont'd)

RBJAC holds annual conventions, board meetings, and economic and management meetings on a regular basis to discuss how to respond to the views and demands of the stakeholders. By collecting customer advice through surveys, RBJAC has built its data base on customer satisfaction and implemented improvement measures on drawbacks, aiming to further improve product quality and customer satisfaction. RBJAC offers its staff suggestion forms, through which staff members can raise their suggestions on the company and job functions. Staff members whose suggestions are accepted will be rewarded. RBJAC convenes regular meetings with its suppliers and dealers to discuss and proactively address recent issues in order to solidify a harmonious relationship with them.

CASH FLOW POSITION

The cash flow position of the Group for the year ended 31st December, 2019 is set out and analysed in the consolidated statement of cash flows on page 98 and in note 34 to the financial statements.

DIVIDENDS

On 25th July, 2019, the Board declared a special dividend of HK\$0.74 (the “**Special Dividend**”) per ordinary share of the Company to shareholders whose names appeared on the register of members of the Company as at 8th August, 2019 (2018 special dividend: nil). The Special Dividend was paid on 16th August, 2019.

On 23rd August, 2019, the Board declared a dividend of HK\$0.11 (the “**HK\$0.11 Dividend**”) per ordinary share of the Company to shareholders whose names appear on the register of members of the Company as at 6th September, 2019 (2018: HK\$0.11 per ordinary share). The HK\$0.11 Dividend was paid on 23rd September, 2019.

The directors of the Company did not recommend any dividend payment at the Board meeting held on 27th March, 2020 in respect of the Group’s 2019 annual results (2018: nil).

CLOSURE OF REGISTER OF MEMBERS

The Company’s forthcoming annual general meeting will be held on Friday, 26th June, 2020 at 11:00 a.m. (the “**2020 AGM**”). Notice of the 2020 AGM, which constitutes part of the circular to shareholders, is sent together with the annual report. The notice of the 2020 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 Monday, 22nd June, 2020 to Friday, 26th June, 2020, both days inclusive, during which period no transfer of shares will be registered. The record date for the 2020 AGM is Monday, 22nd June, 2020. Only shareholders of the Company whose names appear on the register of members of the Company on Monday, 22nd June, 2020 or their proxies or duly authorised corporate representatives are entitled to attend and vote at the 2020 AGM. In order to qualify for attending and voting at the 2020 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, Hong Kong for registration not later than 4:30 p.m., Hong Kong time, on Friday, 19th June, 2020.

PROXY LODGMENT DEADLINE DATE AND TIME

Whether or not a shareholder is able to attend the 2020 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, Hong Kong before 11:00 a.m., Hong Kong time, on Wednesday, 24th June, 2020, or not less than 48 hours before the time appointed for the holding of any adjourned meeting of the 2020 AGM.

Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the 2020 AGM or any adjourned meeting thereof if they so wish and in such event, the form of proxy will be deemed to be revoked.

Report of Directors (Cont'd)

FIVE-YEAR FINANCIAL SUMMARY

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

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31st December, 2019 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, 2019 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, 2019 are set out in note 31 to the financial statements.

SHARE OPTIONS

2018 share option scheme

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

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

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

Report of Directors (Cont'd)

As at 31st December, 2019, there was no outstanding share option under the Share Option Scheme.

For the period commencing from the Scheme Effective Date to 31st December, 2019:

- (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, 2019, no expenses were recognised by the Group for the period under review (2018: nil).

DIRECTORS

The directors of the Company who held office during the year ended 31st December, 2019 are:

Executive directors:

Mr. Wu Xiao An (*chairman of the Board*)
Mr. Yan Bingzhe (*chief executive officer*) (*appointed on 12th April, 2019*)
Mr. Qi Yumin (*chief executive officer*) (*resigned on 12th April, 2019*)
Mr. Qian Zuming (*chief financial officer*)
Mr. Zhang Wei

Independent non-executive directors:

Mr. Xu Bingjin
Mr. Song Jian
Mr. Jiang Bo

Pursuant to bye-law 99 and the code provision A.4.2 of Appendix 14 to the Listing Rules, Mr. Song Jian and Mr. Jiang Bo will retire by rotation at the 2020 AGM.

Each of 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 2020 AGM.

Biographical details of the directors standing for re-election at the 2020 AGM are set out in the circular sent to the shareholders of the Company together with the annual report.

Report of Directors (Cont'd)

UPDATE ON DIRECTORS' INFORMATION

There have not been any change in information of the directors of the Company since the date of the 2019 interim report and up to the date of this report (i.e. 27th March, 2020), that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at 31st December, 2019, so far as is known to the directors or chief executives of the Company, the following persons other than a director or chief executive of the Company had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Long position	%	Number and class of shares held/ Approximate shareholding percentage (Note 1)			
			Short position	%	Lending pool	%
Baillie Gifford & Co (Note 2)	502,866,000 ordinary	9.97	-	-	-	-
Citigroup Inc. (Note 3)	456,136,398 ordinary	9.04	12,391,298	0.24	441,224,264	8.74
GIC Private Limited (Note 4)	352,080,528 ordinary	6.98	-	-	-	-
Huachen (Note 5)	2,135,074,988 ordinary	42.32	-	-	-	-

Notes:

- The percentage of shareholding is calculated on the basis of 5,045,269,388 shares in issue as at 31st December, 2019.
- The 502,866,000 shares in long position were held as to 100,282,000 shares in the capacity as investment manager and as to 402,584,000 shares as corporate interest.
- The 456,136,398 shares in long position were held as to 14,912,134 shares as corporate interest and as to 441,224,264 shares in the capacity as approved lending agent. The 12,391,298 shares in short position were held as corporate interest.
- The 352,080,528 shares in long position were held in the capacity as investment manager.
- The 2,135,074,988 shares in long position were held in the capacity as beneficial owner.

Save as disclosed herein, as at 31st December, 2019, there was no other person so far as is known to the directors or chief executives of the Company, other than a director or chief executive of the Company, as having an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Report of Directors (Cont'd)

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

As at 31st December, 2019, the interests and short positions of each director, chief executive and their respective close associates in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, are set out below:

The Company

Name of directors/ chief executives	Type of interests	Number and class of shares held/ Approximate shareholding percentage (Note)				Number of share options granted (Percentage of the Company's issued share capital)
		Long position	%	Short position	%	
Mr. Wu Xiao An	Personal	6,200,000 ordinary	0.12%	–	–	–
Mr. Qian Zuming	Personal	600,000 ordinary	0.01%	–	–	–

Note: The percentage of shareholding is calculated on the basis of 5,045,269,388 shares in issue as at 31st December, 2019.

Associated Corporation of the Company

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

Notes:

- The percentage of shareholding is calculated on the basis of 1,282,211,794 shares in issue of Power Xinchun as at 31st December, 2019.
- As at 31st December, 2019, Power Xinchun was indirectly held as to approximately 31.20% by the Company. The 33,993,385 shares in long position are interests of a discretionary trust under an incentive scheme of Power Xinchun. The said trust held 33,993,385 shares of Power Xinchun. Mr. Wu Xiao An is one of the trustees of the aforementioned trust. Mr. Wu also held 50% interests in Lead In Management Limited which is also a trustee of the said trust. Accordingly, Mr. Wu was deemed or taken to be interested in the 33,993,385 shares of Power Xinchun, representing approximately 2.65% of its issued share capital as at 31st December, 2019.
- Mr. Wu Xiao An held 8,320,041 shares of Power Xinchun in the capacity of beneficial owner, representing approximately 0.65% of its issued share capital as at 31st December, 2019.

Report of Directors (Cont'd)

Save as disclosed above, as at 31st December, 2019, none of the directors, chief executives of the Company or their respective close associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered into the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31st December, 2019 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, 2019, 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 2019.

ANALYSIS OF INTEREST CAPITALISED

Details of interest capitalised are set out in note 6 to the financial statements.

PRE-EMPTIVE RIGHTS

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

Report of Directors (Cont'd)

MAJOR CUSTOMERS AND SUPPLIERS

In 2019, the aggregate sales attributable to the Group's five largest customers, excluding the Group's associates and joint ventures, represented approximately 26.4% 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 10.0% 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 23.3% of the Group's total purchases and the purchases attributable to the Group's largest supplier represented approximately 7.8% of the Group's total purchases.

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

PUBLIC FLOAT

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

CONTINUING CONNECTED TRANSACTIONS

In 2019, 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

– *Agreements signed on 15th November, 2017*

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

- (A1) a framework agreement in relation to the sale of automobiles, materials and/or automotive components by the Group to Huachen and its subsidiaries and its 30%-controlled companies (collectively, the **"Huachen Group"**) for a period of three financial years commencing from 1st January, 2018 to 31st December, 2020;
- (A2) a framework agreement in relation to the purchases of materials and automotive components by the Group from the Huachen Group for a period of three financial years commencing from 1st January, 2018 to 31st December, 2020;
- (A3) a comprehensive services agreement (the **"Huachen Comprehensive Services Framework Agreement"**) in relation to the provision of services by the Group to the Huachen Group for a period of three financial years commencing from 1st January, 2018 to 31st December, 2020. Services to be provided by members of the Group to members of the Huachen Group mainly include manual labour and design; and
- (A4) a comprehensive services agreement in relation to the purchases of services by the Group from the Huachen Group for a period of three financial years commencing from 1st January, 2018 to 31st December, 2020. Services to be provided by members of the Huachen Group to members of the Group mainly include information technology support, research and development, charging services, processing and refitting services and transportation services.

Report of Directors (Cont'd)

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

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

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

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

– *Agreements signed on 15th December, 2017*

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

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

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

- (A5) a technology license agreement (the “**Huachen Technology License Agreement**”) in relation to the licensing by Huachen to RBJAC of certain technology owned by Huachen to manufacture, assemble, sell and provide after sales services for licensed products for a period of 10 years commencing from 15th December, 2017. There is no royalty fee to be charged for the usage of such technology before 1st January, 2025;
- (A6) a trademark license agreement (the “**Huasong Trademark License Agreement**”) in relation to the licensing of rights by Huachen to RBJAC to use certain “Huasong” trademarks owned by Huachen for a period of 50 years commencing from 15th December, 2017. There is no royalty fee to be charged for the usage of such trademarks before 1st January, 2025;
- (A7) a general services agreement (the “**Huachen General Services Agreement**”) in relation to the provision of general services by Huachen to RBJAC, the term of which commenced from 15th December, 2017 and will be in force as long as the joint venture contract of RBJAC is in effect;
- (A8) a lease agreement (the “**Huachen Lease Agreement**”) in relation to the lease of certain factory facilities, workshops and office space with a total area of approximately 43,795.5 sq.m. by Huachen to RBJAC for a period of 20 years commencing from 1st December, 2017 at an annual rental of approximately RMB4,232,000 until it is being reviewed at the fifth anniversary of its term; and

Report of Directors (Cont'd)

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

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

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

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

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

– *Agreements signed on 6th December, 2018*

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

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

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

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

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

Report of Directors (Cont'd)

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

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

(B) Continuing Connected Transactions with Renault

- *Agreements signed on 15th December, 2017*

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

- (B1) a framework technology license contract (the "**Renault Framework Technology License Contract**") in relation to the licensing by Renault to RBJAC of certain technological rights owned by Renault to RBJAC to manufacture, assemble, sell and provide after sales services for licensed products for a period of 10 years commencing from 15th December, 2017. There is no royalty fee to be charged for the usage of such technology before 1st January, 2025;
- (B2) a trademark license agreement (the "**Renault Trademark License Agreement**") in relation to the licensing of rights by Renault to RBJAC to use certain trademarks owned by Renault for a period of 50 years commencing from 15th December, 2017. There is no royalty fee to be charged for the usage of such trademarks before 1st January, 2025; and
- (B3) a framework imported parts supply agreement (the "**Renault Framework Imported Parts Supply Agreement**") in relation to the sale of imported automotive production related components by Renault to RBJAC. The term of the agreement commenced on 15th December, 2017 and will be in force as long as the joint venture contract of RBJAC and the Renault Framework Technology License Contract are in effect.

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

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

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

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

Report of Directors (Cont'd)

- *Agreements signed on 6th December, 2018*

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

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

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

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

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

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

The actual monetary value of all the above continuing connected transactions (collectively, the “**Continuing Connected Transactions**”) for the financial year ended 31st December, 2019 is set out below.

Continuing Connected Transactions	Major type of products	Actual monetary value for the financial year ended 31st December, 2019 RMB’000
A1. Sale of automobiles, materials and/or automotive components by the Group to the Huachen Group under the framework agreement dated 15th November, 2017		
A1(i) Sale of materials and automotive components by Xing Yuan Dong	Interior trim parts, anti-freezing fluid and presswork	14,737
A1(ii) Sale of materials and automotive components by Dongxing Automotive	Press parts, welding parts and complete outsourced parts	40,778
A1(iii) Sale of materials and automotive components by Shenyang Jindong	Matching components and welding assemblies	19,658

Report of Directors (Cont'd)

Continuing Connected Transactions	Major type of products	Actual monetary value for the financial year ended 31st December, 2019 RMB'000
A1(iv) Sale of materials and automotive components by Mianyang Ruian	Camshafts	–
A1(v) Sale of materials and automotive components by Ningbo Yuming	Trim strips, triangular windows and sealing bars	2,284
A1(vi) Sale of materials and automotive components by Ningbo Ruixing	Rear view mirrors	–
A1(vii) Sale of automobiles, materials and automotive components by RBJAC	Automobiles, engines and spare parts	395,172
A2. Purchases of materials and automotive components by the Group from the Huachen Group under the framework agreement dated 15th November, 2017		
A2(i) Purchase of materials and automotive components by Dongxing Automotive	Steels	22,944
A2(ii) Purchase of materials and automotive components by RBJAC	Power trains and spare parts	249,850
A2(iii) Purchase of materials and automotive components by Shenyang Jindong	Scrap materials, welding press parts and matching components	37,663
A3. Provision of services by the Group to the Huachen Group under the Huachen Comprehensive Services Framework Agreement (as amended and supplemented by the Supplemental Agreement)		
Provision of services by members of the Group to members of the Huachen Group	Manual labour, design and energy services	28,513
A4. Purchase of services by the Group from the Huachen Group under the comprehensive services agreement dated 15th November, 2017		
Purchase of services by members of the Group from members of the Huachen Group	Information technology support, research and development, charging services, processing and refitting services and transportation services	70,052

Report of Directors (Cont'd)

Continuing Connected Transactions	Major type of products	Actual monetary value for the financial year ended 31st December, 2019 RMB'000
A5. Licensing of technology owned by Huachen to RBJAC under the Huachen Technology License Agreement		
Licensing of technology by Huachen to RBJAC	Rights to manufacture, assemble, sell and provide after sales services for licensed products	– (Nil before 1st January, 2025)
A6. Licensing of “Huasong” trademarks owned by Huachen to RBJAC under the Huasong Trademark License Agreement		
Licensing of “Huasong” trademarks by Huachen to RBJAC	Right to use certain “Huasong” trademarks owned by Huachen	– (Nil before 1st January, 2025)
A7. Provision of general services by Huachen to RBJAC under the Huachen General Services Agreement		
Provision of general services by Huachen to RBJAC	Transportation services, security, road and piping services, charging services, manual labour, provision of utilities, general office services, medical care and testing services	20,891
A8. Lease of properties by Huachen to RBJAC under the Huachen Lease Agreement		
Lease of factory facilities by Huachen to RBJAC	Lease of certain factory facilities, workshops and office space with a total area of approximately 43,795.5 sq. m.	3,411
A9. Transfer of certain employees between RBJAC and Huachen under the Huachen Personnel Transfer Agreement		
Transfer of certain employees from RBJAC to Huachen, and from Huachen to RBJAC	Employee costs	3,922
A10. Lease of premises by RBJAC from the Huachen Group under the Huachen Premises Leasing Framework Agreement		
Lease of premises by RBJAC from the Huachen Group	Lease of premises to be used for and as research and development centre and vehicle testing centre	277

Report of Directors (Cont'd)

Continuing Connected Transactions	Major type of products	Actual monetary value for the financial year ended 31st December, 2019 RMB'000
A11. Rental of information technology equipment by RBJAC from the Huachen Group under the Huachen IT Equipment Rental Framework Agreement		
Rental of information technology equipment by RBJAC from the Huachen Group	Rental of computer hardwares	1,603
B1. Licensing of technology owned by Renault to RBJAC under the Renault Framework Technology License Contract		
Licensing of technology by Renault to RBJAC	Rights to manufacture, assemble, sell and provide after sales services for licensed products	– (Nil before 1st January, 2025)
B2. Licensing of “Renault” trademarks owned by Renault to RBJAC under the Renault Trademark License Agreement		
Licensing of “Renault” trademarks by Renault to RBJAC	Right to use certain “Renault” trademarks owned by Renault	– (Nil before 1st January, 2025)
B3. Sale of imported automotive production related components by Renault to RBJAC under the Renault Framework Imported Parts Supply Agreement		
Sale of imported automotive production related components by Renault to RBJAC	Imported production parts, accessories and spare parts	–
B4. Purchase of automobiles, materials and automotive components by RBJAC from the Renault Group under the Renault Framework Purchase Agreement		
Purchase of automobiles, materials and automotive components by RBJAC from the Renault Group	Automobiles, engines, radios, rear axles, head lights, safety air bags and seat belts	–
B5. Purchases of services by RBJAC from the Renault Group under the Renault Comprehensive Services Framework Agreement		
Purchases of services by RBJAC from the Renault Group	Technical assistant services, information technology support services, research and development services, and personnel secondment services	258,620

Report of Directors (Cont'd)

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 have been entered into:

1. in the ordinary and usual course of business of the Group;
2. either on normal commercial terms or better; and
3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

AUDITOR

Grant Thornton Hong Kong Limited will retire at the conclusion of the 2020 AGM and be eligible to offer itself for re-appointment. A resolution will be submitted to the 2020 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,
27th March, 2020

Management's Discussion & Analysis

BUSINESS DISCUSSION AND ANALYSIS

A review of the business of the Group during the financial year ended 31st December, 2019 and the outlook of the Group's business are discussed throughout this annual report including the sections headed "Chairman's Statement" and "Business Review" on pages 4 to 7 and pages 10 to 19 of this annual report.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2019, the Group had RMB6,828.5 million in cash and cash equivalents (As at 31st December, 2018: RMB2,310.5 million), RMB23.3 million in statutory deposit reserves at central bank (As at 31st December, 2018: RMB32.6 million), RMB1,800 million in short-term bank deposits (As at 31st December, 2018: RMB576.3 million) and RMB2,793.9 million in pledged short-term bank deposits (As at 31st December, 2018: RMB1,075.8 million). As at 31st December, 2019, the Group had notes payable in the amount of RMB4,959.3 million (As at 31st December, 2018: RMB1,630.6 million).

As at 31st December, 2019, the Group had outstanding short-term bank borrowings of RMB6,292.0 million (As at 31st December, 2018: RMB4,623.5 million), and long-term bank borrowings due within one year and over one year of RMB20 million (As at 31st December, 2018: RMB20 million) and RMB20 million (As at 31st December, 2018: RMB40 million), respectively.

All short-term bank borrowings as at 31st December, 2019 were due within one year, being repayable from 7th January, 2020 to 23rd December, 2020 (As at 31st December, 2018: repayable from 14th January, 2019 to 5th November, 2019). As at 31st December, 2019, these borrowings were at fixed interest rates and were denominated in Renminbi (As at 31st December, 2018: same). RMB20 million of the long-term bank borrowings as at 31st December, 2019 were due within one year, being repayable from 20th March, 2020 to 20th December, 2020; and RMB20 million were due within 2 years, being repayable from 20th March, 2021 to 1st December, 2021 (As at 31st December, 2018: 3 years). As at 31st December, 2019, these long-term bank borrowings were interest-bearing at 5.23% per annum, and were denominated in Renminbi (As at 31st December, 2018: 5.23%, Renminbi).

With an aim to improve its liquidity, the Group regularly monitors its accounts receivable turnover and inventory turnover. For the year ended 31st December, 2019, the Group's accounts receivable turnover days was approximately 98 days, compared to approximately 84 days for 2018. Inventory turnover days was approximately 87 days in 2019, compared to approximately 96 days in 2018.

CAPITAL STRUCTURE AND FUNDING POLICIES

As at 31st December, 2019, the Group's total assets was approximately RMB49,470.0 million (As at 31st December, 2018: RMB42,099.9 million), which was funded by the following: (a) share capital of RMB397.2 million (As at 31st December, 2018: RMB397.2 million), (b) reserves of RMB33,528.4 million (As at 31st December, 2018: RMB30,682.6 million), (c) total liabilities of RMB14,994.6 million (As at 31st December, 2018: RMB10,275.0 million) and (d) contribution from non-controlling interests of RMB549.9 million (As at 31st December, 2018: RMB745.1 million). As at 31st December, 2019, 94.8% (As at 31st December, 2018: 97.3%) of the Group's cash and cash equivalents (comprising cash on hand, bank balances and demand deposits within 3 months of maturity when acquired) were denominated in Renminbi, whereas 2.6% (As at 31st December, 2018: 2.0%) were denominated in U.S. Dollar. The remaining balance of 2.6% (As at 31st December, 2018: 0.7%) were denominated in other currencies. Apart from the borrowings, banking facilities were in place for contingency purposes. As at 31st December, 2019, the Group's total available banking facilities for its daily operations amounted to RMB712.7 million (As at 31st December, 2018: RMB1,819.7 million) without any committed banking facilities.

Management's Discussion & Analysis (Cont'd)

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

CAPITAL EXPENDITURES AND COMMITMENTS

In 2019, the Group incurred capital expenditures of RMB989.1 million (2018: RMB462.8 million) mainly for acquisition of both owned and right-of-use assets of tools and moulds, machinery and equipment, and development costs for minibuses and MPVs as well as specialised software. As at 31st December, 2019, the Group's contracted capital commitments amounted to RMB1,043.9 million (As at 31st December, 2018: RMB275.0 million), which were related to the capital expenditures in respect of construction projects, acquisition of plant facilities and machinery, and product development.

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

There were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31st December, 2019.

NEW BUSINESS AND NEW PRODUCTS

BBA will be introducing new models of both internal combustion engine and BEV BMW vehicles into the Chinese market over the next few years. The iX3, which is the electrified version of the X3 model, will commence production in China in 2020 for both local sales and exports to the rest of the world.

RBJAC is pushing forward with the development of new products such as the Renault Master model and new JinBei products.

BBAFC is holding ongoing discussions with potential new OEM customers and service providers with a goal to further expand its serviced portfolio by adding both premium and multi-brand customers.

EMPLOYEES, REMUNERATION POLICY AND TRAINING PROGRAMMES

The Group employed approximately 5,610 employees as at 31st December, 2019 (As at 31st December, 2018: approximately 6,540). Employee costs amounted to RMB761.0 million for the year ended 31st December, 2019 (For the year ended 31st December, 2018: RMB710.7 million). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions, and that employees' remuneration is based on performance.

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

Management's Discussion & Analysis (Cont'd)

CHARGE ON ASSETS

As at 31st December, 2019, short-term bank borrowings of RMB91 million (As at 31st December, 2018: RMB98 million) were secured by the Group's land lease prepayments with a net book value of RMB2.1 million (As at 31st December, 2018: RMB2.2 million), buildings, tools and moulds, machinery and equipment and construction-in-progress with total net book values of approximately RMB208.0 million (As at 31st December, 2018: RMB220.4 million).

As at 31st December, 2019, long-term bank borrowings of RMB40 million (As at 31st December, 2018: RMB60 million) were secured by the Group's land lease prepayments with a net book value of RMB30.0 million (As at 31st December, 2018: RMB30.6 million) and buildings, plant and equipment with total net book value of RMB33.6 million (As at 31st December, 2018: RMB51.8 million).

In addition, as at 31st December, 2019, the Group pledged short-term bank deposits of RMB2,583.3 million (As at 31st December, 2018: RMB847.1 million) for issue of bank guaranteed notes to trade creditors, RMB210.5 million (As at 31st December, 2018: RMB210.5 million) to secure bank loans granted to a related party of the Group, and RMB0.06 million (As at 31st December, 2018: RMB18.2 million) for joint auto financing arrangement.

As at 31st December, 2019, the Group had also pledged bank guaranteed notes receivable from third parties and related parties in the amount of RMB31.3 million (As at 31st December, 2018: RMB91.9 million) to secure the issue of bank guaranteed notes.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS

The Group considers the addition of capital assets used in the development of new vehicles as part of its normal business. The Group did not have other future plans for material investments or capital assets as at the date of this report (i.e. 27th March, 2020).

GEARING RATIO

As at 31st December, 2019, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.44 (As at 31st December, 2018: 0.33). The increase in the gearing ratio was primarily due to increase in notes payable and short-term bank borrowings as at 31st December, 2019 as compared to 31st December, 2018.

FOREIGN EXCHANGE RISKS

The Group considers that exchange rate fluctuations may have some effect on the overall financial performance of the Group but it is still at a manageable level. The Group will continue to monitor the situation and may consider entering into hedging arrangements in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 31st December, 2019 (As at 31st December, 2018: nil).

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 36 to this report.

Directors, Senior Management and Company Secretary

The directors, senior management and company secretary of the Company as at 31st December, 2019 and up to the date of this annual report (i.e. 27th March, 2020) are set out below:

EXECUTIVE DIRECTORS

Mr. Wu Xiao An (also known as Mr. Ng Siu On), aged 58, 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 and nomination committee of the Company. Mr. Wu has over 25 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 a director of Huachen since October 2002, the chairman of BBA since May 2003, and the chairman of BBAFC since April 2015. He was a director of RBJAC from January 1994 to August 2016; and has been a director of RBJAC since January 2018. From 1988 to 1993, he was the deputy manager of the Bank of China, New York Branch. Mr. Wu obtained a bachelor's degree of arts from Beijing Foreign Languages Institute (now known as Beijing Foreign Studies University) in 1985 and a master of business administration degree from Fordham University in New York in 1992. Currently, Mr. Wu is the chairman of the board of directors of Power Xincheng, a company listed on the main board of the Stock Exchange (stock code: 1148). In March 2011, Mr. Wu was appointed as a director and in April 2012 designated as an executive director of Power Xincheng.

Mr. Yan Bingzhe, aged 57, has been an executive director and chief executive officer of the Company since 12th April, 2019. He has also been appointed as a member of the remuneration committee and nomination committee of the Company since 12th April, 2019. Further, Mr. Yan has been appointed as a director of RBJAC and BBA since April 2019. Mr. Yan has been appointed as the Chairman of Huachen since April 2019. Mr. Yan has once held various positions in Shenyang Municipal Government since 2006, including but not limited to Chief Executive of Shenbei District (瀋北新區區長), Director of Shenyang Municipal Planning and Land & Resources Administration (瀋陽市規劃和國土資源管理局局長), Chief Executive of Tiexi District (鐵西區區長), as well as the Director of Shenyang Economic and Technological Development Zone Commission (瀋陽經濟技術開發區管理委員會主任). From October 2010 to October 2012, Mr. Yan was the Secretary-General of Shenyang Municipal Government (瀋陽市政府秘書長). From July 2016 to February 2018, Mr. Yan was the Director of Shenyang Municipal Development and Reform Commission (瀋陽市發展和改革委員會主任). From August 2017 to March 2019, Mr. Yan was the Vice Mayor of Shenyang (瀋陽市副市長). Mr. Yan obtained a bachelor's degree of arts from Northeast Normal University in the PRC in 1989 and a PhD in philosophy of science and technology from the School of Humanities and Law Northeastern University in the PRC in 2005.

Mr. Qian Zuming, aged 57, has been an executive director of the Company since 12th September, 2016. Mr. Qian has been the chief financial officer of the Company since 1st July, 2008. He has around 36 years of experience in finance and accounting practice. Mr. Qian has been appointed as an assistant to the president of Huachen since December 2009 and a director of BBAFC since March 2017. He was a director of RBJAC from January 2010 to November 2017. From 1982 to 1996, Mr. Qian was the deputy section head (副科長) of the finance section of Shanghai Maritime Bureau (上海海運局) of Ministry of Transport. From 1996 to 1998 and from 1998 to 2000, he was the finance manager of Shanghai Tai Li Shipping Co., Ltd. (上海泰利船務有限公司) and Shanghai Xiao Song Packaging Machinery Co., Ltd. (上海小松包裝機械有限公司), respectively. From January 2006 to March 2007, Mr. Qian was the chief financial officer of Shanghai Hua Sheng Group Co., Ltd. (上海華盛集團有限公司). Mr. Qian is a fellow of the Institute of Financial Accountants of the United Kingdom since October 2010. He is also an academic member of the Association of International Accountants since April 2013. Mr. Qian obtained a master's degree in finance from the Graduate School, The Chinese Academy of Social Sciences in 1998 and a master's degree in business administration from The Wisconsin International University (USA), Ukraine in 2001. Since August 2016, Mr. Qian has been appointed as a director of Shanghai Shenhua Holdings Co., Ltd. ("Shanghai Shenhua") (stock code: 600653), a company listed on The Shanghai Stock Exchange.

Mr. Zhang Wei, aged 46, has been an executive director of the Company since 12th September, 2016. Mr. Zhang has been a director of SJAI and RBJAC since June 2014 and January 2018, respectively. Mr. Zhang joined Huachen in 2003 and has since 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 has been the secretary of the board of directors of Huachen since March 2016. From July 1996 to February 1997, and from February 1997 to January 2003, Mr. Zhang was a specialist of import and export department and a project manager, respectively, of Liaoning Branch of China Metallurgical Import and Export Company (中國冶金進出口遼寧公司). Mr. Zhang obtained a bachelor's degree in engineering from Shenyang University of Technology in 1996. Mr. Zhang also received a master's degree of science, with a major in business and information technology, from University of Salford in 2001. Since August 2016, Mr. Zhang has been appointed as a director of Shanghai Shenhua (stock code: 600653), a company listed on The Shanghai Stock Exchange.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Bingjin, aged 80, has been an independent non-executive director of the Company since 27th June, 2003 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 18th May, 2012, 2nd June, 2015 and 22nd June, 2018. Mr. Xu is also the chairman of the audit committee, remuneration committee and nomination committee of the Company. Mr. Xu is currently the president of The Association of Sino-European Economic and Technical Cooperation. He was formerly an assistant minister of The Ministry of Foreign Trade and Economic Cooperation, the director (at the sub-ministerial level) of the Office of National Mechanic and Electronic Products Importation and Exportation and the vice president of the World Trade Organization Research Association. Mr. Xu received a bachelor's degree in engineering economics from Jilin University of Technology in 1964 and holds the title of senior engineer.

Mr. Song Jian, aged 63, has been an independent non-executive director of the Company since 17th September, 2004 and his further appointment as an independent non-executive director of the Company was approved by our shareholders at the annual general meetings held on 30th May, 2014 and 16th June, 2017. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. Currently, Mr. Song is an expert consultant to the Beijing Government and a fellow of The China Society of Automotive Engineers. Mr. Song was the vice director of the National Laboratory in Automotive Safety and Energy, the deputy dean of the Automotive Department of Tsinghua University, and the dean of the Automotive Technology Research Institute of Tsinghua University. In 1998, Mr. Song received the Award for Outstanding Science and Technology Persons in the China Automotive Industry. In 2005, he was ranked first in the Class One China Automotive Industry and Technology Advancement Award. In 2006, Mr. Song was named jointly by The China Association of Automobile Manufacturers, The China Society of Automotive Engineers and The China Automotive News as the best chief designer of the automobile industry in the PRC. In 2008, Mr. Song was awarded "The Outstanding People of the China Automotive Industry: Commemorating the 30th Anniversary of China's Reform and Opening-up". In 2009, Mr. Song won "China Academic Award for Creative Talents of Automotive Industry – First Prize" from the State Ministry of Education. Mr. Song was also awarded the first prize of Beijing Science and Technology Invention and the special government allowance of the State Council of China in 2016; the first prize of Chongqing Science and Technology Invention in 2017; and the second prize of National Science and Technology Progress in 2019. Mr. Song holds a bachelor's degree and a doctorate, both in engineering science, from Tsinghua University. He is currently a professor (second/tenured level) of Tsinghua University. Mr. Song was as an independent non-executive director of Hybrid Kinetic Group Limited (stock code: 1188), a company listed on the main board of the Stock Exchange, from May 2010 to December 2019.

Mr. Jiang Bo, aged 60, has been an independent non-executive director of the Company since 27th September, 2004 and his further appointment as an independent non-executive director of the Company was approved by our shareholders at the annual general meetings held on 30th May, 2014 and 16th June, 2017. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Jiang is a certified public accountant and a public valuer in the PRC. Currently, Mr. Jiang is a partner of RuiHua Certified Public Accountants (瑞華會計師事務所), the vice chairman of Ruihua Group (瑞華集團) and 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 the Honorary Dean of the Ruihua Auditing and Accounting Institute of Nanjing Audit University (南京審計大學瑞華審計與會計學院) and the executive vice president of Beijing Social Enterprise Promotion Association (北京市社會企業促進會). From 1993 to 1999, Mr. Jiang was a director of Dandong Zhongpeng Accounting Firm. Mr. Jiang has approximately 26 years of experience in auditing financial statements of companies listed on the PRC stock exchanges. Mr. Jiang has been a certified public accountant and a public valuer in the PRC since 1993 and 1998, respectively. He has been involved in financial audit and asset appraisals of a number of listed companies in the PRC. He has participated in various listing projects of state-owned enterprises in the PRC and overseas and has gained experience in reviewing and analyzing the audited financial statements of companies listed in the PRC. Mr. Jiang holds a bachelor of science degree in mathematics from Liaoning University and a graduate diploma in accounting from Central Finance and Economics University. Mr. Jiang was an independent non-executive director of China Health Group Limited (stock code: 673), a company listed on the main board of the Stock Exchange, from July 2007 to June 2016.

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

SENIOR MANAGEMENT

Mr. Qian Zuming, aged 57, has been the chief financial officer of the Company since 1st July, 2008. His biographical details are set out in the section headed “Executive Directors” above.

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

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

Mr. Thierry Aubry, aged 55, is currently the chief executive officer of RBJAC. Prior to joining the company in 2018, he worked in Goodbaby for 2 years as senior vice-president Group and chief executive officer China. From 1995 to 2015, Mr. Aubry has spent 20 years with Faurecia Corp. Ltd. serving in total four plants. He was appointed as purchasing/quality/logistic manager in Faurecia Changchun, tool workshop manager and unit production business manager in Faurecia Beaulieu, general manager in Faurecia Wuhan, and China general manager in Faurecia Shanghai. Mr. Aubry also has 5 years' working experience in technical departments of Societe Courthieu France and Gaz de France from 1990 to 1995. Mr. Aubry graduated with a degree of Automation and Mechanical Science from Tours Engineer School (E.I.T.). He also obtained a Dual EMBA degree from Marseille Euromed and Shanghai Jiaotong University in 2010. Mr. Aubry is also a board member of European Union Chamber of Commerce in China.

Mr. Jongheon Won, aged 49, currently serves as the chief executive officer of BBAFC. From January 2016 to December 2018 he has been the chief operation officer in BBAFC. He has over 20 years of international experiences in the financial services and automotive segment across Korea, Russia, Germany and China. Before joining BBAFC, Mr. Won started his career in Korea Exchange Bank Leasing from December 1996 to April 2000 as a corporate credit analyst. He holds various key positions in BMW Group from 2000 to 2015 covering finance, risk management, operations as well as sales and marketing including the company set-up support for BMW Financial Services Korea and BMW Bank Russia. He was appointed as the general manager for Regional Business Support and Project Management for Asia Pacific, Russia and South Africa at BMW AG in Germany from July 2010 to September 2013. He also took the role of Head of Sales Services of BMW Automotive Finance (China) Co., Ltd. from October 2013 to December 2015. Mr. Won holds a bachelor degree of business administration from Korea University.

COMPANY SECRETARY

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

Corporate Governance Report

CORPORATE GOVERNANCE

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

Throughout the financial year ended 31st December, 2019, the Group has complied with all code provisions which were in effect in the financial year ended 31st December, 2019.

A. DIRECTORS

A.1 The Board

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

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

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

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

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

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

Corporate Governance Report (Cont'd)

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

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

Participation of individual directors at Board meetings in 2019 were as follows:

Number of meetings		5
	Attendance by director	Attendance rate
<i>Executive directors:</i>		
Mr. Wu Xiao An (<i>chairman of the Board</i>)	5/5	100%
Mr. Yan Bingzhe (<i>Note 1</i>)	4/4	100%
Mr. Qi Yumin (<i>Note 2</i>)	1/1	100%
Mr. Qian Zuming	5/5	100%
Mr. Zhang Wei	5/5	100%
<i>Independent non-executive directors:</i>		
Mr. Xu Bingjin	4/5	80%
Mr. Song Jian	5/5	100%
Mr. Jiang Bo	5/5	100%
Average attendance rate		97.5%

Notes:

1. Mr. Yan Bingzhe was appointed as a director of the Company with effect from 12th April, 2019. Subsequent to his appointment, the Company has held four (4) Board meetings in 2019.
2. Mr. Qi Yumin tendered his resignation as a director of the Company with effect from 12th April, 2019. Prior to his resignation, the Company has held one Board meeting in 2019.

During 2019, apart from the five (5) meetings of the Board, consent/approval from the Board had also been obtained via circulation of written resolutions on a number of issues.

Corporate Governance Report (Cont'd)

Participation of individual directors at the general meetings in 2019 were as follows:

Number of meetings		2
	Attendance by director	Attendance rate
<i>Executive directors:</i>		
Mr. Wu Xiao An (<i>chairman of the Board</i>)	2/2	100%
Mr. Yan Bingzhe (<i>Note 1</i>)	1/1	100%
Mr. Qi Yumin (<i>Note 2</i>)	1/1	100%
Mr. Qian Zuming	2/2	100%
Mr. Zhang Wei	2/2	100%
<i>Independent non-executive directors:</i>		
Mr. Xu Bingjin	2/2	100%
Mr. Song Jian	2/2	100%
Mr. Jiang Bo	2/2	100%
Average attendance rate		100%

Notes:

1. Mr. Yan Bingzhe was appointed as a director of the Company with effect from 12th April, 2019. Subsequent to his appointment, the Company has held one general meeting in 2019.
2. Mr. Qi Yumin tendered his resignation as a director of the Company with effect from 12th April, 2019. Prior to his resignation, the Company has held one general meeting in 2019.

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 2019.

A.2 Chairman and chief executive officer

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

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

Corporate Governance Report (Cont'd)

One (1) meeting was held by the chairman of the Board with the independent non-executive directors without the presence of other directors in 2019 in compliance with code provision A.2.7 of the CG Code. This provides an additional platform for direct communication of the independent non-executive directors with the chairman of the Board without the presence of the executive directors.

A.3 Board composition

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

	Membership of Board Committee(s)
<i>Executive directors:</i>	
Mr. Wu Xiao An (<i>chairman of the Board</i>)	Member of the remuneration committee Member of the nomination committee
Mr. Yan Bingzhe (<i>chief executive officer</i>)	Member of the remuneration committee Member of the nomination committee
Mr. Qian Zuming (<i>chief financial officer</i>)	–
Mr. Zhang Wei	–
<i>Independent non-executive directors:</i>	
Mr. Xu Bingjin	Chairman of the audit committee Chairman of the remuneration committee Chairman of the nomination committee
Mr. Song Jian	Member of the audit committee Member of the remuneration committee Member of the nomination committee
Mr. Jiang Bo	Member of the audit committee Member of the remuneration committee Member of the nomination committee

Under the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. And, with effect from 31st December, 2012, every listed issuer is required by the Listing Rules to have such number of independent non-executive directors representing at least one-third of the Board, and at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Throughout the year 2019, the number of independent non-executive directors has fulfilled the minimum requirement of the Listing Rules. Mr. Jiang Bo is a certified public accountant and a public valuer in the PRC. Mr. Jiang has approximately 26 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.

Corporate Governance Report (Cont'd)

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

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

The biographies of our directors are set out on pages 37 and 38 of this annual report.

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

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

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

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

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

To comply with code provision A.4.2 and in accordance with bye-law 99, Mr. Song Jian and Mr. Jiang Bo will retire by rotation at the 2020 AGM and have offered themselves for re-election at the 2020 AGM.

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

Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo were first appointed as the independent non-executive directors of the Company on 27th June, 2003, 17th September, 2004 and 27th September, 2004, respectively. All of them have continuously served as our independent non-executive directors for more than nine (9) years. The latest re-appointment of each of them as our independent non-executive directors has been approved by our shareholders at the general meeting held on 22nd June, 2018, 16th June, 2017 and 16th June, 2017, respectively.

Corporate Governance Report (Cont'd)

A.5 Responsibilities of directors

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

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

In addition to directors' attendance at meetings and review of papers and circulars distributed by management during 2019, each director has participated in the continuing professional development arranged and funded by the Company as follows:

<u>Name of directors</u>	<u>Reading regulatory updates</u>	<u>Attending in-house seminars</u>
Mr. Wu Xiao An	✓	✓
Mr. Yan Bingzhe (<i>appointed on 12th April, 2019</i>)	✓	✓
Mr. Qi Yumin (<i>resigned on 12th April, 2019</i>)	✓	✓
Mr. Qian Zuming	✓	✓
Mr. Zhang Wei	✓	✓
Mr. Xu Bingjin	✓	✓
Mr. Song Jian	✓	✓
Mr. Jiang Bo	✓	✓

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

All independent non-executive directors have attended the 2019 AGM in person or by way of telephone conference as required by code provision A.6.7 of the CG Code.

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

Having made specific enquiry of all directors, each director of the Company has confirmed that he has complied with the standard set out in the Model Code during the year ended 31st December, 2019.

Corporate Governance Report (Cont'd)

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

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

A.6 Directors’ commitments

The Company has signed a formal letter of appointment or service agreement setting out the key terms and conditions of the directors’ appointments. All directors are committed to devote sufficient time and attention to the affairs of the Group. The directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organizations and other significant commitments, with the identity of the public companies or organizations. The directors are reminded to notify the Company in a timely manner and at least bi-annually to confirm to the Company of any changes of such information. With respect to those directors who stand for re-election at the 2020 AGM, all of their directorships held in listed public companies in the past three years are also set out in the document accompanying the notice of the 2020 AGM.

A.7 Supply of and access to information

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

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

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

B. BOARD COMMITTEES

B.1 Nomination committee

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

Corporate Governance Report (Cont'd)

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

During 2019, the nomination committee met on two (2) occasions and discharged its responsibilities. Attendance of individual members at nomination committee meetings in 2019 were as follows:

Number of meetings	2
Mr. Xu Bingjin (<i>chairman of the nomination committee</i>)	2/2 (100%)
Mr. Song Jian	2/2 (100%)
Mr. Jiang Bo	2/2 (100%)
Mr. Wu Xiao An	2/2 (100%)
Mr. Yan Bingzhe (<i>Note 1</i>)	1/1 (100%)
Mr. Qi Yumin (<i>Note 2</i>)	1/1 (100%)
Average attendance rate	100%

Notes:

1. Mr. Yan Bingzhe was appointed as a director of the Company with effect from 12th April, 2019. Subsequent to his appointment, the Company has held one nomination committee meeting in 2019.
2. Mr. Qi Yumin tendered his resignation as a director of the Company with effect from 12th April, 2019. Prior to his resignation, the Company has held one nomination committee meeting in 2019.

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

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

Corporate Governance Report (Cont'd)

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

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

The work performed by the nomination committee during 2019 included:

- making recommendation on re-election of directors at the 2019 AGM;
- assessing the independence of the independent non-executive directors;
- noting and accepting the resignation of an executive director;
- approving the appointment of an executive director and signing of a letter of appointment by the Company with the newly appointed director;
- reviewing certain letters of appointment and approving the signing of the same by the Company with certain directors of the Company;
- reviewing the current Board's structure, size and composition;
- reviewing the current Board's composition in terms of the current requirements of the Listing Rules on the number of independent non-executive directors and requisite qualification and expertise under Rule 3.10(2) of the Listing Rules; and
- reviewing the terms of reference of the nomination committee and the board diversity policy.

No new members have been appointed to the Board during the year 2019.

Mr. Qi Yumin resigned while Mr. Yan Bingzhe was appointed as a director of the Company on 12th April, 2019.

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

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

Corporate Governance Report (Cont'd)

B.2 Remuneration committee

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

During 2019, the remuneration committee met on one (1) occasion and discharged its responsibilities. Attendance of individual members at remuneration committee meeting in 2019 were as follows:

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

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

The work performed by the remuneration committee during 2019 included:

- considering and approving the emoluments of the newly appointed executive director;
- considering and approving the signing of contracts by the Company with the newly appointed executive vice presidents;
- reviewing the terms of reference of the remuneration committee and the "Policy and Guidelines of The Remuneration Committee"; and
- reviewing the remuneration package of the individual directors and the senior management of the Company.

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

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

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

Corporate Governance Report (Cont'd)

B.3 Audit committee

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

During 2019, the audit committee met on three (3) occasions and discharged its responsibilities. Attendance of individual members at audit committee meetings in 2019 were as follows:

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

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

The following is a summary of the work performed by the audit committee during 2019:

- reviewing the auditor’s management letter and management’s response;
- noting the recently issued accounting standards, the adoption of new accounting standards and the change in significant accounting policies;
- reviewing the audited financial statements and final results announcement for the year ended 31st December, 2018;
- reviewing the interim report and the interim results announcement for the six months ended 30th June, 2019;
- meeting with the auditor to go through any significant audit issues or key findings noted during the audit of the Group’s 2018 final results;
- meeting with the auditor to go through any significant key findings on the internal control and financial reporting matters based on the agreed-upon procedures performed for the Group’s 2019 unaudited interim results;

Corporate Governance Report (Cont'd)

- reviewing the continuing connected transactions for 2018;
- making recommendations to the Board for seeking shareholders' approval on the re-appointment of external auditor and the fixing of auditor's remuneration;
- approving the remuneration of external auditor;
- reviewing the terms of reference of the audit committee;
- reviewing the hiring policies for employees and former employees of the external auditor;
- reviewing the pricing policies adopted by the Group; and
- reviewing the effectiveness of the Group's risk management and internal control system.

All issues raised by the audit committee have been addressed by the management. The work and findings of the audit committee have been reported to the Board. During 2019, no issues brought to the attention of the management and the Board were of sufficient importance to require disclosure in this annual report.

In 2019, the audit committee has met with the auditor in the absence of management pursuant to code provision C.3.3 note (1) (iii) of the CG Code.

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

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

This annual report has been reviewed by the audit committee.

B.4 Corporate governance function

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

Corporate Governance Report (Cont'd)

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

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

The directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements for each financial period, that give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31st December, 2019, 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.

Financial results of the Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rule 13.49(1) and (6) of the Listing Rules.

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

All directors acknowledge their responsibility for preparing the financial statements for the year ended 31st December, 2019.

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

For the year ended 31st December, 2019, the audit and non-audit service fees paid or payable to the Auditor by the Company amounted to approximately HK\$2,280,000 (approximately RMB2,045,000) (2018: HK\$3,442,000, or approximately RMB2,905,000) and HK\$450,000 (approximately RMB404,000) (2018: HK\$436,000, or approximately RMB368,000), respectively. The non-audit services mainly included conducting agreed-upon procedures on the 2019 interim consolidated financial statements. Further, as stated in note 7 to the financial statements on page 142 of this annual report, the auditors' remuneration paid or payable by the Group for the year ended 31st December, 2019 amounted to approximately RMB3,286,000 (2018: approximately RMB3,974,000) 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 90 and 91 of this annual report.

Corporate Governance Report (Cont'd)

C.2 Risk management and internal controls

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

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

Risk Management

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

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

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

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

Corporate Governance Report (Cont'd)

In 2019, RBJAC has added certain “risk spots”(風險點) and “control measures”(管控措施) in the existing workflows. During the year, RBJAC has sorted out 107 main risk spots, 4 of which were significant risks, and has formulated solutions and implemented plans to control such risks. Each department will be evaluated at least once every six months against significant risks and significant risk events.

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

Internal control

In terms of internal control, RBJAC has established an internal audit panel (內審小組) to conduct regular internal audit. An internal audit plan is developed at the beginning of every year, and the internal control and audit work is carried out in accordance with the plan. In terms of the issues identified in the internal audit work, the responsible departments will be required to make improvements to prevent reoccurrence in the future. In addition, the company has provided financial-related personnel with training in financial and internal control every year. In 2019, the internal control and audit panel (內控內審小組) further improved the organisation, job responsibilities and workflow in this area. Internal control and audit work will be performed in accordance with the annual plan, and inspection work is performed monthly with records maintained/kept by the company following each inspection. When problems are identified, the company will designate responsible personnel to rectify the problems within a specified timeframe, and the panel members will be involved in overseeing the implementation according to the rectification plan.

• ***Financial control***

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

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

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

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

Corporate Governance Report (Cont'd)

- ***Operational control***

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

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

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

- ***Compliance control***

In terms of compliance, the companies of the Group have been strictly following the laws and regulations at both the national and local levels, and have been legally operating in accordance with the requirements of such laws and regulations. None of the directors of the Company was aware of any breach of laws or regulations that may have a significant impact on the Group, nor did they note any litigation or any case of corruption, bribery, extortion, fraud and money laundering involving the Group in 2019.

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

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

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

Corporate Governance Report (Cont'd)

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

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

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

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

Summary

In 2019, the Company conducted an annual review on the effectiveness of the Group’s major risk management and internal control systems. The Board also reviewed resources, staff qualifications and experience in terms of accounting, internal audit and financial reporting functions, as well as the employee training courses and sufficiency of the relevant budget. The Company is of the view that the risk management and internal control systems are generally efficient and adequate, and no significant matters that could affect shareholders and demand attention were found during the year. To the knowledge of the Board, there are no material control failures or weaknesses in finance, operation and compliance control during the year under review. The Board and the audit committee will continue to improve the effectiveness of the Group’s risk management and internal control systems, where necessary and to monitor the systems and the progress of improvements. The Board and the audit committee considered that the key areas of the Group’s risk management and internal control systems are reasonably implemented and the Group has generally complied with the provisions of Corporate Governance Code on risk management and internal control systems.

D. DELEGATION BY THE BOARD

Management functions

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

Corporate Governance Report (Cont'd)

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.

Corporate Governance Report (Cont'd)

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.

Corporate Governance Report (Cont'd)

9. Risk management

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

10. Internal controls and reporting system

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

11. Use of the company seal(s).

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

E. COMPANY SECRETARY

Ms. Lam Yee Wah Eva, the company secretary appointed by the Board and an employee of the Company, in the opinion of the Board, possesses the necessary qualification and experience and is capable of performance of the functions of the company secretary. The Company will provide funds for Ms. Lam to take not less than 15 hours of appropriate professional training in each financial year as required under Rule 3.29 of the Listing Rules. During 2019, Ms. Lam has attended training programs and seminars arranged by The Hong Kong Institute of Chartered Secretaries and has satisfied the 15 hours of professional training requirement of the Listing Rules.

F. COMMUNICATION WITH SHAREHOLDERS

F.1 Effective communication

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

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

In accordance with code provision E.1.2 of the CG Code, Mr. Wu Xiao An, the chairman of the Board, and Mr. Xu Bingjin, the chairman of the audit committee, remuneration committee and nomination committee, have attended the 2019 AGM. Mr. Song Jian and Mr. Jiang Bo, both of whom are members of the three committees, also attended the 2019 AGM. All other directors attended the 2019 AGM in person or by way of telephone conference.

The Company has arranged for notice and related documents to shareholders for the 2019 AGM at least twenty (20) clear business days before the meeting pursuant to code provision E.1.3 of the CG Code. A separate resolution was prepared for each substantive matter presented to shareholders for approval at the 2019 AGM.

Corporate Governance Report (Cont'd)

The chairman of the Board, the chairman of the audit committee, remuneration committee and nomination committee, or in their absence, another member of the relevant committee or an appointed representative, will attend the 2020 AGM to answer questions of shareholders.

Pursuant to code provision E.1.2 of the CG Code, the Company will invite representatives of the Auditor to attend the 2020 AGM to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

F.2 Voting by poll

At the 2019 AGM, the chairman has provided an explanation of the procedures for conducting a poll at the commencement of the meeting. Poll results were posted on the website of the Stock Exchange (as well as on the website of the Company) on the day of the holding of the shareholders' meeting.

G. SHAREHOLDERS' RIGHT

Shareholders' right to convene special general meeting

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

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

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

Shareholders' enquiries

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

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

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

Corporate Governance Report (Cont'd)

H. INVESTOR RELATIONS

Significant changes in the Company's bye-laws

There was no amendment made to the bye-laws of the Company during the year 2019.

I. DIVIDEND POLICY

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

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

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

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

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

Environmental, Social and Governance Report

ENVIRONMENTAL AND SOCIAL REPORT

This report summarises the efforts and results of the Group in environmental and social aspects. For a comprehensive understanding of the Group's environmental, social and governance ("ESG") performance, please read this report in conjunction with the section headed "Corporate Governance Report" on pages 40 to 61 of this annual report.

REPORTING SCOPE

RBJAC is the major operating subsidiary in the PRC whose equity interest is beneficially owned as to 51% by the Company. It mainly engages in the manufacture and sale of automobiles and automotive components. In 2019, nearly 64.3% of the Group's revenue was contributed by RBJAC. Therefore, the following discussion of the environmental and social issues mainly covers RBJAC.

This report mainly reports on the key environmental and social initiatives, activities and performance of RBJAC's business for the reporting period from 1st January, 2019 to 31st December, 2019.

REPORTING GUIDELINES

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

The Company has complied with the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide for the year ended 31st December, 2019.

OVERALL APPROACH

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

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

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

Environmental, Social and Governance Report (Cont'd)

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

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

In addition, RBJAC has implemented an environmental factor identification mechanism (環境因素識別機制) that identifies environmental factors in its production process. Each department formulates its own measures to mitigate its environmental impact according to the identified environmental factors. In 2019, the registration of environmental management system certification was maintained upon surveillance audit. To raise the employees' environmental awareness, RBJAC organised regular training in respect of environmental issues such as the identification of environmental factors and the handling of hazardous waste in 2019.

GOVERNANCE STRUCTURE

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

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

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

Environmental, Social and Governance Report (Cont'd)

STAKEHOLDERS ENGAGEMENT

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

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

- Identify potential material issues that might reflect the impact of the company's business development on the environment and the society, and that might affect the stakeholders' decision-making and assessment of the company through interviews with analysts and investors, results and product press conferences and interviews with the media.
- Understand issues of major concern to the stakeholders through discussions with the stakeholders about their strategic plans in relation to the future development of the company.
- Analyse and ascertain the impact of the identified issues on the company's production, operation and sustainable development through site visits to each production unit.

Environmental, Social and Governance Report (Cont'd)

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

Major stakeholders	Communication channels	Issues of concern	Major expectations
Investors	<ul style="list-style-type: none"> Investor relation activities General meetings Information disclosures Results and product press conferences 	<ul style="list-style-type: none"> Business performance Compliance with laws and regulations Corporate governance 	<ul style="list-style-type: none"> Sustainable development, and reasonable, sustainable and stable returns Information disclosure and investor relations
Customers	<ul style="list-style-type: none"> Customer surveys Customer satisfactory database Online communications Call centre 	<ul style="list-style-type: none"> Product safety and quality Technological innovation Service experience 	<ul style="list-style-type: none"> Technological innovation Continuous and stable supply of quality products to customers Excellent before- and after-sales services Protection of consumer rights
Employees	<ul style="list-style-type: none"> Performance management Staff comment forms Staff training Staff activities 	<ul style="list-style-type: none"> Employment and labour Compensation and benefits 	<ul style="list-style-type: none"> Production safety Occupational health Staff compensation and benefits Equal promotion and development opportunities
Suppliers	<ul style="list-style-type: none"> Regular meetings Communications and discussions Inspection and evaluation Open tenders 	<ul style="list-style-type: none"> Supply chain management Product safety and quality Supplier competitiveness Supply performance 	<ul style="list-style-type: none"> Compliance with contracts Mutual benefits Risk sharing Amicable cooperation
Government and regulators	<ul style="list-style-type: none"> Regular reports and information Regular meetings with regulators Special reports Inspection and checking Daily management Regulatory inspection Work reports 	<ul style="list-style-type: none"> Compliance with laws and regulations Green production 	<ul style="list-style-type: none"> Compliance with laws and regulations Support for local development Promotion of local employment Payment of tax according to law Assurance of production safety Green production
Community and the public	<ul style="list-style-type: none"> Corporate website Charity donations 	<ul style="list-style-type: none"> Education scholarship Poverty alleviation 	<ul style="list-style-type: none"> Support for urban development Participation in charity events

Environmental, Social and Governance Report (Cont'd)

MATERIALITY ANALYSIS

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

Environment

A1 Emissions	A2 Use of Resources	A3 Environment and Natural Resources	A4 Climate Change
<ul style="list-style-type: none"> Reducing Emissions Reducing and Handling Wastes 	<ul style="list-style-type: none"> Reducing Energy Consumption Reducing Water Consumption Reducing Packaging Material Consumption 	<ul style="list-style-type: none"> Environment-friendly Techniques New Energy Vehicles Research and Development of Emission Reduction Technologies Noise Reduction 	<ul style="list-style-type: none"> Response to Climate Change

Social

B1 Employment	B2 Health and Safety	B3 Development and Training	B4 Labour Standards
<ul style="list-style-type: none"> Recruitment and Promotion Staff Compensation and Benefits Protection of Staff Rights Staff Stability and Turnover 	<ul style="list-style-type: none"> Production Safety Occupational Health 	<ul style="list-style-type: none"> Knowledge and Skill Training 	<ul style="list-style-type: none"> Child Labour Prevention Forced Labour

B5 Supply Chain Management	B6 Product Responsibility	B7 Anti-corruption	B8 Community Investment
<ul style="list-style-type: none"> Supply Chain Management Supplier Selection Supplier's Labour Standards Supplier's Environmental Commitment 	<ul style="list-style-type: none"> Quality Assurance and Recall Intellectual Property Rights Product and Service Complaints Consumer Data Protection and Privacy 	<ul style="list-style-type: none"> Anti-corruption Prevention and Whistle-blowing Anti-corruption Training 	<ul style="list-style-type: none"> Charities

In 2019, RBJAC carried out materiality analysis with the stakeholders to seek their opinions. Through identification, assessment and selection of issues across the aforementioned 12 aspects, the following environmental and social issues were identified where RBJAC might have material impact on the environment and the society and that might have relatively material impact on the assessment and decision-making of the stakeholders, namely "Quality Assurance and Recall", "Production Safety", "Occupational Health", "Research and Development of Emission Reduction Technologies", "Staff Compensation and Benefits", "Reducing Emissions" and "Reducing Energy Consumption". This report will provide related disclosures and responses.

Environmental, Social and Governance Report (Cont'd)

ENVIRONMENTAL PROTECTION

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

RBJAC appoints qualified monitoring institutions to monitor its sewage, exhaust gas and boundary noise every year. All of the monitoring indicators in 2019 met the requirements of the national and local standards on the discharge of pollutants, including the Integrated Wastewater Discharge Standard (《污水綜合排放標準》), the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) and the Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪聲排放標準》).

In 2019, RBJAC has achieved the target of zero environmental pollution incident and met the pollutant emission standards^(Note).

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

A1. Emissions

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

Air Emissions

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

Environmental, Social and Governance Report (Cont'd)

Air emissions generated during the automotive welding process in RBJAC's plants mainly contain fumes and dust generated during the welding process. Dust-removal air suction guns that can collect 90% of the air are installed next to welding machines. The fumes and dust collected by the air suction guns will be treated by purifiers designed for welding fumes before being emitted through exhaust pipes. Waste gas generated during the painting and drying processes is burnt with natural gas in Regenerative Thermal Oxidisers ("RTO") so as to breakdown organic waste gas into CO₂ and H₂O and meet requirements before being emitted through exhaust pipes. Each year, RBJAC engages monitoring institutions to monitor its exhaust pipes, and all the monitoring results met the standard emission requirements of the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準 (GB16297-1996)》) and the Emission Standard of Air Pollutants for Boilers (《鍋爐大氣污染物排放標準 (GB13271-2014)》).

To meet tightening environmental protection standards, conform to new environmental protection laws and regulations and improve the environment and air quality of its factories and surrounding area, RBJAC makes substantial investment in its construction projects so as to adopt new techniques and technologies with the aim of reducing pollutants. In 2016, coal boilers were substituted by gas boilers to switch to clean energy and reduce the emission of sulphur dioxide (SO₂), fumes and dust.

The following table sets out the amount and intensity of air emissions of RBJAC in 2019:

Air emissions	Major pollutants	Major sources	2019	2018
			Emissions	Intensity (by unit of production volume) (Note 1)
	Sulphur dioxide (SO ₂) (Note 2)	Painting processes, auto body work and emissions from boilers	4.94 tonnes	2.11 tonnes
	VOCs		74.89 tonnes	82.55 tonnes
	Particulates		20.84 tonnes	23.39 tonnes
	Nitrogen oxides (NO _x) (Note 3)		25.64 tonnes	N/A
Total:			126.31 tonnes	0.0033 tonne/unit
			Total: 108.05 tonnes	0.0026 tonne/ unit

Notes:

- (1) The above intensities are calculated based on the production volume of RBJAC in 2019 of 37,885 vehicles (2018: 42,320 vehicles) (including Haise, Granse, H2 Series and Huasong 7 etc).
- (2) Sulphur dioxide (SO₂) is one of the sulphur oxides and is the main sulphur oxide emitted by RBJAC.
- (3) In 2018, the environmental protection authority of China did not require the compilation of statistics for nitrogen oxides (NO_x).

After treatment, the amount of pollutants, including sulphur dioxide (SO₂), nitrogen oxides (NO_x) and particulates, in the air emissions of RBJAC meets the requirements of both the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準 (GB16297-1996)》) and the Emission Standard of Air Pollutants for Boilers (《鍋爐大氣污染物排放標準 (GB13271-2014)》). With respect to VOCs, there were no related pollutant emission standards at both national and local levels in 2019.

Environmental, Social and Governance Report (Cont'd)

Greenhouse Gases

Environmental health and safety are managed in accordance with the requirements of relevant regulations and standards including the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the National Catalogue of Hazardous Wastes (《國家危險廢物名錄》), the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準 (GB16297-1996)》), the Emission Standard of Air Pollutants for Boilers (《鍋爐大氣污染物排放標準 (GB13271-2014)》), the Integrated Wastewater Discharge Standard of Liaoning Province (《遼寧省污水綜合排放標準 (DB21/1627-2008)》) and the Integrated Wastewater Discharge Standard (《污水綜合排放標準 (GB8978-1996)》), as well as the company's written report on the evaluation of the environmental impact of a construction project. In accordance with its written report on the evaluation of the environmental impact, RBJAC monitors its air emissions such as sulphur dioxide (SO₂), VOCs and particulates, while greenhouse gases are not one of the major pollutants of the company. Since the ecological and environmental authorities have not laid down any relevant requirements, no monitoring results for greenhouse gases are provided.

Wastewater Emissions

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

To comply with the aforementioned wastewater discharge standards, RBJAC has formulated internal regulations and systems such as the Environmental Protection Management Regulations (《環境保護管理條例》) and the Environmental Pollution Control Facilities Operation, Supervision and Management Measures (《環境污染治理設施運行監督管理辦法》), thereby ensuring that the wastewater discharged by it complies with relevant laws and regulations. RBJAC engages qualified monitoring institutions to monitor its wastewater outfalls every year. All of the monitoring indicators in 2019 met the requirements of wastewater discharge standards.

During the reporting period, RBJAC generated and discharged approximately 903,800 tonnes of wastewater. The amount of chemical oxygen demand (COD_{Cr}), ammonia nitrogen (NH₃-N) and other pollutants of its wastewater were all below the concentration limits imposed by the Shenyang municipal pollutant discharge permit and no non-compliance with the laws and regulations was noted.

Environmental, Social and Governance Report (Cont'd)

The following table sets out the amount and intensity of major pollutants in the wastewater discharged by RBJAC in 2019:

Wastewater	Major pollutants	Major sources	2019		2018	
			Emissions	Intensity (by unit of production volume) <i>(Note)</i>	Emissions	Intensity (by unit of production volume) <i>(Note)</i>
	Chemical oxygen demand (CODcr)	Production and domestic sewage	70.42 tonnes		79.06 tonnes	
	Ammonia nitrogen (NH ₃ -N)		1.52 tonnes		7.95 tonnes	
			Total: 71.94 tonnes	0.0019 tonne/unit	Total: 87.01 tonnes	0.0021 tonne/unit

Note: The above intensities are calculated based on the production volume of RBJAC in 2019 of 37,885 vehicles (2018: 42,320 vehicles) (including Haise, Granse, H2 Series and Huasong 7 etc).

RBJAC has set up sewage treatment facilities in its painting workshops to treat wastewater generated from the painting process. Before the discharge of such wastewater into RBJAC's sewer system, the normal amount of nickel, a pollutant in such wastewater, in the processed wastewater shall be lower than the limit stipulated by the Integrated Wastewater Discharge Standard (《污水綜合排放標準 (GB8978-1996)》). All production and domestic sewage generated by the company is treated by its sewage treatment plant and meets required standards before being discharged into the municipal sewer system. The normal amount of major pollutants, such as chemical oxygen demand (CODcr) and ammonia nitrogen (NH₃-N), in the wastewater shall be below the limits stipulated by the Integrated Wastewater Discharge Standard of Liaoning Province (《遼寧省污水綜合排放標準 (DB21/1627-2008)》) in order to meet the requirements of the relevant environmental protection standards.

Solid Wastes

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

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

Environmental, Social and Governance Report (Cont'd)

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

In 2019, RBJAC engaged qualified hazardous waste disposal institutions to carry out treatments such as land-filling, incineration and recycling for all of its hazardous wastes in accordance with regulatory requirements. These institutions treated a total of 392 tonnes (2018: 520.36 tonnes) of hazardous wastes, including 21.62 tonnes (2018: 39.46 tonnes) of phosphate slag, 79.42 tonnes (2018: 88.66 tonnes) of paint slag, 190.48 tonnes (2018: 272.06 tonnes) of wastewater and sludge, and 100.48 tonnes (2018: 120.18 tonnes) of other wastes.

In addition to engaging relevant institutions to recycle the non-hazardous wastes, RBJAC also strengthened its process control and management, trained its staff of all work processes, improved the utilisation rate of raw materials, and enhanced its waste management training, while ensuring categorised placement and disposal of wastes to reduce the generation of hazardous wastes. In 2019, RBJAC generated 406.01 tonnes (2018: 677.94 tonnes) of general non-hazardous wastes, including 269 tonnes (2018: 340.25 tonnes) of used carton boxes, 39 tonnes (2018: 247.15 tonnes) of waste plastic, 76 tonnes (2018: 88.74 tonnes) of scrap metals and 22.01 tonnes (2018: 1.80 tonnes) of other wastes.

The following table sets out the total amount and intensity of wastes produced by RBJAC in 2019:

			2019		2018	
				Intensity (by unit of production volume) <i>(Note)</i>		Intensity (by unit of production volume) <i>(Note)</i>
Hazardous wastes	Major pollutants	Major sources	Total		Total	
	Phosphate slag (HW17), paint slag (HW12), wastewater and sludge (HW17), waste oil (HW08) and other wastes (HW49)	Hazardous wastes generated from production processes	392.00 tonnes	0.01 tonne/unit	520.36 tonnes	0.01 tonne/unit
			2019		2018	
				Intensity (by unit of production volume) <i>(Note)</i>		Intensity (by unit of production volume) <i>(Note)</i>
Non- hazardous wastes	Major pollutants	Major sources	Total		Total	
	Used carton boxes, waste plastic, scrap metals and others	Packages of components and equipment upgrade	406.01 tonnes	0.01 tonne/unit	677.94 tonnes	0.02 tonne/unit

Note: The above intensities are calculated based on the production volume of RBJAC in 2019 of 37,885 vehicles (2018: 42,320 vehicles) (including Haise, Granse, H2 Series and Huasong 7 etc).

Environmental, Social and Governance Report (Cont'd)

A2. Use of Resources

Reducing Energy Consumption

To improve the efficiency of use of resources (including energy, water and other raw materials), RBJAC has established energy management bodies at different levels, built a two-level energy management framework (at company and factory levels) and formulated a series of management measures and methods. With reference to the process and characteristics of energy flows across the company, RBJAC manages different kinds of energy used in each production process and main and auxiliary production systems in the factories based on four aspects, namely purchase and storage, processing and conversion, transmission and distribution, and final usage of energy.

The governing laws and regulations on the use of resources by enterprises include, but are not limited to: the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), the Notice on the Implementation Plan of Energy Saving and Low Carbon Action of Top 10,000 Enterprises (《關於印發萬家企業節能低碳行動實施方案的通知》), the General Principles of Energy Audit on Enterprise (《企業能源審計技術通則》), the General Principles for Monitoring and Testing of Energy Conservation (《節能監測技術通則》), the General Principles for Calculation of Thermal Efficiency of Equipment (《設備熱效率計算通則》), the General Principles for Calculation of Total Energy Consumption (《綜合能耗計算通則》), the Guide to the Test of Energy Consumption of Equipment (《用能設備能量測試導則》), the Calculation Methods of Energy Saved for Enterprise (《企業節能量計算方法》), the Guide to Energy Management in Industry Enterprise (《工業企業能源管理導則》) and the General Principles for Equipping and Management of Energy Measuring Instrument in Energy Consumption Units (《用能單位能源計量器具配備和管理通則》).

RBJAC is one of the key energy-consuming enterprises in Shenyang, and the types of energy consumed by it mainly include electricity, natural gas and fuel.

The following table sets out the amount and intensity of various types of energy (direct energy) consumed by RBJAC in 2019:

Type	2019		2018	
	Total consumption	Intensity (by unit of production volume) (Note)	Total consumption	Intensity (by unit of production volume) (Note)
Electricity	34,775,500 kWh	917.92 kWh/unit	39,587,200 kWh	935.43 kWh/unit
Natural gas	5,142,300 m ³	135.73 m ³ /unit	6,627,300 m ³	156.60 m ³ /unit
Fuel	440 tonnes	0.01 tonne/unit	598 tonnes	0.01 tonne/unit

Note: In the above disclosures, energy consumption is calculated according to the standard units set by relevant departments of the PRC government (e.g. electricity: kWh, fuel: tonnes), while intensities are calculated based on the production volume of RBJAC in 2019 of 37,885 vehicles (2018: 42,320 vehicles) (including Haise, Granse, H2 Series and Huasong 7 etc).

In 2019, RBJAC implemented its energy conservation, consumption control and cost-cutting measures in accordance with the energy-saving plans of municipal and district governments as well as the Group's economic indicators. It has set a goal to reduce energy consumption by 5% for the year. With an actual annual total energy consumption of 15,339.09 tonnes of coal equivalent (噸標準煤) (Note), RBJAC has exceeded its energy-saving goal for the year with an actual reduction of 7.2%. An energy cost optimisation taskforce (能源成本優化專項小組) was established to analyse the electricity and natural gas consumption of RBJAC's production systems, and to formulate optimisation measures including centralisation of production, optimisation of production schedule and repair of all leakage and loss. In addition, an executive energy-saving management taskforce (行政節能管理小組) was formed to save energy by optimising office air conditioning, lighting and water consumption as well as grouping together all employees working overtime.

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

Environmental, Social and Governance Report (Cont'd)

In 2019, RBJAC prioritised energy conservation with a scientific development approach. To save energy in its production and office administration, the following energy efficiency and management measures were implemented:

- A central energy conservation management department (公司級節能管理機構) was established.
- An energy cost optimisation taskforce (能源成本優化專項小組) was set up to analyse energy consumption during the production process and office administration, explore energy-saving potential and formulate long-term energy conservation plans.
- An energy-saving management taskforce (行政節能管理小組) was established to improve office energy conservation in terms of air-conditioning, lighting and water consumption.
- A High Energy-Consuming Equipment Replacement (《淘汰高耗能設備》) policy was implemented to replace certain high energy-consuming equipment such as air compressors, welder and transformer.
- Production was optimised by better planning, more fitting schedule, reasonable control over the operating hours of energy-consuming equipment as well as other control measures in order to enhance energy efficiency.
- The voltage of electricity supply is lowered according to the company's production schedule and during holidays and break time in order to reduce the waste of power.
- Specific funds were allocated to repair all wastage, leakage and loss of energy.
- The contract energy management model (合同能源管理的模式) has been adopted in recent years. Energy-consuming lighting of production plants and street lamps have been substituted by energy-saving LED lighting while the operating time of street lamps is timed according to the sunrise and sunset times in summer and winter.
- Room temperature is adjusted according to outdoor temperature during winter.
- The use of air-conditioning is tightly controlled and the operation of air-conditioners is timed during summer. Room temperature is fixed at 26 °C and specific staff members are assigned to monitor the temperature.
- Specific staff members are assigned to monitor each workshop and office in order to make sure all equipment, lights and office equipment are turned off when everyone has left the premise.

Reducing Water Consumption

The following table sets out the total amount and intensity of water consumption by RBJAC in 2019:

Type	2019		2018	
	Water consumption in total	Intensity (by unit of production volume) (Note)	Water consumption in total	Intensity (by unit of production volume) (Note)
Production water consumption	1,291,100 m ³	34.08 m ³ /unit	1,557,800 m ³	36.81 m ³ /unit
Recycled water consumption	732,800 m ³	19.34 m ³ /unit	732,800 m ³	17.32 m ³ /unit

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Note: In the above disclosures, water consumption in total is calculated according to the standard unit (i.e. m³) set by the relevant departments of the PRC government, while intensity is calculated based on the production volume of RBJAC in 2019 of 37,885 vehicles (2018: 42,320 vehicles) (including Haise, Granse, H2 Series and Huasong 7 etc.).

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

In respect of water efficiency initiatives and results achieved, RBJAC lowered its operational parameter for water supply, reduced water flow, reinforced daily inspection of pipeline networks and repaired all leakage and loss in a timely manner in 2019. 136,562 m³ of water have been saved as compared with the previous year.

RBJAC mainly uses water in, among other matters, its production, domestic purposes and heating in winter. In 2019, RBJAC consumed 1,291,100 m³ of water, representing a year-on-year decrease of 17.12%. RBJAC strengthened the maintenance of its water distribution system and fixed all leakage and loss at all taps to eliminate drips. Due to years of use, the heat distribution system is dilapidated with leakages and loss from some of the stained steam pipes, leaving the heating system out of water from time to time. An overhaul of the heat distribution system was launched in 2019 and most of the stained old pipes have been replaced. A significant amount of water was saved during the year.

Reducing Packaging Material Consumption

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

A3. The Environment and Natural Resources

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

In 2019, the use of natural gas by RBJAC has been reduced by lowering the pressure of steam supply and minimising the number of boilers in operation in a timely manner according to temperature changes.

Environment-friendly Techniques

In 2019, RBJAC constructed a new paint workshop according to new project needs. In compliance with the latest environmental protection regulations, this workshop is a sealed negative pressure room that applies more environmental-friendly water-based paint. Water-based paint is used on both mid-coat and coloured paint parts. Gas emitted from the painting process undergoes Venturi (文丘里) treatment before being released (*Note*). The varnish uses solvent-based paint. Gas emitted from the painting process passes through Venturi scrubbers and the collected VOCs are compressed by zeolite rotors (沸石轉輪) and then burnt by a RTO. This process protects the environment by greatly reducing the emissions of VOCs and other pollutants.

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

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New Energy Vehicles

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

Research and Development of Emission Reduction Technologies

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

Noise Reduction

In compliance with laws and regulations such as the Law of the People's Republic of China on Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治條例》), RBJAC formulated its Noise Pollution Prevention and Control Procedures (《噪聲污染防治控制程序》) to strictly control noise pollution. The primary sources of the company's noise include air compressor rooms, welding machines, various fans and water pumps. Under its noise control procedures, RBJAC selects low-noise equipment and installs additional vibration damping and noise reduction devices according to the specific conditions of the equipment. Sound insulation measures are put in place for all workshops, mechanical room exits, windows and walls. For the fan rooms, windows are covered with sound absorbing double-paned shutters, walls are lined with soundproofing materials, and both the air inlet and outlet of the fans are equipped with pipe mufflers. All indoor and outdoor air-ducts are wrapped with soft noise absorbing and soundproofing insulators. RBJAC engages qualified monitoring institutions to monitor its boundary noise every year. In 2019, the results of all boundary noise monitors met the requirements of emission standards. RBJAC was not aware of any complaint about noise pollution during the reporting period.

A4. Climate Change

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

Environmental, Social and Governance Report (Cont'd)

CARE FOR THE SOCIETY

Employment and Labour Practices

B1. Employment

Policies, Laws and Regulations

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

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

In 2019, the Group had approximately 5,610 (2018: 6,540) employees in aggregate, of which RBJAC accounted for 3,063 (2018: 3,773) employees, while other operating subsidiaries such as Xing Yuan Dong, Dongxing Automotive, Shenyang Jindong, Mianyang Ruian and Ningbo Yuming accounted for 473 (2018: 512), 493 (2018: 591), 297 (2018: 370), 450 (2018: 570) and 583 (2018: 473) employees, respectively.

2. Promotion: Employees are provided with equal promotion opportunities under a fair, open and impartial competition mechanism, which takes into consideration the actual job requirements as well as each individual's overall strengths and performance. Open recruitment takes place to pursue talents, regardless of their educational level or qualifications.
3. Compensation, benefits and welfare: In order to create a working environment that attracts, motivates and retains talents, and to enhance the company's sustainability, RBJAC provides attractive and competitive remuneration policies to employees. Employee remuneration consists of fixed components and variable components (performance salary, production bonus, rewards or fine and year-end bonus). In addition, it has also formulated targeted incentive programmes, provides staff with a variety of career paths and encourages employees to develop into high-level technical personnel in their professional area. Remuneration is adjusted according to various factors such as the company's results, value of the employee's position, individual ability and performance as well as social condition.

RBJAC makes contributions to pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and housing provident fund for their employees. It also provides employees with commuter cars, meal allowances, work uniform, protective clothing and other benefits. RBJAC organises physical examination for all its employees and provides occupational health checks to frontline production employees every year.

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4. Dismissal: RBJAC strictly complies with the relevant requirements of the Labour Law (《勞動法》) and Labour Contract Law (《勞動合同法》) of the People's Republic of China when it terminates employment relationship with its employees. In 2019, according to the overall planning of RBJAC, some of its employees were allowed to choose to resign voluntarily. As such, the turnover rate of RBJAC rose to 17.96% (2018: 8.91%).
5. Equal opportunity and anti-discrimination: RBJAC provides employees with equal opportunities for, among other matters, their development, promotion, benefits, evaluation and training. Employees will not be discriminated or lose opportunities due to factors such as gender, ethnicity, race, nationality and region, family background, religious beliefs, political ideologies and disability.
6. Diversity and equal opportunity: Cultural diversity plays an important role in the growth and development of an enterprise. RBJAC has been hiring employees of different genders, ages, ethnicities, races, nationalities and regions, religious beliefs, political ideologies and academic backgrounds.
7. Working hours and holidays: The working hours and holidays of RBJAC are in line with the relevant requirements of national labour policies, laws and regulations. It has formulated its Employee Manual (《員工手冊》), and strictly abides by working hours and holidays stipulated by the law of the region where the company is located. Employees work eight hours a day, five days a week, and rest on Saturdays, Sundays and statutory holidays. RBJAC provides casual leave, sick leave, marriage leave, bereavement leave, maternity leave, annual leave and other leave entitlements to its employees.

Total Workforce and Employee Turnover Rate

The total number of employees of the Group and turnover rate by gender in 2019 is set out below:

Gender	2019			2018		
	Number of employees	Percentage of total number of employees	Turnover rate (by gender)	Number of employees	Percentage of total number of employees	Turnover rate (by gender)
Male	4,499	80.18%	16.25%	5,407	82.66%	9.34%
Female	1,112	19.82%	4.00%	1,134	17.34%	1.76%
Total	5,611	100%	20.25%	6,541	100%	11.10%

The total number of employees of the Group and turnover rate by employment type in 2019 is set out below:

Employment type	2019			2018		
	Number of employees	Percentage of total number of employees	Turnover rate (by employment type)	Number of employees	Percentage of total number of employees	Turnover rate (by employment type)
Administrative personnel	1,414	25.20%	3.40%	882	13.49%	1.17%
Technicians	856	15.26%	1.85%	1,273	19.46%	2.17%
Production workers	2,969	52.91%	13.60%	3,973	60.74%	6.74%
Early retired and departed staff	372	6.63%	1.40%	413	6.31%	1.02%
Total	5,611	100%	20.25%	6,541	100%	11.10%

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The total number of employees of the Group and turnover rate by full-time or part-time employment in 2019 is set out below:

Employment type	2019			2018		
	Number of employees	Percentage of total number of employees	Turnover rate (by full-time or part-time employment)	Number of employees	Percentage of total number of employees	Turnover rate (by full-time or part-time employment)
Full-time	5,611	100%	20.25%	6,541	100%	11.10%
Part-time	-	-	-	-	-	-
Total	5,611	100%	20.25%	6,541	100%	11.10%

The total number of employees of the Group and turnover rate by age in 2019 is set out below:

Age	2019			2018		
	Number of employees	Percentage of total number of employees	Turnover rate (by age)	Number of employees	Percentage of total number of employees	Turnover rate (by age)
30 years old or below	1,323	23.58%	9.36%	2,060	31.49%	6.33%
31 to 40 years old	2,160	38.50%	5.99%	2,263	34.60%	3.01%
41 to 50 years old	1,248	22.24%	2.32%	1,291	19.74%	0.92%
51 years old or above	880	15.68%	2.58%	927	14.17%	0.84%
Total	5,611	100%	20.25%	6,541	100%	11.10%

The total number of employees of the Group and turnover rate by geographical region in 2019 is set out below:

Geographical region	2019			2018		
	Number of employees	Percentage of total number of employees	Turnover rate (by geographical region)	Number of employees	Percentage of total number of employees	Turnover rate (by geographical region)
Northeast China	4,366	77.81%	13.35%	5,292	80.90%	7.93%
Northern China	8	0.14%	0.07%	8	0.12%	0.02%
Eastern China	718	12.81%	3.42%	608	9.30%	2.51%
Southern China	18	0.32%	0.18%	18	0.28%	0.03%
Central China	7	0.12%	-	7	0.11%	0.02%
Northwestern China	3	0.05%	-	2	0.03%	0.02%
Southwestern China	491	8.75%	3.23%	606	9.26%	0.57%
Total	5,611	100%	20.25%	6,541	100%	11.10%

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B2. Health and Safety

Policies, Laws and Regulations

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

Number and Rate of Work-Related Fatalities

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

Year	Number of work-related fatalities	Percentage of total number of employees
2019	–	–
2018	–	–
2017	–	–

Lost Days Due to Work Injury

According to the Classification Standard for Casualty Accidents of Enterprise Staff and Workers (《企業職工傷亡事故分類標準》), occupational injuries resulting in a loss of fewer than 105 working days for a single person are classified as minor injuries. In 2019, there were three (2018: one) minor work-related injuries in RBJAC, with three injured workers (2018: one injured worker) and a total loss of 190 (2018: 60) working days.

Occupational Health and Safety Measures

RBJAC arranges annual training for safety management personnel, new employees, employees who changed functions and specialised operational employees to enhance their safety awareness and skills and standardise their operational behaviours. RBJAC supervises and urges the employees to comply with relevant laws, regulations and operational procedures, instructs employees on how to use protective equipment and labour protection appliances correctly, and carries out supervision and inspections. RBJAC organises occupational health checks for the employees before they take up their posts, during their employment and when they leave their posts. In 2019, RBJAC completed the occupational health surveillance records for employees exposed to occupational hazards and archived such records for a total of 1,195 (2018: 1,642) employees. The company also organised post-employment physical examination for 276 (2018: 123) employees exposed to occupational hazards.

Each year, RBJAC engages a qualified institution to examine and evaluate occupational hazards of its workplaces. The examination results for 2019 were in line with national requirements.

RBJAC also makes investment every year to improve its production environment, purchase labour protection appliance, conduct safety education, training and publicity, replace obsolete production equipment or carry out technical upgrades. In 2019, RBJAC invested RMB8,470,000 (2018: RMB10,088,400) in enhancing workplace safety.

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RBJAC conducts regular inspections to identify and rectify potential safety hazards in a timely and effective manner. In 2019, RBJAC identified a total of 17 (2018: 15) potential hazards and rectified 17 (2018: 15) of them, with a rectification rate of 100% (2018: 100%). RBJAC has formulated 10 emergency rescue plans, including the Emergency Response Plan for Severe Safety Production Accidents (《重大安全生產事故應急處置預案》), the Emergency Rescue Plan for Oil Depot Accidents (《油庫事故應急救援預案》), the Emergency Response Plan for Boiler and Pressure Vessel Accidents (《鍋爐、壓力容器事故應急預案》) and the Emergency Rescue Plan for Natural Gas Leakage Accidents (《天然氣洩漏事故應急救援預案》), to direct and regulate emergency plans in response to unexpected safety production accidents of the company.

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

B3. Development and Training

Policies

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

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

Percentage of Employees Trained

The percentage of trained employees of the Group by gender and employment type in 2019 is set out below:

2019

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

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2018

Employment type	Male	Trained male employees	Percentage of trained male employees	Female	Trained female employees	Percentage of trained female employees
Administrative personnel	552	547	99.09%	330	323	97.88%
Technicians	928	924	99.57%	345	344	99.71%
Production workers	3,581	3,571	99.72%	392	389	99.23%
Early retired and departed staff	346	1	0.29%	67	-	-
	5,407	5,043	93.27%	1,134	1,056	93.12%

Average Training Hours Completed per Employee

The average training hours completed by the employees of the Group by gender and employment type in 2019 is set out below:

2019

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

2018

Employment type	Training hours per male employee	Training hours per female employee
Administrative personnel	27 hours	22 hours
Technicians	46 hours	49 hours
Production workers	33 hours	29 hours
Early retired and departed staff	-	-

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B4. Labour Standards

Child and Forced Labour Prevention

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

Operating Practices

B5. Supply Chain Management

Policies

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

Number of Suppliers

In 2019, RBJAC had 450 (2018: 443) suppliers. The number of suppliers of RBJAC by region is as follows:

Region	2019 Number of suppliers	2018 Number of suppliers
China		
Northeastern China	165	162
Northern China	50	50
Eastern China	195	192
Southern China	17	17
Central China	5	5
Southwestern China	16	15
Overseas	2	2
Total	450	443

Supplier Selection

In 2019, the supplier system was established as follows: existing suppliers receive their annual appraisals based on 6 indicators, namely product quality, quality system, research and development capability, competitiveness, delivery on mass production and after-sales services. Each department reports on the performance of each supplier according to these assessment indicators based on a score from 0 to 100 to the supplier assessment department (供應商評價部門) under the procurement department. The supplier assessment department confirms whether each supplier reaches the minimum score designated by each department. Suppliers who meet all minimum scores will be retained in the system. For those who scored below the minimum score of one of the indicators, the issues will be submitted to the supplier system committee, which can decide whether to remove that supplier from the system or prepare action plans. The same logic also applies to new suppliers. During mass production, the supplier quality control department (供應商質量管制部門) constantly monitors product quality and may adopt reports and action plans while the logistics department monitors delivery performance in order to prepare reports and formulate responses.

Environmental, Social and Governance Report (Cont'd)

The supplier selection process is as follows: all candidates for new component supply shall be selected from the supplier system. Subsequently, the procurement department formulates quotation requests according to technical specifications and budgets. After thorough negotiation and confirmation of the technical quotations, suppliers are selected based on both competitiveness and lowest risk exposure.

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

During mass production, both quality and delivery performance are strictly monitored. Rectification plans are required for all deviations from targets.

RBJAC is very cautious in developing its supplier system, which should comply with national laws, regulations and policies in relation to the environment and employment.

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

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

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

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

B6. Product Responsibility

Policies, Laws and Regulations

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

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

Environmental, Social and Governance Report (Cont'd)

Advertising

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

Quality Assurance Process and Recall Procedures

In respect of quality inspection procedures, the Material Storage and Retrieval 《物資出入庫及儲存控制程序》 and the Whole Vehicle Logistics Control Procedure (《整車物流控制程序》) regulates quality inspections for vehicle products in storage and retrieval stages. With respect to product recall procedures, RBJAC manages the recall and handling of defective vehicles pursuant to its Recall and Service Management Procedures (《召回與服務管理程序》).

In terms of product quality assurance, RBJAC has taken steps in the management of suppliers by adopting the Alliance's supplier quality control measures in order to enhance the quality of its parts and components. In respect of the production process, "5Why" and other quality management tools are used to manage production. Quick response quality control meetings are also held regularly to address quality issues arising from the production procedures. With respect to finished products, multiple quality checks are conducted throughout the production process to ensure the quality of the products delivered to the dealers. As for after-sales quality management, a quality assurance system has been set up to reinforce precaution, protection and solution against after-sales quality issues.

RBJAC formulated the Recall and Service Management Procedures in strict compliance with laws and regulations in relation to vehicle recall in China and its export markets such as the Regulation on the Administration on Recall of Defective Auto Products (《缺陷汽車產品召回管理條例》) to clearly set out procedures for product recalls. The company has also established comprehensive quality control procedures including final tests and road tests on vehicles from time to time, repair and redress of defective products in accordance with the Defective Product Control Procedures (《不合格品控制程序》), removal of defective vehicles identified during the production process and taking out defective vehicles identified by dealers jointly by the pre-sales and post-sales departments to prevent the delivery of defective products to the customers. In addition, the Group has a Product Labeling and Tracking Control Procedures (《產品標識和可追溯性控制程序》) and Product Tracking and Removal Management Procedures (《產品車追溯及鎖定管理程序》) in place to label and record all procedures along the production lines such that all procedures and origins of each product delivered to the customers can be traced.

There was no product recall due to safety or health issue in 2019 (2018: nil).

Environmental, Social and Governance Report (Cont'd)

Customer Complaints

In 2019, RBJAC received a total of 2,431 (2018: 3,842) customer complaints. With complaint handling process in place and by taking appropriate follow-up actions, the percentage of complaints solved reached 98% (2018: 98%).

Intellectual Property Rights

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

Consumer Data Protection and Privacy

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

B7. Anti-corruption

Policies, Laws and Regulations

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

Corruption Proceedings

The Company and its employees strictly comply with the applicable laws relating to corruption, bribery and money laundering in the relevant jurisdictions in which the Group operates. To the best knowledge of the directors of the Company, the Group was not involved in any corruption, bribery, extortion, fraud and money laundering cases, nor was there any filed and concluded corruption proceedings against the Company and its employees, in 2019.

Environmental, Social and Governance Report (Cont'd)

Prevention and Whistle-blowing

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

B8. Community Investment

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

With the aims of enhancing the employees' job satisfaction and sense of belonging, encouraging employees to improve their skills and thus improving the quality of its products, the production departments held the 2nd RBJAC Staff Skill Contests (華晨雷諾第二屆職工職業技能大賽) in 2019 in collaboration with the labour union of RBJAC.

The environment, health and safety department joined hands with the labour union of RBJAC to organise a series of activities such as the An Kang Cup (安康杯) competitions and the Safety Production Month (安全生產月) of the company in 2019 to enhance the capability of the union's labour protection inspectors (工會勞動保護檢查員) and step up labour protection inspection efforts.

RBJAC also hosted a team-building activity named the 2019 RBJAC Health and Happiness Walk (2019華晨雷諾健康快樂走) with over 300 participants, as well as cultural and sport events such as the first five-a-side football and first table tennis matches.

To improve the collective welfare of the staff in addition to basic employee benefits, the labour union of RBJAC launched a campaign during the Dragon Boat Festival, and also improved the conversion rates of the birthday coupons.

In 2019, RBJAC's charitable funds supported 4 aided persons and offered financial assistance in an aggregate amount of approximately RMB30,000. Furthermore, 15 employees received educational allowances of about RMB7,800 in aggregate.

Independent Auditor's Report



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

OPINION

We have audited the consolidated financial statements of Brilliance China Automotive Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 92 to 184 which comprise the consolidated statement of financial position as at 31st December, 2019, 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, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditor's Report (Cont'd)

Key audit matter

How the matter was addressed in our audit

Interest in a significant joint venture

The Group's 50% interest in BMW Brilliance Automotive Limited ("BBA") (note 15), is accounted for under the equity method. The Group's share of the profit after tax expense from BBA for the year ended 31st December, 2019 was approximately RMB7,633,248,000 and the Group's share of BBA's net assets was approximately RMB21,555,021,000 as at 31st December, 2019. 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 profit and net assets of BBA are summarised below:

Recoverability of accounts receivable – BBA's accounts receivable are mainly related to automotive components business. As at 31st December, 2019, the accounts receivable balance of BBA was approximately RMB1,694,480,000.

BBA is a significant joint venture 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 instructions, we have determined that the audit work performed and evidence obtained were sufficient for our purpose. We have met with the Component Auditor and the Group's management and have discussed with them and evaluated the impact on the consolidated financial statements of the key audit matters relating to BBA.

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, 2019; and
- assessing the aging of the accounts receivable and considering the financial and business performance of the dealers, and setting an expectation of the level of provision required and comparing the expectation to BBA's provision, if any.

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.

Independent Auditor's Report (Cont'd)

Key audit matter

How the matter was addressed in our audit

Impairment of intangible assets and property, plant and equipment

We identified the impairment of intangible assets and property, plant and equipment as a key audit matter due to the use of judgement about future results of the business in assessing the recoverability of intangible assets and property, plant and equipment. As at 31st December, 2019, intangible assets and property, plant and equipment of approximately RMB946,557,000 (*note 12*) and RMB2,607,189,000 (*note 13*) respectively mainly consist of capitalised development costs related to multiple cash generating units ("CGUs").

Management performed impairment assessment of the Group's intangible assets and property, plant and equipment by allocating the intangible assets and property, plant and equipment to CGUs. The recoverable amount of each CGU was determined based on value-in-use calculations using cash flow projections. Management has concluded that there is approximately RMB283,747,000 impairment losses on the property, plant and equipment based on the results of the impairment assessments which involved significant management judgement, including profit margins, sales growth rates and discount rates applied to the value-in-use calculations.

Our audit procedures to assess management's impairment assessment of the intangible assets and property, plant and equipment included the following:

- assessing the valuation methodology adopted by management;
- comparing the current year actual cash flows with the prior year cash flow projections to consider if the projections included assumptions that were overly optimistic;
- assessing the reasonableness of key assumptions, including gross profit margins, sale growth rates and discount rates, based on our knowledge of the business and industry; and
- reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

We found that the management's judgements and assumptions used in the impairment assessment to be reasonable based on the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2019 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and 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 assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report (Cont'd)

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSA's, we exercise professional judgment 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, related safeguards.

From the matters communicated with 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

Level 12

28 Hennessy Road

Wanchai

Hong Kong

27th March, 2020

Chan Tze Kit

Practising certificate number: P05707

Consolidated Statement of Profit or Loss

For the year ended 31st December, 2019

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

	Note	2019 RMB'000	2018 RMB'000
Revenue	5	3,861,949	4,377,263
Cost of sales		(3,787,570)	(4,090,703)
Gross profit		74,379	286,560
Other income		159,108	141,328
Interest income		101,395	60,712
Selling expenses		(376,860)	(375,682)
General and administrative expenses		(1,179,353)	(918,058)
Finance costs	6	(95,460)	(113,927)
Share of results of:			
Joint ventures		7,626,004	6,244,848
Associates		(16,757)	33,265
Profit before income tax expense	7	6,292,456	5,359,046
Income tax expense	8	(215,454)	(64,552)
Profit for the year		6,077,002	5,294,494
Attributable to:			
Equity holders of the Company		6,762,707	5,820,909
Non-controlling interests		(685,705)	(526,415)
		6,077,002	5,294,494
Earnings per share	9		
– Basic		RMB1.34041	RMB1.15374
– Diluted		RMB1.34041	RMB1.15374

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2019

	2019 RMB'000	2018 RMB'000
Profit for the year	6,077,002	5,294,494
Other comprehensive (expense) income that will be subsequently reclassified to consolidated statement of profit or loss, net of tax		
Share of other comprehensive expense of a joint venture	(145,081)	(787,527)
Share of other comprehensive expense of an associate	(83)	-
Fair value gain (loss) on notes receivable at fair value through other comprehensive income ("FVOCI")	2,509	(3,859)
	(142,655)	(791,386)
Other comprehensive expense that will not be subsequently reclassified to consolidated statement of profit or loss, net of tax		
Change in fair value of equity investments	(5,816)	(12,206)
Total comprehensive income for the year	5,928,531	4,490,902
Attributable to:		
Equity holders of the Company	6,613,690	5,018,080
Non-controlling interests	(685,159)	(527,178)
	5,928,531	4,490,902

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2019

	Issued capital	Hedging reserve	Share premium	Investment fair value reserve	FVOCI reserve	Cumulative translation adjustments reserve	Difference arising from acquisition of non-controlling interest	Capital reserve	Retained earnings	Total equity attributable to the equity holders of the Company	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1st January, 2019	397,176	(403,764)	2,476,082	(3,340)	(3,096)	39,179	(2,350,481)	120,000	30,807,988	31,079,744	745,078	31,824,822
Transactions with equity holders of the Company												
Dividends (note 10)	-	-	-	-	-	-	-	-	(3,767,901)	(3,767,901)	-	(3,767,901)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	490,000	490,000
Profit for the year	-	-	-	-	-	-	-	-	6,762,707	6,762,707	(685,705)	6,077,002
Other comprehensive expense												
Share of other comprehensive expense of a joint venture	-	(145,081)	-	-	-	-	-	-	-	(145,081)	-	(145,081)
Share of other comprehensive expense of an associate	-	-	-	-	(83)	-	-	-	-	(83)	-	(83)
Change in fair value of financial assets	-	-	-	(5,816)	1,963	-	-	-	-	(3,853)	546	(3,307)
Total other comprehensive expense	-	(145,081)	-	(5,816)	1,880	-	-	-	-	(149,017)	546	(148,471)
Total comprehensive income	-	(145,081)	-	(5,816)	1,880	-	-	-	6,762,707	6,613,690	(685,159)	5,928,531
As at 31st December, 2019	397,176	(548,845)	2,476,082	(9,156)	(1,216)	39,179	(2,350,481)	120,000	33,802,794	33,925,533	549,919	34,475,452

Consolidated Statement of Changes in Equity (Cont'd)

For the year ended 31st December, 2019

	Issued capital	Hedging reserve	Share premium	Investment fair value reserve	FVOCI reserve	Cumulative translation adjustments reserve	Difference arising from acquisition of non-controlling interests	Capital reserve	Retained earnings	Total equity attributable to the equity holders of the Company	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1st January, 2018, as restated	397,176	383,763	2,476,082	8,866	-	39,179	(2,350,481)	120,000	25,470,901	26,545,486	177,256	26,722,742
Transactions with equity holders of the Company												
Dividends (note 11)	-	-	-	-	-	-	-	-	(483,822)	(483,822)	-	(483,822)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	1,085,000	1,085,000
Profit for the year	-	-	-	-	-	-	-	-	(483,822)	(483,822)	1,085,000	611,178
Other comprehensive expense												
Share of other comprehensive expense of a joint venture	-	(787,527)	-	-	-	-	-	-	-	(787,527)	-	(787,527)
Change in fair value of financial assets	-	-	-	(12,206)	(3,086)	-	-	-	-	(15,302)	(763)	(16,065)
Total other comprehensive expense	-	(787,527)	-	(12,206)	(3,086)	-	-	-	-	(802,829)	(763)	(803,592)
Total comprehensive income	-	(787,527)	-	(12,206)	(3,086)	-	-	-	5,820,909	5,018,080	(527,178)	4,490,902
As at 31st December, 2018	397,176	(403,764)	2,476,082	(3,340)	(3,086)	39,179	(2,350,481)	120,000	30,807,988	31,079,744	745,078	31,824,822

Consolidated Statement of Financial Position

As at 31st December, 2019

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Intangible assets	12	946,557	611,955
Property, plant and equipment	13	2,607,189	2,548,136
Land lease prepayments	14	82,281	84,397
Interests in joint ventures	15	21,555,021	24,074,405
Interests in associates	16	1,571,131	1,672,977
Equity investments	17	6,477	12,293
Long-term loan receivables	18	3,443,951	3,727,908
Other non-current assets		142,916	86,077
Total non-current assets		30,355,523	32,818,148
Current assets			
Cash and cash equivalents		6,828,533	2,310,459
Statutory deposit reserves at central bank		23,344	32,552
Short-term bank deposits		1,800,000	576,311
Pledged short-term bank deposits	19	2,793,923	1,075,837
Inventories	20	705,096	1,011,644
Accounts receivable	21	1,082,731	1,024,873
Notes receivable	22	169,269	317,132
Other current assets	23	5,711,585	2,932,900
Total current assets		19,114,481	9,281,708
Current liabilities			
Accounts payable	24	1,540,224	1,860,050
Notes payable	25	4,959,295	1,630,648
Other current liabilities	26	1,952,979	1,984,143
Short-term bank borrowings	28	6,292,000	4,623,500
Long-term bank borrowings due within one year	28	20,000	20,000
Income tax payable		40,625	13,623
Total current liabilities		14,805,123	10,131,964
Net current assets (liabilities)		4,309,358	(850,256)
Total assets less current liabilities		34,664,881	31,967,892
Non-current liabilities			
Other non-current liabilities	26	169,429	103,070
Long-term bank borrowings	28	20,000	40,000
Total non-current liabilities		189,429	143,070
NET ASSETS		34,475,452	31,824,822

Consolidated Statement of Financial Position (Cont'd)

As at 31st December, 2019

	Note	2019 RMB'000	2018 RMB'000
Capital and reserves			
Share capital	31(a)	397,176	397,176
Reserves	32	33,528,357	30,682,568
<hr/>			
Total equity attributable to equity holders of the Company		33,925,533	31,079,744
Non-controlling interests		549,919	745,078
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TOTAL EQUITY		34,475,452	31,824,822

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

Yan Bingzhe
Director

Consolidated Statement of Cash Flows

For the year ended 31st December, 2019

	Note	2019 RMB'000	2018 RMB'000
Operating activities			
Cash used in operations	34	(1,077,317)	(3,192,148)
Interest and financing service income received		539,292	453,084
Corporate income tax paid		(188,452)	(91,269)
Net cash used in operating activities		(726,477)	(2,830,333)
Investing activities			
Acquisition of property, plant and equipment and land lease prepayments and additions of intangible assets		(794,537)	(460,792)
(Increase) decrease in short-term and pledged bank deposits		(2,941,775)	105,008
Dividend received from an associate		146,972	28
Dividend received from a joint venture		10,000,000	3,000,000
Dividend received from equity investments		200	-
Loans to a third party		(900,000)	-
Refund of prepayments for investments		400,000	200,000
Repayment received from advance to Shenyang Automobile Industry Asset Management Company Limited		-	300,000
Proceeds from disposal of property, plant and equipment		4,800	3,359
Increase in other non-current assets		(56,843)	(24,125)
Net cash generated from investing activities		5,858,817	3,123,478
Financing activities			
Issue of notes payable	34(b)	1,519,000	417,105
Repayments of notes payable	34(b)	(417,105)	(2,299,567)
Repayment of lease liabilities	34(b)	(25,307)	-
Government grants received	34(b)	35,436	14,492
Proceeds from bank borrowings	34(b)	8,419,820	6,963,500
Repayments of bank borrowings	34(b)	(6,771,320)	(5,169,900)
Dividends paid	34(b)	(3,767,901)	(682,577)
Capital contributions from non-controlling shareholders		490,000	1,095,000
Finance charges paid for lease liabilities	34(b)	(4,125)	-
Interest paid		(92,764)	(52,815)
Net cash (used in) generated from financing activities		(614,266)	285,238
Increase in cash and cash equivalents		4,518,074	578,383
Cash and cash equivalents, as at 1st January,		2,310,459	1,732,076
Cash and cash equivalents, as at 31st December,		6,828,533	2,310,459

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

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 disclosed in the section headed “Corporate Information” of this annual report and the principal places of business of the subsidiaries are in the People’s Republic of China (the “**PRC**”).

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

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 Rules Governing the Listing of Securities on the SEHK (the “**Listing Rules**”).

These consolidated financial statements have been prepared on the basis consistent with the accounting policies adopted in the 2018 financial statements, except for the adoption for the first time the following new and amended HKFRSs (collectively “**New and Amended HKFRSs**”) issued by the HKICPA, which are relevant to and effective for the consolidated financial statements for the annual financial year beginning on 1st January, 2019.

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments

Other than as discussed in more detail in note 2.2 below, the adoption of the New and Amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.2 Adoption of New and Amended HKFRSs

(i) HKFRS 16 "Leases"

Upon the adoption of HKFRS 16, lessees no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee recognises interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the prior policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the Group elected not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses will continue to be recognised on a systematic basis over the lease term.

HKFRS 16 primarily affects the Group's accounting as a lessee of leases of land and buildings which were previously classified as operating leases. The application of the new accounting model is an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease.

HKFRS 16 "Leases" replaces HKAS 17 "Leases" along with three Interpretations (HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease").

HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated. Comparative information is not restated. In addition, the Group elected the practical expedient for not applying the new accounting model to short-term leases and to grandfather the previous definition assessment of which existing arrangements are, or contain, leases. The Group therefore applies the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. Furthermore, the Group uses the practical expedient to account for leases for short-term and leases of low-value assets from the date of initial application as short-term lease.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 4.54%.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

(i) HKFRS 16 "Leases" (Cont'd)

Upon the initial application of HKFRS 16, the Group measures the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date and the opening balances of both lease liabilities and the corresponding right-of-use assets will be adjusted to approximately RMB97,286,000, after taking into account the effects of discounting, as at 1st January, 2019.

The Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 does not have impact on these assets except for the whole balance which is now presented as "Prepaid lease payments" under non-current assets.

The following is a reconciliation of total operating lease commitments at 31st December, 2018 to the lease liabilities recognised at 1st January, 2019:

	RMB'000
Total operating lease commitments disclosed at 31st December, 2018	149,776
Recognition exemptions – Leases with remaining lease term of 12 months or less	(4,999)
Operating leases liabilities before discounting	144,777
Discounting using incremental borrowing rate as at 1st January, 2019	(47,552)
Operating leases liabilities	97,225
Extension option reasonably certain to be exercised	61
Total lease liabilities recognised under HKFRS 16 at 1st January, 2019	97,286
Classified as	
– Current lease liabilities	20,805
– Non-current lease liabilities	76,481
	97,286

As a lessor, upon initial application of HKFRS 16, except for sub-leases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but accounts for these leases in accordance with HKFRS 16. Comparative information is not restated.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

(ii) Amendments to HKFRS 9 "Prepayment Features with Negative Compensation"

The amendments allow particular prepayable financial assets with negative compensation to be measured at amortised cost or at FVOCI instead of at financial assets at fair value through profit or loss ("FVTPL") if the prepayment amount substantially represented unpaid amounts of principal and interest, which could include reasonable additional compensation for the early termination of the contract.

The amendments also include clarifications to the modification or exchange of a financial liability that does not result in derecognition, i.e. the gain or loss arising from the modification of a financial liability that does not result in derecognition, calculated by discounting the change in contractual cash flows at the original effective interest rate, is immediately recognised in profit or loss.

The application of these amendments has had no impact on the Group's consolidated financial statements.

(iii) Amendments to HKAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments clarify how an entity determines pension expenses when changes to a defined benefit plan occur and require an entity to use updated actuarial assumptions from remeasurement of net defined benefit liability (asset) to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus was not previously recognised because of the impact of the asset ceiling. Besides, any changes in the asset ceiling are recognised through other comprehensive income.

The application of these amendments has had no impact on the Group's consolidated financial statements.

(iv) Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarify that an entity applies HKFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture. Besides, in applying HKFRS 9 to those long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 "Investments in Associates and Joint Ventures" (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

The application of these amendments has had no impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

(v) *Annual Improvements to HKFRSs 2015-2017 Cycle*

The Annual Improvements to HKFRSs 2015-2017 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

The amendments to HKFRS 11 clarify that when an entity participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its previously held interest in the joint operation.

The amendments to HKAS 12 clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributive profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

The amendments to HKAS 23 clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The application of these amendments has had no impact on the Group's consolidated financial statements.

(vi) *HK(IFRIC) – Int 23 “Uncertainty over Income Tax Treatments”*

HK(IFRIC) – Int 23 clarifies how to apply the recognition and measurement requirements in HKAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirement in HKAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying HK(IFRIC) – Int 23.

Under HK(IFRIC) – Int 23, an entity shall determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatment based on which approach better predicts the resolution of the uncertainty. When making the assessment, an entity shall assume that a tax authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is probable that tax authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable, the entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount method or the expected value method, depending on which method the entity expects to better predict the resolution of the uncertainty. Moreover, an entity shall reassess a judgement or estimate made if facts and circumstances on which the judgement or estimate was based change or as a result of new information that affects the judgement or estimate.

The application of HK(IFRIC) – Int 23 has had no impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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 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.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.4 Basis of consolidation (Cont'd)

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

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

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

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

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

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.4 Basis of consolidation (Cont'd)

(iv) Translation of foreign currencies

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

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

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

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

2.5 Intangibles

(i) Research and development costs

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

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

(ii) Acquired intangible assets

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

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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 and right-of-use assets over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values of 10%, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	20 – 30 years
Machinery and equipment	10 – 20 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years
Tools and moulds	over estimated product life of the tools and moulds manufactured

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date.

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.

During the review of depreciation method for property, plant and equipment during the year, the management considered that the previous depreciation method was no longer able to reasonably allocate the cost of the tools and moulds in reaction to the shortening product life cycles of the automobiles these tools and moulds manufactured under the current intense automobile market competition. The management believes that the change of depreciation of tools and moulds based on the estimated product life cycle of the automobiles manufactured would be more realistically reflect the economic contribution from the respect assets. The Group estimated that the remaining life cycles of the automobiles the Group manufactures are from 5 to 11 years. Generally used tools and moulds are now depreciated over the revised estimated useful life of 10 years. The change in these estimates increased the depreciation for the year by approximately RMB108 million. Had the same estimates been adopted for the year ended 31st December, 2018, the depreciation would increase by approximately RMB82 million for the same period.

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.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

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.

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”) of accounts receivable which is presented within general and administrative expenses.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.9 Financial instruments (Cont'd)

(iii) Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

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

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at FVOCI – recycling

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

Financial assets at FVTPL

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

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.9 Financial instruments (Cont'd)

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

Equity investments

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

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

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

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 category.

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

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.10 Impairment of financial assets (Cont'd)

(i) *Accounts receivable*

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

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

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

The Group measures the loss allowance for other receivables 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, 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 when the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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)*

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 fulfill 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 (see note 2.2). 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).

2.12 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 2.10 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

For intangible assets and property, plant and equipment, details of the basis and assumption 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.

2.14 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.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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 bankers 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 obligation 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.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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) Definition of leases and the Group as a lessee

Policy applicable from 1st January, 2019

For any new contracts entered into on or after 1st January, 2019, 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.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.19 Leases (Cont'd)

(i) Definition of leases and the Group as a lessee (Cont'd)

Policy applicable from 1st January, 2019 (Cont'd)

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 asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use assets (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period during which the event or condition that triggers the payment occurs.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.19 Leases (Cont'd)

(i) Definition of leases and the Group as a lessee (Cont'd)

Policy applicable from 1st January, 2019 (Cont'd)

Measurement and recognition of leases as a lessee (Cont'd)

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of machinery and equipment.

On the consolidated statement of financial position, right-of-use assets are included in property, plant and equipment, based on their nature, in the same line as if the assets of same nature are owned by the Group.

The prepaid lease payments for leasehold land are presented as "Land lease prepayments" under non-current assets.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.19 Leases (Cont'd)

(i) Definition of leases and the Group as a lessee (Cont'd)

Policy applicable before 1st January, 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement regardless of whether the arrangement takes the legal form of a lease.

(a) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(b) Operating leases charges as the lessee

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to profit or loss on a straight-line basis over the lease periods. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(ii) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Upon initial application of HKFRS 16, when the Group is an intermediate lessor, it accounts for the head lease and the sub-leases as two separate contracts. The sub-leases are classified as a finance or operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the short-term lease exemption, then the Group classifies the sub-lease as an operating lease.

The Group sub-leases some of its properties and the sub-lease contracts are classified as operating leases.

The Group also earns rental income from operating leases of its buildings. Rental income is recognised on a straight-line basis over the term of the lease.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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 joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.22 Revenue recognition

Revenue arises mainly from the sales of minibuses, MPVs and automotive components and interest income and service charge income from the provision of auto financing service.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

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

Sale of minibuses, MPVs and automotive components

Revenue from the sale of minibuses, MPVs and automotive components is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods or service transferred are due upon receipt by the customer.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.22 Revenue recognition (Cont'd)

Sale of minibuses, MPVs and automotive components (Cont'd)

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.

2.23 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.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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 minibuses, MPVs and automotive components;
- (2) the manufacture and sale of BMW vehicles; and
- (3) the provision of auto financing services.

The measurement policies the Group adopts for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that the following items are not included in arriving at the segment results of the operating segments:

- expenses related to share-based payments;
- share of results of associates and joint ventures;
- interest income;
- finance costs;
- corporate income and expenses which are not directly attributable to the business activities of any operating segment; and
- income tax expense.

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

Segment assets include all assets other than interests in joint ventures (*note 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.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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.

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

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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.

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹

¹ Effective for annual periods beginning on or after 1st January, 2020

² Effective for annual periods beginning on or after 1st January, 2021

³ Effective date not yet determined

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020

The directors of the Company 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. Information on New and Amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other New and Amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

(i) HKFRS 17 "Insurance Contracts"

HKFRS 17 was issued to replace *HKFRS 4 "Insurance Contracts"*, an interim standard that allowed entities to use a wide variety of accounting practices for insurance contracts, reflecting national accounting requirements and variations of those requirements. HKFRS 17 solves the comparison problems created by HKFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for using current values instead of historical cost, ending the practice of using data from when a policy was taken out.

HKFRS 17 applies to all insurance contracts an entity issues (including those for reinsurance), reinsurance contracts it holds and investment contracts with a discretionary participation features, provided the entity also issues insurance contracts.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.26 Future changes in HKFRSs (Cont'd)

(i) HKFRS 17 "Insurance Contracts" (Cont'd)

The standard introduces insurance contract measurement principles requiring:

- current, explicit and unbiased estimates of future cash flows;
- discount rates that reflect the characteristics of the contracts' cash flows; and
- explicit adjustment for non-financial risk.

Besides, HKFRS 17 also introduces the following changes:

- Day one profits should be deferred as a contractual service margin and allocated systematically to profit or loss as entities provide coverage and are released from risk.
- Revenue is no longer equal to written premiums but to the change in the contract liability covered by the consideration.
- A separate measurement model applies to reinsurance contracts held. Modifications are allowed for qualifying short-term contracts and participating contracts.
- More extensive disclosure requirements.

HKFRS 17 is not applicable to the Group.

(ii) Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments remove an acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture and require that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The amendments are originally effective prospectively to transactions occurring in annual period beginning on or after 1st January, 2016. However, such effective date has been postponed indefinitely with earlier adoption permitted. The directors expect that the amendments will have no material impact on the financial statements.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.26 Future changes in HKFRSs (Cont'd)

(iii) Amendments to HKFRS 3 "Definition of a business"

The amendments narrowed and clarified the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify that a business is considered as an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Guidance and illustrative examples are provided to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add an optional concentration test that permits simplified assessment of whether an acquired set of activities and assets is not a business; and
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

Amendments to HKFRS 3 is effective for annual reporting period beginning on or after 1st January, 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments will have no material impact on the Group's consolidated financial statements.

(iv) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform"

The amendments provide certain temporary reliefs from applying specific hedge accounting requirements in order to deal with the potential effects of uncertainties caused by interbank offered rates ("IBOR") reform.

In addition, the amendments require entities to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 are effective for annual period beginning on or after 1st January, 2020. The directors expect that the amendments will have no material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.26 Future changes in HKFRSs (Cont'd)

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

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

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and
- clarify that materiality assessment will need to take into account information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

Amendments to HKAS 1 and HKAS 8 are effective for annual reporting period beginning on or after 1st January, 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments will 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.

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.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

(a) Depreciation and amortisation

The net book values of the Group's property, plant and equipment (other than construction-in-progress), land lease prepayments and intangible assets as at 31st December, 2019 were approximately RMB2,239,030,000 (2018: approximately RMB2,329,548,000), RMB82,281,000 (2018: approximately RMB84,397,000) and RMB946,557,000 (2018: approximately RMB611,955,000), 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. For depreciation of tools and moulds, in previous years, they were depreciated over the technically allowed times of usage from 20,000 to 420,000 times. Starting from 1st January, 2019, tools and moulds 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 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 is 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, 2019, carrying values of interests in associates was approximately RMB1,571,131,000 (2018: approximately RMB1,672,977,000) in which goodwill of investment in listed and unlisted associates were approximately RMB72,799,000 and RMB26,654,000, respectively (2018: approximately RMB72,799,000 and RMB26,654,000, respectively). Based on the assessment, no further impairment loss 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.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

(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 current 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, 2019, the Group had inventories of approximately RMB705,096,000 (2018: approximately RMB1,011,644,000) (net of provision for inventories of approximately RMB199,885,000 (2018: approximately RMB94,296,000)). Should there be an unexpected change in market condition, the provision may not be adequate and further impairment may be required.

(d) ECL on receivables

The Group makes allowances on items subject to ECL (including accounts receivable due from both 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, 2019, the Group had accounts receivable (both from third parties and affiliated companies) totalling approximately RMB1,082,731,000, net of ECL allowance of approximately RMB72,559,000 (2018: approximately RMB1,024,873,000, net of ECL allowance of approximately RMB63,627,000), loan receivables of approximately RMB6,858,462,000, net of ECL allowance of approximately RMB109,315,000 (2018: approximately RMB4,968,980,000, net of ECL allowance of approximately RMB55,082,000), other receivables grouped under other current assets of approximately RMB1,134,885,000, net of ECL allowance of approximately RMB81,701,000 (2018: approximately RMB580,823,000, net of ECL allowance of approximately RMB113,207,000) and amounts due from affiliated companies of approximately RMB987,372,000, net of ECL allowance of approximately RMB23,386,000 (2018: approximately RMB951,869,000, net of ECL allowance approximately RMB84,921,000).

When the actual future cash flows are different from expected, such difference will impact the carrying amount of financial assets mentioned above.

(e) Warranty provisions

The Group makes provisions for product warranties (*note 26(a)*) granted by the Group in respect of certain products. These provisions are recognised based on sales volume and past experience of the level of repair and returns, discounted to their present values as appropriate.

(f) Impairment test of assets

The Group determines whether an asset is impaired at least an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Details of the basis and assumptions used in estimating the recoverable amounts of the Group's intangible assets and property, plant and equipment are set out in note 12 and note 13, respectively.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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, security deposits for wholesale auto financing, accrued expenses, dividend payable and amounts due to affiliated companies. Details of the policies on mitigating the risks from these financial instruments are set out below. The Group's management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Credit risk

The Group's credit risk primarily consists of accounts receivable, notes receivable, loan receivables, amounts due from affiliated companies, other receivables, cash and cash equivalents, and bank deposits from a variety of customers and debtors including state and local agencies, municipalities and private industries and their affiliated companies, bank balances and deposits, and guarantees for loans drawn by its affiliated companies.

In order to minimise credit risk, credit history and background of new customers and debtors are checked and security deposits or letters of credit are usually obtained from major customers. Credit limits with credit terms of 30 to 90 days are set for PRC customers, and customers considered to be high risk are traded on cash basis or upon receipt of bank guaranteed notes or letters of credit. For overseas customers, since settlements must be made by letters of credit, credit periods up to one year are granted. Designated staff monitors accounts receivable and follow-up collection with customers.

The Group reviews regularly the recoverable amount of each individual receivable and adequate ECL allowance is made for any balance determined to be unrecoverable.

The Group has no significant concentration of credit risk as at 31st December, 2019 except that about 48% (2018: 17%) of accounts receivable were due from Huachen. As at 31st December, 2019, the total receivable (net of ECL allowance) due from Huachen amounted to approximately RMB660 million (2018: approximately RMB364 million). At 31st December, 2018, approximately RMB151 million or 15% of accounts receivable were also due from Shanghai Shenhua Holdings Co., Ltd. ("Shanghai Shenhua"). The Group also had total payable of approximately RMB584 million (2018: approximately RMB476 million) as at 31st December, 2019 due to Huachen. Accordingly, the Group had no net credit risk exposure from Huachen as at 31st December, 2019 (2018: Same). The Group is now under a discussion with Huachen to offset the accounts receivable with the payable between each other.

The Group performs impairment assessment under ECL model on loan receivables and other receivables based on 12 months' ECL. The credit risk on loan receivables are limited because all loan receivables are secured by the motor vehicles of the borrowers for retail auto financing and security deposits are required for wholesale auto financing and the counterparties have no material historical default record. However, due to the outbreak of the coronavirus, the directors expect that there would be a certain negative impact on the general economic conditions for the 12 months' after the reporting date. Based on the Group's assessment with reference to the market of motor vehicle financing, the respective possible impact has been considered when making the provision for ECL allowance for loan receivables.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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 the ECL, and is comprised accounts receivable, loan receivables, amounts due from affiliated companies and other receivables and assessed based on the provision matrix, 12-month or life-time ECL as at 31st December, 2019:

	2019		2018	
	Gross carrying amount RMB'000	ECL allowance RMB'000	Gross carrying amount RMB'000	ECL allowance RMB'000
Accounts receivable	429,989	45,235	385,535	36,753
Accounts receivable from affiliated companies	725,301	27,324	702,965	26,874
Loan receivables	6,967,777	109,315	5,024,062	55,082
Amounts due from affiliated companies	1,010,758	23,386	1,036,790	84,921
Other receivables	1,216,586	81,701	694,030	113,207
Other receivables grouped under other non-current assets	1,305	45	1,826	41
	10,351,716	287,006	7,845,208	316,878

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, 2019 and 2018 is the carrying amount as disclosed in note 4(e).

(b) Liquidity risk

In managing liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations, expected expansion and product developments. The Group relies on bank borrowings as a significant source of liquidity. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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

(b) Liquidity risk (Cont'd)

As at 31st December, 2019 and 2018, the remaining contractual maturities of the Group's financial liabilities, based on undiscounted cash flows, are summarised below:

As at 31st December, 2019

	Within 1 year or repayable on demand RMB'000	Over 1 year but within 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
<i>Financial liabilities</i>					
Accounts payable	1,540,224	-	-	1,540,224	1,540,224
Notes payable	4,959,295	-	-	4,959,295	4,959,295
Other payables	1,033,357	-	-	1,033,357	1,033,357
Security deposits for wholesale auto financing	37,350	-	-	37,350	37,350
Accrued expenses	143,071	-	-	143,071	143,071
Bank borrowings	6,453,737	20,385	-	6,474,122	6,332,000
Lease liabilities	21,924	32,431	49,247	103,602	78,981
Amounts due to affiliated companies	430,339	-	-	430,339	430,339
	14,619,297	52,816	49,247	14,721,360	14,554,617

At 31st December, 2018

	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
<i>Financial liabilities</i>					
Accounts payable	1,860,050	-	-	1,860,050	1,860,050
Notes payable	1,630,648	-	-	1,630,648	1,630,648
Other payables	920,932	-	-	920,932	920,932
Security deposits for wholesale auto financing	132,150	-	-	132,150	132,150
Accrued expenses	167,369	-	-	167,369	167,369
Bank borrowings	4,741,119	41,854	-	4,782,973	4,683,500
Amounts due to affiliated companies	439,641	-	-	439,641	439,641
	9,891,909	41,854	-	9,933,763	9,834,290

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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

(b) Liquidity risk (Cont'd)

	2019	2018
	RMB'000	RMB'000
<i>Financial guarantee contracts</i>		
- Shenyang JinBei Automotive Co., Ltd. ("JBC") (note 36)	206,000	206,000

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. In the opinion of the directors, the fair values of the financial guarantee contracts are insignificant at initial recognition. Based on expectations at the end of the reporting period, the directors considered that it was not probable that the borrower of the loan would default on the repayment of the loan and therefore no provision for the Group's obligation under the guarantee has been made.

(c) Currency risk

The Group's business mainly operates in the PRC with most of its transactions denominated and settled in RMB, except for certain receivables and payables, and cash and cash equivalents which are denominated in U.S. Dollars and Hong Kong Dollars and are therefore exposed to foreign currency translation risk. The Group had not used any financial instrument to hedge against foreign exchange risk.

At 31st December, 2019, 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 RMB11 million lower/higher (2018: approximately RMB6 million lower/higher), mainly as a result of foreign exchange losses/gains on translation of the U.S. Dollar denominated accounts receivable, cash and cash equivalents and short-term bank deposits.

(d) Interest rate risk

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

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, 2019 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 RMB31.67 million (2018: decrease or increase the profit after tax and equity of the Group by approximately RMB0.82 million). The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis was performed on the same basis for 2018.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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, 2019 and 2018 are categorised as follows:

	2019 RMB'000	2018 RMB'000
Financial assets		
<i>Financial assets at amortised cost:</i>		
Cash and cash equivalents	6,828,533	2,310,459
Statutory deposit reserves at central bank	23,344	32,552
Short-term bank deposits	1,800,000	576,311
Pledged short-term bank deposits	2,793,923	1,075,837
Accounts receivable	1,082,731	1,024,873
Loan receivables	6,858,462	4,968,980
Other receivables	1,134,885	580,823
Amounts due from affiliated companies	987,372	951,869
<i>Financial assets at FVOCI (non-recycling):</i>		
Listed equity securities	2,339	8,155
Unlisted equity securities	4,138	4,138
<i>Financial assets at FVOCI (recycling):</i>		
Notes receivable	169,269	317,132
	21,684,996	11,851,129
<hr/>		
	2019 RMB'000	2018 RMB'000
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Accounts payable	1,540,224	1,860,050
Notes payable	4,959,295	1,630,648
Other payables	1,033,357	920,932
Security deposits for wholesale auto financing	37,350	132,150
Accrued expenses	143,071	167,369
Lease liabilities	78,981	-
Bank borrowings	6,332,000	4,683,500
Amounts due to affiliated companies	430,339	439,641
	14,554,617	9,834,290

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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 recurring basis, at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	2019			2018		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets						
Financial assets at FVOCI (non-recycling)						
- Listed equity investment	2,339	-	-	8,155	-	-
- Unlisted equity investment	-	-	4,138	-	-	4,138
Financial asset at FVOCI (recycling)						
- Notes receivable	-	169,269	-	-	317,132	-
	2,339	169,269	4,138	8,155	317,132	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 reference to rates currently available for instruments issued by commercial banks with similar terms, credit risk and remaining maturities.

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, 2019 and 2018.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

5. REVENUE AND SEGMENT INFORMATION

Revenue earned during the year represents:

	2019 RMB'000	2018 RMB'000
Sale of minibuses, MPVs and automotive components, net of consumption tax, discounts and return	3,391,432	4,000,492
Interest and service charge income from provision of auto financing service, net of other indirect taxes	470,517	376,771
	3,861,949	4,377,263

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

During the year, the Group had one largest customer with aggregate revenue of approximately RMB380,342,000 or 10% of the Group's revenue (2018: one largest customer with aggregate revenue of approximately RMB515,277,000 or 12% of the Group's revenue). Other than this largest customer, no other customer had aggregate revenue reaching or exceeding 10% of the Group's revenue during the year (2018: same).

Although the minibuses, MPVs and automotive components of the Group are primarily sold in the PRC, the Group is exploring opportunities in the overseas markets and the sales by location of customers are as follows:

	2019 RMB'000	2018 RMB'000
PRC	3,186,737	3,968,365
Other Asian countries	3,889	6,194
Latin America and Caribbean Sea	190,946	24,801
Middle East	9,746	977
Africa	-	155
Others	114	-
	3,391,432	4,000,492

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.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating segments – 2019

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision of auto financing service RMB'000	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination RMB'000	Total RMB'000
Segment sales	3,391,432	169,441,062	479,659	(169,450,204)	3,861,949
Segment results	(1,345,151)	20,393,874	51,979	(20,375,245)	(1,274,543)
Unallocated costs net of unallocated income					(48,183)
Interest income					101,395
Finance costs					(95,460)
Share of results of:					
Joint ventures	-	7,626,004	-	-	7,626,004
Associates	(16,757)	-	-	-	(16,757)
Profit before income tax expense					6,292,456

Operating segments – 2018

	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	4,000,492	138,704,000	385,758	(138,712,987)	4,377,263
Segment results	(873,783)	16,772,823	3,719	(16,738,144)	(835,385)
Unallocated costs net of unallocated income					(30,467)
Interest income					60,712
Finance costs					(113,927)
Share of results of:					
Joint ventures	-	6,244,848	-	-	6,244,848
Associates	33,265	-	-	-	33,265
Profit before income tax expense					5,359,046

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments - 2019

	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	18,734,602	116,080,980	7,752,825	(116,435,143)	26,133,264
Interests in joint ventures	-	21,555,021	-	-	21,555,021
Interests in associates	1,571,131	-	-	-	1,571,131
Equity investments					6,477
Unallocated assets					204,111
Total assets					49,470,004
Segment liabilities	9,240,705	72,970,938	6,107,833	(73,335,412)	14,984,064
Unallocated liabilities					10,488
Total liabilities					14,994,552
Other disclosures:					
Capital expenditures					
- Owned assets	974,418	6,923,132	7,678	(6,923,132)	982,096
- Right-of-use assets	7,002	1,050,942	-	(1,050,942)	7,002
Depreciation of property, plant and equipment					
- Owned assets	250,154	4,395,528	1,428	(4,395,528)	251,582
- Right-of-use assets	17,466	226,632	5,803	(226,632)	23,269
Amortisation of land lease prepayments	2,116	53,140	-	(53,140)	2,116
Amortisation of intangible assets	122,771	119,398	4,695	(119,398)	127,466
Provision for inventories	165,793	952,824	-	(952,824)	165,793
Write-back of provision for inventories sold	56,854	730,651	-	(730,651)	56,854
Net provision of ECL allowance	1,478	-	76,586	(52,146)	25,918
Impairment losses on assets	283,747	172,517	-	(172,517)	283,747
Income tax expense	2,946	5,127,379	12,508	(4,927,379)	215,454

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating segments – 2018

	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	10,557,393	106,029,613	5,925,012	(106,382,024)	16,129,994
Interests in joint ventures	–	24,074,405	–	–	24,074,405
Interests in associates	1,672,977	–	–	–	1,672,977
Equity investments					12,293
Unallocated assets					210,187
Total assets					42,099,856
Segment liabilities	6,296,042	57,880,804	4,319,122	(58,233,215)	10,262,753
Unallocated liabilities					12,281
Total liabilities					10,275,034
Other disclosures:					
Capital expenditures					
– Owned assets	455,527	5,181,176	7,225	(5,181,176)	462,752
Depreciation of property, plant and equipment					
– Owned assets	156,872	4,392,971	1,211	(4,392,971)	158,083
Amortisation of land lease prepayments	2,116	40,835	–	(40,835)	2,116
Amortisation of intangible assets	113,345	93,821	3,880	(93,821)	117,225
Provision for inventories	46,682	1,048,538	–	(1,048,538)	46,682
Write-back of provision for inventories sold	24,382	540,096	–	(540,096)	24,382
Net provision of ECL allowance	35,031	–	26,339	–	61,370
Impairment losses on assets	285,994	–	–	–	285,994
Income tax expense	62,334	4,281,603	2,218	(4,281,603)	64,552

6. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest expense on:		
– Bank borrowings	49,786	57,822
– Discounted bank guaranteed notes/net loss arising on FVOCI	44,186	56,764
– Finance charges on lease liabilities	4,125	–
	98,097	114,586
Less: interest expense capitalised in intangible assets and construction-in-progress at a rate of 6.0% (2018: 5.7%)	(2,637)	(659)
	95,460	113,927

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

7. PROFIT BEFORE INCOME TAX EXPENSE

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

	Note	2019 RMB'000	2018 RMB'000
Charging:			
ECL allowance on loan and receivables:			
– Accounts receivable (b)	21(a)	9,059	18,262
– Loan receivables (b)	18	77,999	24,808
– Other receivables grouped under other non-current assets (b)		4	41
– Accounts receivable from affiliated companies (b)	33(c)	450	16,458
– Amounts due from affiliated companies (b)	33(e)	–	8,748
Impairment losses on owned assets:			
– Property, plant and equipment (b)	13	283,747	50,227
– Intangible assets (b)	12	–	235,767
Staff costs (including directors' emoluments)	11(a)	761,030	710,666
Amortisation of intangible assets (a)	12	127,466	117,225
Amortisation of land lease prepayments	14	2,116	2,116
Loss on disposal of property, plant and equipment		1,783	1,329
Loss on disposal of intangible assets		82	–
Depreciation of property, plant and equipment	13		
– Owned assets		251,582	158,083
– Right-of-use assets		23,269	–
Cost of inventories		3,570,892	3,870,037
Exchange loss, net (b)		5,476	–
Provision for inventories	20	165,793	46,682
Auditors' remuneration (b)		3,286	3,974
Research and development costs (b)		142,603	151,109
Warranty provision (b)		24,154	25,065
Lease charges:			
– Land and buildings under operating leases		–	31,714
– Short-term lease and leases with lease terms shorter than 12 months at initial application of HKFRS 16		12,103	–
– Low value items		472	–
Crediting:			
Exchange gain, net (b)		–	29,707
Write-back of provision for inventories sold	20	56,854	24,382
Rental income from land and buildings		5,265	4,151
Reversal of ECL allowance on:			
– Other receivables (b)	23(a)	12,356	6,947
– Amounts due from affiliated companies (b)	33(e)	49,238	–

(a) Amortisation of intangible assets in relation to production was included in cost of sales; amortisation of intangible assets for other purposes was included in general and administrative expenses.

(b) Included in general and administrative expenses.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

8. INCOME TAX EXPENSE

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

	2019 RMB'000	2018 RMB'000
Current tax		
PRC corporate income tax		
– Current year	18,697	6,746
– Over provision in prior years	(3,243)	(194)
PRC withholding tax on dividend	200,000	58,000
Total income tax expense	215,454	64,552

(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 (2018: 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 Brilliance Ruian Automotive Components Co., Ltd. ("**Mianyang Ruian**"), is calculated at 25% on their estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

Mianyang Ruian received official designation by the local tax authority as a foreign-invested enterprise engaged in manufacturing activities and was also designated as an entity under "the encouraged industries under Catalogue for the Guidance of Foreign Investment Industries" and with its location in the Western region of the PRC, the applicable income tax rate for Mianyang Ruian is 15%.

With effect from 1st January, 2008, all profits of the PRC subsidiaries arising since that date that are distributed and remitted as dividend to the overseas parents are subject to 5% or 10% withholding tax on the amount remitted. The dividends received by the Company during the year related solely to the dividends distributed by BBA and therefore dividend withholding tax is paid in the same year. For the profits generated by the manufacture of minibuses, MPVs and automotive components by the Group's subsidiaries, it is the intention of the management that the Group would reinvest these profits in the respective subsidiaries and therefore withholding tax would not be applicable for those profits. Accordingly, no deferred tax is recognised in respect of this withholding tax on profits of the Group's PRC subsidiaries. Unremitted earnings (determined under PRC GAAP) subject to this withholding tax totaled approximately RMB5,301,834,000 at 31st December, 2019 (2018: approximately RMB2,323,624,000).

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

8. INCOME TAX 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:

	2019 RMB'000	2018 RMB'000
Profit before income tax expense	6,292,456	5,359,046
Calculated at a weighted average statutory taxation rate in the PRC of 24.97% (2018: 24.62%)	1,571,129	1,319,662
Effect of tax holiday	(260)	(721)
Non-taxable income net of expenses not deductible for taxation purpose	(1,911,578)	(1,575,628)
PRC withholding tax on dividend	200,000	58,000
Unrecognised temporary differences	97,447	6,370
Unrecognised tax losses net of utilisation of previously unrecognised tax losses	261,959	257,063
Over provision in prior years	(3,243)	(194)
Tax expense for the year	215,454	64,552

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately RMB6,763 million (2018: approximately RMB5,821 million) by the weighted average number of ordinary shares of 5,045,269,000 shares (2018: 5,045,269,000 shares).

Diluted earnings per share is the same as basic earnings per share for the year ended 31st December, 2019 as there was no potential dilutive ordinary share in issue during the year.

There were no dilutive potential ordinary shares outstanding as at 31st December, 2019 (2018: same).

10. DIVIDENDS

	2019		2018	
	HK\$'000	RMB'000	HK\$'000	RMB'000
Special dividends of HK\$0.74 per share declared during the year (2018: nil)	3,733,499	3,280,290	-	-
Dividends of HK\$0.11 per share declared during the year (2018: HK\$0.11 per share)	554,980	487,611	554,980	483,822
	4,288,479	3,767,901	554,980	483,822

The directors of the Company did not recommend any dividend payment at the board meeting held on 27th March, 2020 in respect of the Group's 2019 annual results (2018: nil).

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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

(a) Staff costs

	2019 RMB'000	2018 RMB'000
Wages, salaries and performance related bonus	574,249	522,025
Pension costs – defined contribution plans	67,842	69,003
Staff welfare costs	118,939	119,638
	761,030	710,666

(b) Directors' and chief executive's emoluments

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

	Other emoluments				Total RMB'000
	Fee RMB'000	Bonus RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	
2019					
<i>Executive directors</i>					
Mr. Wu Xiao An	-	4,428	4,037	16	8,481
Mr. Yan Bingzhe (Notes 1 and 3)	-	-	-	-	-
Mr. Qi Yumin (Note 2)	-	-	-	-	-
Mr. Qian Zuming (Note 3)	-	222	1,774	-	1,996
Mr. Zhang Wei	-	-	-	-	-
	-	4,650	5,811	16	10,477
<i>Independent non-executive directors</i>					
Mr. Xu Bingjin	133	89	-	-	222
Mr. Song Jian	133	89	-	-	222
Mr. Jiang Bo	133	89	-	-	222
	399	267	-	-	666
	399	4,917	5,811	16	11,143

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

11. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (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 2018 are as follows:

	Other emoluments				Total RMB'000
	Fee RMB'000	Bonus RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	
2018					
<i>Executive directors</i>					
Mr. Wu Xiao An	-	4,241	3,867	15	8,123
Mr. Qi Yumin (<i>Note 2</i>)	-	-	-	-	-
Mr. Qian Zuming (<i>Note 3</i>)	-	222	1,736	-	1,958
Mr. Zhang Wei	-	-	-	-	-
	-	4,463	5,603	15	10,081
<i>Independent non-executive directors</i>					
Mr. Xu Bingjin	127	85	-	-	212
Mr. Song Jian	127	85	-	-	212
Mr. Jiang Bo	127	85	-	-	212
	381	255	-	-	636
	381	4,718	5,603	15	10,717

Note 1: Mr. Yan Bingzhe was appointed as a director of the Company on 12th April, 2019.

Note 2: Mr. Qi Yumin resigned as a director of the Company on 12th April, 2019.

Note 3: Currently, Mr. Yan Bingzhe and Mr. Qian Zuming are the chief executives of the Company.

In both 2019 and 2018,

- 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.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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

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

The ultimate objective of the Group's emolument policy is to ensure that the pay levels of its employees are in line with industry practices and prevailing market conditions so as to enable the Group to attract and retain persons of high quality and experience which is essential to the success of the Group.

In determining the level of fees and other emoluments paid to directors of the Company, market rates and factors such as each director's workload and required commitment are taken into account:

- Remuneration of executive directors comprises basic remuneration determined with reference to their qualifications, industry experience and responsibilities within the Group, and a performance-based remuneration. In determining the performance-based remuneration of executive directors, reward is given to the Company's corporate goals and objectives set by the board from time to time and the performance and contribution of the individual to the Group's overall performance.
- Non-executive director is compensated with reference to his qualifications, expertise and experience and the amount of time allocated to the affairs of the Group.
- Independent non-executive directors are compensated with reference to the level of compensation awarded to independent non-executive directors by other companies listed on the SEHK; the responsibilities assumed by such independent non-executive directors; complexity of the automobile industry and the business of the Group; goodwill and reputational value brought to the Group by the relevant independent non-executive director.

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

(c) Remuneration of senior management

Pursuant to Appendix 14 to the Listing Rules, the remuneration of senior management, excluding directors, is within the following bands:

	2019 Number	2018 Number
Under HK\$500,000	-	-
HK\$500,001 to HK\$1,000,000	-	-
HK\$1,000,001 to HK\$1,500,000	-	-
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	-	-
HK\$2,500,001 to HK\$3,000,000	-	-
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$3,500,001 to HK\$4,000,000	1	1
HK\$4,000,001 to HK\$4,500,000	-	-
HK\$4,500,001 to HK\$5,000,000	1	-
HK\$5,000,001 to HK\$5,500,000	-	1

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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

(d) Five highest paid individuals

The five highest paid individuals in the Group during the year included one director (2018: two directors), details of whose emoluments have been disclosed in note (b) above. The emoluments paid to the remaining four individuals (2018: three individuals) for the year are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other benefits	10,762	8,309
Performance related bonus	1,641	1,897
Contributions to retirement benefits schemes	16	15
	12,419	10,221

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

	2019 Number	2018 Number
HK\$1,000,001 to HK\$1,500,000	-	-
HK\$1,500,001 to HK\$2,000,000	-	-
HK\$2,000,001 to HK\$2,500,000	1	-
HK\$2,500,001 to HK\$3,000,000	-	-
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$3,500,001 to HK\$4,000,000	1	1
HK\$4,000,001 to HK\$4,500,000	-	-
HK\$4,500,001 to HK\$5,000,000	1	-
HK\$5,000,001 to HK\$5,500,000	-	1

The emoluments represent the amounts paid to or receivable by the individuals in the respective financial year, which include the benefits derived from the share options granted, if any.

During the year, no emoluments were paid to the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office (2018: nil).

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

12. INTANGIBLE ASSETS

	Development costs RMB'000	Specialised software RMB'000	Total RMB'000
Cost			
As at 1st January, 2018	1,833,454	60,377	1,893,831
Additions	236,811	15,655	252,466
Transfer from construction-in-progress	16,120	161	16,281
Disposals/Write-off	-	(376)	(376)
As at 31st December, 2018	2,086,385	75,817	2,162,202
As at 1st January, 2019	2,086,385	75,817	2,162,202
Additions	438,274	18,016	456,290
Transfer from construction-in-progress	5,017	843	5,860
Disposals/Write-off	-	(213)	(213)
As at 31st December, 2019	2,529,676	94,463	2,624,139
Accumulated amortisation and impairment losses			
As at 1st January, 2018	1,174,952	22,679	1,197,631
Amortisation	110,820	6,405	117,225
Impairment for the year	235,643	124	235,767
Eliminated on disposals/Write-off	(2,423)	2,047	(376)
As at 31st December, 2018	1,518,992	31,255	1,550,247
As at 1st January, 2019	1,518,992	31,255	1,550,247
Amortisation	117,294	10,172	127,466
Eliminated on disposals/Write-off	-	(131)	(131)
As at 31st December, 2019	1,636,286	41,296	1,677,582
Net book value			
As at 31st December, 2019	893,390	53,167	946,557
As at 31st December, 2018	567,393	44,562	611,955

As at 31st December, 2019, after the impairment loss of RMB284 million for property, plant and equipment in relation to Huasong project (2018: approximately impairment losses of RMB225 million for intangible assets and approximately RMB49 million for property, plant and equipment), all the carrying amounts of the Huasong project assets were fully impaired based on management reassessed future economic benefit (2018: carrying amounts and its recoverable amounts which represented its value-in-use was approximately RMB256 million).

The development costs at 31st December, 2019 represent the carrying value of development costs for other automobile projects.

The recoverable amounts of other automobile projects are determined on a value in use basis. Value in use calculation uses cash flow projections based on financial budgets covering the remaining useful life. The management determines the key assumptions which include budgeted revenue and cost based on past performance of the other automobile projects, the general price inflation in China, and the management's expectation on market development. The discount rate of 12.14% (2018: 10%) is pre-tax and derived by reference to the capital asset pricing model plus a risk premium reflecting specific risks related to the industry.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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, 2018	796,341	2,853,437	350,486	76,626	183,616	4,260,506
Additions	1,773	53,996	4,323	4,768	145,426	210,286
Transfer to intangible assets	-	-	-	-	(16,281)	(16,281)
Inter-transfer	11,106	53,394	13,768	106	(78,374)	-
Disposals/Write-off	-	(90,535)	(14,306)	(3,783)	-	(108,624)
As at 31st December, 2018	809,220	2,870,292	354,271	77,717	234,387	4,345,887
As at 1st January, 2019	809,220	2,870,292	354,271	77,717	234,387	4,345,887
Recognition upon adoption of HKFRS 16 (note 2.2)	97,227	-	-	59	-	97,286
At 1st January, 2019 as restated	906,447	2,870,292	354,271	77,776	234,387	4,443,173
Additions	13,930	21,904	16,165	1,454	479,355	532,808
Transfer to intangible assets	-	-	-	-	(5,860)	(5,860)
Inter-transfer	9,789	284,314	18,455	107	(312,665)	-
Disposals/Write-off	(693)	(4,330)	(24,407)	(9,784)	-	(39,214)
As at 31st December, 2019	929,473	3,172,180	364,484	69,553	395,217	4,930,907
Accumulated depreciation and impairment losses						
As at 1st January, 2018	324,936	1,089,510	221,324	54,686	2,921	1,693,377
Charge for the year	27,829	91,172	33,742	5,340	-	158,083
Impairment losses	2,030	31,972	3,347	-	12,878	50,227
Eliminated on disposals/Write-off	-	(87,014)	(13,631)	(3,291)	-	(103,936)
As at 31st December, 2018	354,795	1,125,640	244,782	56,735	15,799	1,797,751
As at 1st January, 2019	354,795	1,125,640	244,782	56,735	15,799	1,797,751
Charge for the year	51,637	191,650	26,629	4,935	-	274,851
Impairment losses (note 12)	-	272,488	-	-	11,259	283,747
Eliminated on disposals/Write-off	(443)	(3,700)	(20,626)	(7,862)	-	(32,631)
As at 31st December, 2019	405,989	1,586,078	250,785	53,808	27,058	2,323,718
Net book value						
As at 31st December, 2019	523,484	1,586,102	113,699	15,745	368,159	2,607,189
As at 31st December, 2018	454,425	1,744,652	109,489	20,982	218,588	2,548,136

As at 31st December, 2019, 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 RMB241.5 million (2018: approximately RMB272.2 million).

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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

As at 31st December, 2019, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Carrying amount		Depreciation
	As at 31st December, 2019 RMB'000	As at 1st January, 2019 RMB'000	Charge for the year RMB'000
Buildings	80,980	97,227	23,250
Motor vehicles	40	59	19
	81,020	97,286	23,269

During the year ended 31st December 2019, the total additions to right-of-use assets included in property, plant and equipment, which are under buildings, amounted to RMB7,002,000. The details in relation to these leases are set out in note 27.

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. Upon initial application of HKFRS 16, the land lease prepayments fall into the scope of HKFRS 16 as it meet the definition of right-of-use assets. The value to be amortised within the next twelve months after 31st December, 2019 amounts to approximately RMB2,116,000 (2018: approximately RMB2,116,000).

	2019 RMB'000	2018 RMB'000
Cost		
As 1st January, and as at 31st December,	122,486	122,486
Accumulated amortisation		
As at 1st January,	38,089	35,973
Charge for the year	2,116	2,116
As at 31st December,	40,205	38,089
Net book value		
As at 31st December,	82,281	84,397

At 31st December, 2019, the short-term and long-term borrowings are secured by the Group's land lease prepayments with a net book value of approximately RMB32.1 million (2018: approximately RMB32.8 million).

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

15. INTERESTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Share of net assets by equity method		
– Unlisted joint ventures	21,555,021	24,074,405

Details of the Group's joint ventures as at 31st December, 2019 and 2018 were as follows:

Name of company	Place of incorporation/ establishment	Registered capital/issued and paid up capital	Legal structure	Percentage of effective equity interest/voting right held indirectly	Principal activities
Shenyang Xinguang Brilliance Automobile Engine Co., Ltd. ("Xinguang Brilliance")	Shenyang, the PRC	US\$7,220,000	Equity joint venture	50%	Manufacture and sale of automotive engines for minibuses and light duty trucks (ceased in the year and in the process of dissolution)
BBA	Shenyang, the PRC	US\$174,000,000	Equity joint venture	50%	Manufacture and sale of BMW vehicles

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

15. INTERESTS IN JOINT VENTURES (Cont'd)

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

	2019 RMB'000	2018 RMB'000
Non-current assets	58,416,480	54,382,164
Current assets	57,664,500	51,647,449
Current liabilities	(62,350,479)	(47,934,692)
Non-current liabilities	(10,620,459)	(9,946,112)
Net assets	43,110,042	48,148,809
Included in the above assets and liabilities:		
Cash and cash equivalents	26,335,539	23,098,471
Current financial liabilities (excluding accounts and other payables and provisions)	(16,808,860)	(8,015,343)
Non-current financial liabilities (excluding accounts and other payables and provisions)	(10,620,459)	(9,946,112)
Proportion of the Group's ownership interest in BBA	50%	50%
Carrying amount of the Group's interest in BBA	21,555,021	24,074,405

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

	2019 RMB'000	2018 RMB'000
Revenue	169,441,062	138,704,000
Interest income	616,685	484,424
Income tax	(5,127,379)	(4,281,603)
Profit after income tax	15,266,495	12,491,220
Other comprehensive (expense) income	(290,162)	1,575,054
Total comprehensive income	14,976,333	14,066,274
Dividends received from the joint venture	10,000,000	3,000,000

Upon the relaxation from the PRC Government of the restriction of foreign investors to hold more than 50% in the Chinese auto manufacturing sector starting in 2022, BMW Holding B.V. ("BMW") and the Company reached agreement to transfer 25% stake in BBA from Shenyang JinBei Automotive Industry Holdings Co., Ltd ("SJAI") to BMW such that following the transfer, which is expected to take place by no later than 2022, BBA will be beneficially owned as to 25% and 75% by SJAI and BMW, respectively.

The Group has not incurred any contingent liabilities or other commitments relating to its investments in the joint ventures (2018: nil).

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

15. INTERESTS IN JOINT VENTURES (Cont'd)

The net liabilities of Xinguang Brilliance and the Group's share are as follows:

	2019 RMB'000	2018 RMB'000
Net liabilities	(54,050)	(21,586)
Proportion of the Group's ownership interest in Xinguang Brilliance	50%	50%
Carrying amount of the Group's interest in Xinguang Brilliance	-	-
Net loss and total comprehensive expense	(32,464)	(15,907)
Unrecognised share of loss for the year	(16,232)	(7,954)
Unrecognised share of loss accumulative	(27,442)	(11,210)

16. INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets by equity method and goodwill		
– Associates listed in Hong Kong	981,300	979,245
– Unlisted associates	589,831	693,732
	1,571,131	1,672,977
Fair value of investment in associates listed in Hong Kong	140,010	152,772

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

16. INTERESTS IN ASSOCIATES (Cont'd)

Details of the Group's associates as at 31st December, 2019 and 2018 were as follows:

Name of company	Place of principal operations and establishment	Registered capital/issued and paid up capital	Legal structure	Percentage of effective equity interest/voting right held directly	Percentage of effective equity interest/voting right held indirectly	Principal activities
Xinchen China Power Holdings Limited ("Power Xinchen")	Cayman Islands	HK\$12,822,118	Company with limited liability	-	31.20%	Investment holding
Southern State Investment Limited	British Virgin Islands	US\$1	Company with limited liability	-	31.20%	Investment holding
Mianyang Xinchen Engine Co., Ltd.	Mianyang, the PRC	US\$100,000,000	Wholly foreign owned enterprise	-	31.20%	Development, manufacture and sale of automotive engines
Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd.	Shenyang, the PRC	RMB738,250,000	Equity joint venture	-	21.00%	Manufacture and sale of automotive engines
Shenyang JinBei Vehicle Dies Manufacturing Co., Ltd.	Shenyang, the PRC	RMB29,900,000	Equity joint venture	-	48%	Manufacture and sale of automotive components
Shenyang ChenFa Automobile Component Co., Ltd.	Shenyang, the PRC	US\$19,000,000	Equity joint venture	25%	-	Development, manufacture and sale of engines and engine components
Shenyang Brilliance Power Train Machinery Co., Ltd.	Shenyang, the PRC	US\$29,900,000	Equity joint venture	49%	-	Manufacture and sale of power trains

There is no associate that is individually material to the Group. The Group's share of aggregate financial information of the associates for the year ended 31st December, 2019 is summarised as follows:

	2019 RMB'000	2018 RMB'000
Net (loss) profit and other comprehensive income attributable to the Group	(16,757)	33,265
Dividends received from associates	84,000	105,000

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

17. EQUITY INVESTMENTS

	2019 RMB'000	2018 RMB'000
Financial assets at FVOCI (non-recycling)		
– Unlisted equity investment	4,138	4,138
– Listed equity investment in Hong Kong	2,339	8,155
	6,477	12,293

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

	2019 RMB'000	2018 RMB'000
Loan receivables from customers	6,967,777	5,024,062
Less: ECL allowance	(109,315)	(55,082)
	6,858,462	4,968,980
Less: current portion (<i>note 23</i>)	(3,414,511)	(1,241,072)
	3,443,951	3,727,908
Gross loan receivables recoverable:		
– No later than 1 year	3,471,706	1,254,908
– Later than 1 year and no later than 5 years	3,496,071	3,769,154
	6,967,777	5,024,062

All loan receivables were derived from the business of provision of auto financing by BBAFC during the year. The balances are denominated in Renminbi and secured by the motor vehicles of the borrowers for retail auto financing and security deposits are required for wholesale auto financing (*note 26*).

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

18. LOAN RECEIVABLE (Cont'd)

Included in loan receivables is an outstanding balance of approximately RMB2,011,000 (2018: approximately RMB1,788,000) from an affiliated company of Shanghai Shenhua for 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, 2019, loan receivables of approximately RMB30,102,000 (2018: approximately RMB47,430,000) were the outstanding balances to the Group under this joint auto financing arrangement.

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

	2019 RMB'000	2018 RMB'000
At 1st January,	55,082	36,561
ECL allowance recognised	77,999	24,808
Write-off of uncollectible accounts	(23,766)	(6,287)
At 31st December,	109,315	55,082

19. PLEDGED SHORT-TERM BANK DEPOSITS

Pledged short-term bank deposits as at 31st December, 2019 were pledged for the following purposes:

	2019 RMB'000	2018 RMB'000
Issue of bank guaranteed notes to trade creditors (<i>Note</i>)	2,583,334	847,080
Bank loans granted to JBC	210,530	210,530
Joint auto financing arrangement (<i>note 18</i>)	59	18,227
	2,793,923	1,075,837

Note:

In addition to short-term bank deposits, as at 31st December, 2019, the Group had also pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB31.3 million (2018: approximately RMB91.9 million) to secure the issue of bank guaranteed notes.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

20. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	401,476	501,885
Work-in-progress	217,770	195,582
Finished goods	285,735	408,473
	904,981	1,105,940
Less: provision for inventories	(199,885)	(94,296)
	705,096	1,011,644

As at 31st December, 2019, the carrying amount of inventories that were stated at net realisable value amounted to approximately RMB249 million (2018: approximately RMB356 million).

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

	2019 RMB'000	2018 RMB'000
At 1st January,	94,296	72,450
Provision for the year	165,793	46,682
Reversal for the year	(56,854)	(24,382)
Obsolete inventories written off	(3,350)	(454)
At 31st December,	199,885	94,296

The reversal of provision for inventories represents the reversal for provision previously recognised for inventories that were sold during the year (2018: same).

21. ACCOUNTS RECEIVABLE

	Note	2019 RMB'000	2018 RMB'000
Accounts receivable	21(a)	384,754	348,782
Accounts receivable from affiliated companies	33(c)	697,977	676,091
		1,082,731	1,024,873

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

21. ACCOUNTS RECEIVABLE (Cont'd)

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

	2019 RMB'000	2018 RMB'000
Less than six months	333,196	294,557
Six months to one year	11,332	8,193
Above one year but less than two years	9,332	16,924
Above two years but less than five years	25,549	23,540
Five years or above	50,580	42,321
	429,989	385,535
Less: ECL allowance	(45,235)	(36,753)
	384,754	348,782

At 31st December, 2019, accounts receivable from third parties of approximately RMB61 million (2018: approximately RMB38 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, 2019.

	2019			2018		
	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	333,196	1.2	3,998	294,557	1.0	2,946
Six months to one year	11,332	3.6	408	8,193	3.0	246
Above one year but less than two years	9,332	7.2	672	16,924	6.0	1,015
Above two years but less than five years	25,549	18.5	4,727	23,540	16.6	3,906
Five years or above	50,580	70.0	35,430	42,321	67.7	28,640
	429,989		45,235	385,535		36,753

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

21. ACCOUNTS RECEIVABLE (Cont'd)

(a) (Cont'd)

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

	2019 RMB'000	2018 RMB'000
At 1st January,	36,753	18,521
ECL allowance recognised	9,059	18,262
Write-off of uncollectible amounts	(577)	(30)
At 31st December,	45,235	36,753

22. NOTES RECEIVABLE

	Note	2019 RMB'000	2018 RMB'000
Notes receivable	22(a)	124,719	168,956
Notes receivable from affiliated companies	33(d)	44,550	148,176
		169,269	317,132

- (a) All notes receivable are denominated in Renminbi and are primarily notes received from customers for settlement of accounts receivable balances. As at 31st December, 2019, all notes receivable were guaranteed by established banks in the PRC with maturities of less than six months from 31st December, 2019 (2018: 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 31st December, 2019 from expected timing of endorsements and discounting at the interest rates for the respective notes receivable. The fair value is within level 2 of the fair value hierarchy.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

23. OTHER CURRENT ASSETS

	Note	2019 RMB'000	2018 RMB'000
Other receivables	23(a)	1,134,885	580,823
Prepayments and other current assets		78,564	95,600
Other taxes recoverable		79,153	63,536
Amounts due from affiliated companies	33(e)	987,372	951,869
Dividend receivable from an affiliated company	33(f)	17,100	–
Short-term loan receivables	18	3,414,511	1,241,072
		5,711,585	2,932,900

(a) Other receivables

	2019 RMB'000	2018 RMB'000
Loans to a third party	900,000	–
Receivable for prepayments for investments	–	400,000
Others	316,586	294,030
	1,216,586	694,030
Less: ECL allowance	(81,701)	(113,207)
At 31st December,	1,134,885	580,823

All other receivables are denominated in Renminbi.

During the year, the Group made loans to a third party of totalling RMB900 million (2018: nil) which are unsecured and bear interest at interest rates from 4% to 4.35%. RMB500 million of the loans was repaid in February 2020. The remaining RMB400 million is repayable by 26th December, 2020.

The receivable for prepayments for investments were fully settled in cash during the year. The other items in other receivables mainly represent prepayments and deposits paid and advanced to other parties.

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.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

23. OTHER CURRENT ASSETS (Cont'd)

(a) Other receivables (Cont'd)

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

	2019 RMB'000	2018 RMB'000
At 1st January,	113,207	106,154
Reclassified from ECL allowance on amounts due from affiliated companies (note 33(e))	-	14,000
ECL allowance reversed	(12,356)	(6,947)
Write-off of uncollectible amounts	(19,150)	-
At 31st December,	81,701	113,207

24. ACCOUNTS PAYABLE

	Note	2019 RMB'000	2018 RMB'000
Accounts payable	24(a)	1,101,935	1,367,949
Accounts payable to affiliated companies	33(g)	438,289	492,101
		1,540,224	1,860,050

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

	2019 RMB'000	2018 RMB'000
Less than six months	704,055	926,794
Six months to one year	69,717	77,967
Above one year but less than two years	53,713	217,010
Two years or above	274,450	146,178
	1,101,935	1,367,949

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

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

25. NOTES PAYABLE

	Note	2019 RMB'000	2018 RMB'000
Notes payable		4,953,873	1,491,732
Notes payable to affiliated companies	33(h)	5,422	138,916
		4,959,295	1,630,648

26. OTHER LIABILITIES

	Note	2019 RMB'000	2018 RMB'000
Contract liabilities		60,824	79,940
Other payables		1,033,357	920,932
Security deposits for wholesale auto financing		37,350	132,150
Accrued expenses		143,071	167,369
Deferred income		191,497	193,807
Other taxes payable		19,308	19,280
Provision for warranty	26(a)	28,596	26,144
Deferred government grants	26(b)	99,085	107,950
Lease liabilities	27	78,981	–
Amounts due to affiliated companies	33(i)	430,339	439,641
		2,122,408	2,087,213
Less: non-current portion		(169,429)	(103,070)
Current portion		1,952,979	1,984,143

Contract liabilities represent deposits received before the production activity commences, which give rise to contract liabilities at the start of a contract until the revenue recognised on the project exceeds the amount of the deposits.

The Group has recognised revenue of approximately RMB57 million during the year that was included in contract liability at the beginning of the year.

Security deposits for wholesale auto financing represent the amounts received from wholesale borrowers as set out in note 18.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

26. OTHER LIABILITIES (Cont'd)

Non-current portion of other liabilities at 31st December, 2019 composed of the following:

	Note	2019 RMB'000	2018 RMB'000
Provision for warranty	26(a)	14,921	–
Deferred government grants	26(b)	94,206	103,070
Lease liabilities	27	60,302	–
		169,429	103,070

(a) Provision for warranty

	2019 RMB'000	2018 RMB'000
Warranty to be provided		
– within one year	13,675	26,144
– over one year	14,921	–
	28,596	26,144

(b) Deferred government grants

	2019 RMB'000	2018 RMB'000
Government grants to be recognised as income		
– within one year	4,879	4,880
– over one year	94,206	103,070
	99,085	107,950

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

27. LEASE LIABILITIES

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

	2019 RMB'000	2018 RMB'000
Total minimum lease payments:		
– due within one year	21,924	–
– due in the second to fifth years	32,431	–
– due after the fifth year	49,247	–
	103,602	–
Less: finance charges on lease liabilities	(24,621)	–
Present value of lease liabilities	78,981	–
	2019 RMB'000	2018 RMB'000
Present value of total minimum lease payments		
– due within one year	18,679	–
– due in the second to fifth years	23,865	–
– due after the fifth year	36,437	–
	78,981	–
Less: portion due within one year included under current liabilities	(18,679)	–
Portion due after one year included under non-current liabilities	60,302	–

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1st January, 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31st December, 2018 has not been restated. Details for transitions to HKFRS 16 are set out in note 2.2(ii).

As at 31st December, 2019, some 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, 2019, the total cash outflows for the leases are RMB42,007,000.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

27. LEASE LIABILITIES (Cont'd)

As at 31st December 2019, the Group has entered into leases for office and factory buildings, and motor vehicles.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Office and factory buildings	Buildings in "property, plant and equipment"	18	0.5 to 17.93 years	Some of the contracts contain an option to renew the leases after the end of the contracts by giving a two-month to six-month notice to landlords before the end of the contracts
Motor vehicles	Motor vehicles in "property, plant and equipment"	1	2.0 years	This contract contains an option to renew the lease after the end of the contract by giving a 15 days' notice to landlord before the end of the contract

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

28. BANK BORROWINGS

	2019 RMB'000	2018 RMB'000
<i>Short-term bank borrowings:</i>		
Secured bank borrowings	91,000	98,000
Unsecured bank borrowings	6,201,000	4,525,500
Secured long-term bank borrowings due within one year	20,000	20,000
	6,312,000	4,643,500
<i>Long-term bank borrowings:</i>		
Secured bank borrowings	20,000	40,000
	6,332,000	4,683,500

All short-term bank borrowings at 31st December, 2019 are interest-bearing at rates ranging from 3.95% to 6.00% per annum (2018: 4.35% to 7.50% per annum) and repayable from 7th January, 2020 to 23rd December, 2020 (2018: 14th January, 2019 to 5th November, 2019).

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

28. BANK BORROWINGS (Cont'd)

As at 31st December, 2019, these bank borrowings are secured by the Group's land lease prepayments with a net book value of approximately RMB2.1 million (2018: approximately RMB2.2 million), buildings, tools and moulds, machinery and equipment and construction-in-progress with an aggregate net book value of approximately RMB208.0 million (2018: approximately RMB220.4 million).

All long-term bank borrowings as at 31st December, 2019 were interest-bearing at 5.23% per annum (2018: 5.23% per annum), repayable on 1st December, 2021 and secured by the Group's land lease prepayments with a net book value of approximately RMB30.0 million (2018: approximately RMB30.6 million) and buildings, plant and equipment with an aggregate net book value of approximately RMB33.5 million (2018: approximately RMB51.8 million).

Included in short-term unsecured bank borrowings is a bank borrowing of RMB700 million (2018: RMB500 million) from an affiliated company of a non-controlling interest of BBAFC. The interest incurred on the respective bank borrowing amounted to approximately RMB23,689,000 (2018: approximately RMB28,977,000).

29. DEFERRED TAX ASSET

As at 31st December, 2019, the Group had unrecognised deferred tax asset in respect of tax losses of approximately RMB4,626 million (2018: approximately RMB3,982 million) which will expire at various dates up to and including 2024 (2018: 2023).

In addition, as at 31st December, 2019, the Group also had not recognised deferred tax asset in respect of temporary differences of approximately RMB1,168 million (2018: approximately RMB779 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 13% to 20% (2018: 13% to 20%) of salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

The Group's Hong Kong employees are covered by the mandatory provident fund which is managed by an independent trustee. The Group and its Hong Kong employees each makes monthly mandatory contributions to the scheme at 5% (2018: 5%) of the employee's salary with the maximum amount of HK\$1,500 by each of the Group and the employee per month. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the fund.

The Group's contributions for staff in Hong Kong and the PRC for the year ended 31st December, 2019 were approximately RMB67.8 million (2018: approximately RMB69.0 million).

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

31. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

	2019		2018	
	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

	2019		2018	
	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, 2019, the Company did not have any outstanding share option.

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages securely afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in 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 debt as the sum of all short-term debts and long-term debts, including bank borrowings of approximately RMB6,332.0 million (2018: approximately RMB4,683.5 million) and notes payable for financing purpose of approximately RMB1,519.0 million (2018: approximately RMB417.1 million). As at 31st December, 2019, the Group's debt-to-equity ratio was 22.8% (2018: 16.0%).

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

31. SHARE CAPITAL AND SHARE OPTIONS (Cont'd)

(c) Share options

The share option scheme which was adopted on 11th November 2008 expired on 13th November, 2018.

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, 2019, the Company had no outstanding share option under the Share Option Scheme.

32. RESERVES

(a) Retained earnings

The Group’s retained earnings included an amount of approximately RMB1,660,423,000 (2018: approximately RMB1,624,595,000) reserved by the subsidiaries in relation to 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 Component Co., Ltd. (“Xing Yuan Dong”), released for capitalisation of paid-up registered capital as approved by the board of directors of in accordance with the relevant laws and regulations in prior years. Such release of dedicated capital is credited to the capital reserve.

(c) Hedging reserve

It represents the Group’s share of the hedging reserve in the equity of a joint venture. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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 HKAS24 Related Party Disclosures, other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government (“**government-related entities**”) are regarded as related parties of the Group.

For the related party transactions disclosure purpose, an affiliated company is a company in which one or more of the directors or substantial shareholders of the Company have direct or indirect beneficial interests in the company or are in a position to exercise significant influence over the company, including joint ventures and associates of the Group. Parties are also considered to be affiliated if they are subject to common control or common significant influence.

In addition to the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary and usual course of business and balances between the Group and its related parties, including other government-related entities.

During the year, the Group had significant transactions and balances with the following related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules.

Name	Relationship
Huachen	Major shareholder of the Company
Shanghai Shenhua	Common directorship of certain directors of the Company
Brilliance Holdings Limited (“ BHL ”)	Common directorship of a director of the Company
Renault SAS	49% non-controlling interest of RBJAC

Huachen is a PRC government-related entity, and is a connected person of the Company under the Listing Rules, with which the Group has material transactions.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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

- (a) The related party transactions in respect of items listed below also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Particulars of the continuing connected transactions are detailed in the Report of the Directors.

	2019 RMB'000	2018 RMB'000
Sales of goods to:		
– Huachen and its affiliated companies	472,630	575,853
Purchases of goods and services from:		
– Huachen and its affiliated company	401,400	673,118
– Renault SAS	258,620	103,687
Comprehensive services provided for:		
– Huachen and its affiliated company	28,513	58,912
Rental income from <i>(Note)</i> :		
– Huachen	3,679	3,212
Lease payments rent to <i>(Note)</i> :		
– Huachen	5,291	11,873
Employee cost – transfer of certain employees between RBJAC and Huachen under a personal transfer agreement	3,922	12,800

Note: Other than approximately RMB5,291,000 (2018: approximately RMB11,873,000) lease payments to Huachen, the rental income from Huachen constitutes continuing connected transactions but was exempt from the requirements of reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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

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

	2019 RMB'000	2018 RMB'000
Sales of goods:		
– Shanghai Shenhua and its affiliated companies	110,422	215,059
– Joint ventures	8,343	8,688
– Affiliated companies of a shareholder of a joint venture	–	697
– Associates	41,337	74,751
Purchases of goods:		
– Joint ventures	1,770	89,172
– Associates	330,174	264,852
– Shanghai Shenhua and its affiliated companies	–	7,377
Other transactions:		
Comprehensive services provided for:		
– an associate	5,500	–
– a joint venture	21,323	–
Interest from Xinhua Investment Holdings Limited (“Xinhua Investment”)	9,068	8,686
Interest from an associate	10,677	8,344
Interest to a non-controlling interest of BBAFC	23,689	28,977
Service fees from a non-controlling interest of BBAFC	2,437	6,810
Other income from affiliated companies of Shanghai Shenhua	4,634	–
Lease payments rent on land and buildings charged by Shanghai Shenhua	592	592
Purchases of property, plant and equipment from associates	1,691	–
Purchases of property, plant and equipment from Huachen and its affiliated companies	4,000	–
Purchases of intangible asset from a joint venture	13,358	–

The above sale and purchase transactions were carried out after negotiations between the Group and the affiliated companies in the ordinary course of business and on the basis of estimated market values as determined by the directors.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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

(c) As at 31st December, 2019, the Group's accounts receivable from affiliated companies consisted of the following:

	2019 RMB'000	2018 RMB'000
Accounts receivable from related parties:		
– Shanghai Shenhua and its affiliated companies	10,416	338,846
– Huachen and its affiliated companies	691,615	326,023
– Associates	18,512	33,454
– Joint ventures	4,418	4,302
– An affiliated company of a shareholder of a joint venture	340	340
	725,301	702,965
Less: ECL allowance	(27,324)	(26,874)
	697,977	676,091

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:

	2019 RMB'000	2018 RMB'000
Less than six months	153,804	217,323
Six months to one year	429,722	68,883
Above one year but less than two years	81,344	64,330
Above two years but less than five years	39,476	333,258
Five years or above	20,955	19,171
	725,301	702,965

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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, 2019.

	2019			2018		
	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	153,804	0.1	185	217,323	0.1	217
Six months to one year	429,722	0.6	2,578	68,883	0.5	344
Above one year but less than two years	81,344	1.7	1,367	64,330	1.4	901
Above two years but less than five years	39,476	6.4	2,524	333,258	4.0	13,337
Five years or above	20,955	98.6	20,670	19,171	63.0	12,075
	725,301		27,324	702,965		26,874

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

	2019 RMB'000	2018 RMB'000
At 1st January, ECL allowance recognised	26,874 450	10,416 16,458
At 31st December,	27,324	26,874

(d) As at 31st December, 2019, the Group's notes receivable from affiliated companies arising from trading activities consisted of the following:

	2019 RMB'000	2018 RMB'000
Notes receivable from related parties:		
– Shanghai Shenhua and its affiliated companies	8,204	10,851
– Associates	29,430	113,199
– Huachen and its affiliated company	6,916	24,126
	44,550	148,176

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, 2019 (2018: 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.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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

(e) As at 31st December, 2019, the amounts due from affiliated companies consisted of:

	2019 RMB'000	2018 RMB'000
Amounts due from related parties:		
– Joint ventures	11,411	99,485
– Associates	462,824	387,723
– Shanghai Shenhua and its affiliated companies	70	123
– Huachen and its affiliated companies	150,053	173,227
– Xinhua Investment	384,431	369,464
– Non-controlling interest of a subsidiary	1,969	6,768
	1,010,758	1,036,790
Less: ECL allowance	(23,386)	(84,921)
	987,372	951,869

Amounts due from affiliated companies are unsecured, interest-free and repayable on demand except for approximately RMB384,431,000 (2018: approximately RMB369,464,000) due from Xinhua Investment, a shareholder of Power Xincheng and approximately RMB368,000,000 (2018: approximately RMB300,000,000) due from an associate of the Group.

The amount due from Xinhua Investment is secured by all its assets, interest-bearing at 3% per annum on the principal and repayable in August 2019. On 22nd August, 2019, an agreement was entered into between Xinhua Investment and the Company to further extend the repayment of the amount to August 2020.

Approximately RMB368,000,000 (As at 31st December, 2018: approximately RMB300,000,000) due from an associate is unsecured, interest-bearing at 5.10% per annum on RMB68,000,000 and 4.35% on RMB300,000,000. (As at 31st December, 2018: 4.35% on RMB300,000,000), are repayable on 12th May, 2020 and 26th December 2020, respectively.

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

	2019 RMB'000	2018 RMB'000
At 1st January,	84,921	90,173
ECL allowance recognised	–	8,748
ECL allowance reversed	(49,238)	–
Write-off of uncollectible amounts	(12,297)	–
Reclassified to ECL allowance on other receivables (<i>note 23(a)</i>)	–	(14,000)
At 31st December,	23,386	84,921

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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

- (f) As at 31st December, 2019, dividend receivable from an affiliated company represents dividend receivable from an associate of the Group.
- (g) As at 31st December, 2019, the Group's accounts payable to affiliated companies arising from trading activities consisted of the following:

	2019 RMB'000	2018 RMB'000
Due to related parties:		
– Associates	146,467	240,592
– Joint ventures	1,933	69,495
– Huachen and its affiliated companies	281,824	163,357
– An affiliated company of BHL	364	364
– Shanghai Shenhua and its affiliated companies	7,698	18,290
– An affiliated company of a shareholder of a joint venture	3	3
	438,289	492,101

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:

	2019 RMB'000	2018 RMB'000
Less than six months	272,570	307,452
Six months to one year	98,803	79,895
Above one year but less than two years	25,243	86,306
Two years or above	41,673	18,448
	438,289	492,101

- (h) As at 31st December, 2019, the Group's notes payable to affiliated companies arising from trading activities consisted of the following:

	2019 RMB'000	2018 RMB'000
Notes payable to related parties:		
– Associates	3,357	81,151
– Huachen and its affiliated company	2,065	57,765
	5,422	138,916

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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

- (i) As at 31st December, 2019, the amounts due to affiliated companies by the Group consisted of:

	2019 RMB'000	2018 RMB'000
Amounts due to related parties:		
– Associates	3,944	5,311
– A joint venture	–	5,000
– Huachen and its affiliated companies	326,899	351,917
– Affiliated companies of BHL	28,412	28,326
– Affiliated companies of Shanghai Shenhua	4,297	4,313
– Non-controlling interests of subsidiaries	66,787	44,774
	430,339	439,641

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

- (j) Pursuant to a trademark license agreement, JBC granted RBJAC the right to use the JinBei trademark on its products and marketing materials indefinitely at nil consideration.
- (k) Pursuant to a trademark license agreement, Renault granted RBJAC the right to use the Renault trademark on its products and marketing materials at nil consideration before 1st January, 2025.
- (l) Compensation benefits to key management personnel are as follows:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits and post-employment benefits	23,084	22,588

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.

(m) Transactions and balances with other state-owned enterprises in the PRC

The Group operates in an economic environment predominated by government-related entities. During the year, the Group had entered into various transactions with government-related entities including, but not limited to, sales of minibuses, MPVs and automotive components, purchases of raw materials and automotive components, and utilities services.

The directors consider that transactions with other government-related entities are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and other government-related entities are ultimately controlled or owned by the PRC Government. The Group has established pricing policies for its products and services, and such pricing policies do not depend on whether or not the customers are government related entities. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure except for the transactions with government-related entities as disclosed above and majority parts of bank balances, short-term and pledged short-term deposits with and bank borrowings from state-owned financial institutions. The directors are of the opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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

(a) Cash used in operations:

	2019 RMB'000	2018 RMB'000
Profit before income tax expense	6,292,456	5,359,046
Share of results of:		
– Joint ventures	(7,626,004)	(6,244,848)
– Associates	16,757	(33,265)
Interest and financing service income	(571,912)	(437,483)
Finance costs	95,460	113,927
Dividend income from equity investments	(200)	–
Write-back of provision for inventories sold	(56,854)	(24,382)
Depreciation of property, plant and equipment	274,851	158,083
Amortisation of intangible assets	127,466	117,225
Amortisation of land lease prepayments	2,116	2,116
Impairment loss on property, plant and equipment	283,747	50,227
Impairment loss on intangible assets	–	235,767
Loss on disposal of property, plant and equipment	1,783	1,329
Loss on disposal of intangible assets	82	–
Deferred income from government grants	(44,301)	(22,371)
Provision for inventories	165,793	46,682
Net provision (reversal) of ECL allowance on:		
– Accounts receivable	9,059	18,262
– Accounts receivable from affiliated companies	450	16,458
– Amounts due from affiliated companies	(49,238)	8,748
– Loan receivables	77,999	24,808
– Other receivables	(12,356)	(6,947)
– Other receivables grouped under other non-current assets	4	41
Operating loss before working capital change	(1,012,842)	(616,577)
Decrease in statutory deposit reserves at central bank	9,208	29,486
Decrease in inventories	198,922	11,891
Increase in accounts receivable	(67,367)	(36,228)
Increase in loan receivables	(1,967,481)	(1,630,368)
Decrease in notes receivable	70,300	147,776
Increase in other current assets	(4,598)	(460,849)
Decrease in accounts payable	(319,826)	(1,418,820)
Increase in notes payable	2,226,752	732,524
(Decrease) Increase in other current liabilities	(210,385)	49,017
Cash used in operations	(1,077,317)	(3,192,148)

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

34. CASH USED IN OPERATIONS AND RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Cont'd)

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities for the year.

	Notes payable for financing purpose RMB'000	Dividend payable RMB'000	Deferred government grant RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1st January, 2019, as previously stated	417,105	-	107,950	4,683,500	-	5,208,555
Recognition of lease liabilities upon adoption of HKFRS 16 (note 2.2)	-	-	-	-	97,286	97,286
At 1st January, 2019, as restated	417,105	-	107,950	4,683,500	97,286	5,305,841
<i>Changes from financing cash flows:</i>						
Cash received from financing from banks	1,519,000	-	-	8,419,820	-	9,938,820
Repayments to banks	(417,105)	-	-	(6,771,320)	-	(7,188,425)
Payments	-	(3,767,901)	-	-	(25,307)	(3,793,208)
Interest paid for lease liabilities	-	-	-	-	(4,125)	(4,125)
Government grant received	-	-	35,436	-	-	35,436
<i>Changes from non-cash movements:</i>						
Dividend declared	-	3,767,901	-	-	-	3,767,901
Deferred income recognised	-	-	(44,301)	-	-	(44,301)
Inception of lease liabilities	-	-	-	-	7,002	7,002
Interest expenses recognised (note 6)	-	-	-	-	4,125	4,125
At 31st December, 2019	1,519,000	-	99,085	6,332,000	78,981	8,029,066
	Notes payable for financing purpose RMB'000	Dividend payable RMB'000	Deferred government grant RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1st January, 2018	2,299,567	198,755	115,829	2,889,900	-	5,504,051
<i>Changes from financing cash flows:</i>						
Cash received from financing from banks	417,105	-	-	6,963,500	-	7,380,605
Repayments to banks	(2,299,567)	-	-	(5,169,900)	-	(7,469,467)
Payments	-	(682,577)	-	-	-	(682,577)
Government grant received	-	-	14,492	-	-	14,492
<i>Changes from non-cash movements:</i>						
Dividend declared	-	483,822	-	-	-	483,822
Deferred income recognised	-	-	(22,371)	-	-	(22,371)
At 31st December, 2018	417,105	-	107,950	4,683,500	-	5,208,555

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

35. COMMITMENTS

(a) Capital commitments

	2019 RMB'000	2018 RMB'000
Contracted but not provided for:		
– Construction projects	78,800	15,512
– Acquisition of plant and machinery	589,714	151,784
– Others	375,398	107,673
	1,043,912	274,969

(b) Lease commitments

As lessee:

As at 31st December, 2019, the lease commitments for short-term leases (2018: total future aggregate minimum lease payments payable by the Group, under non-cancellable operating leases in respect of leased properties) as follows:

	2019 RMB'000	2018 RMB'000
Within one year	1,105	32,926
In the second to fifth years inclusive	1,110	57,953
Over five years	–	58,897
	2,215	149,776

As at 31 December 2019, the Group had committed to a lease for an office in which the lease had not yet commenced. The total future cash outflows for this lease amounting to approximately RMB1.6 million in aggregate which are included in the table above.

As lessor:

As at 31st December, 2019, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land use rights as follows:

	2019 RMB'000	2018 RMB'000
Within one year	5,173	5,166
In the second to fifth years inclusive	1,279	5,263
	6,452	10,429

36. CONTINGENT LIABILITIES

Pursuant to an agreement dated 20th November, 2018 entered into between a member of the Group and JBC, both parties agreed to provide cross guarantees to support each other in obtaining banking facilities up to a maximum amount of RMB600 million for each party (As at 31st December, 2018: RMB600 million) for the period from 1st January, 2019 to 31st December, 2019. As at 31st December, 2019, under this agreement, outstanding bank loans and other banking facilities totaling RMB206 million (2018: RMB206 million) were utilised and supported by the Group's bank deposits pledged to and corporate guarantee provided to the banks.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current assets		
Property, plant and equipment	10,129	511
Interests in subsidiaries	3,621,757	3,566,277
Interests in associates	110,051	141,183
Equity investments	2,339	8,155
Total non-current assets	3,744,276	3,716,126
Current assets		
Cash and cash equivalents	184,300	28,719
Short-term bank deposit	–	176,311
Other current assets	470,483	451,578
Total current assets	654,783	656,608
Current liabilities		
Other current liabilities	16,439	12,281
Total current liabilities	16,439	12,281
Net current assets	638,344	644,327
Total assets less current liabilities	4,382,620	4,360,453
Non-current liabilities		
Lease liabilities	4,068	–
Total non-current liabilities	4,068	–
NET ASSETS	4,378,552	4,360,453
Capital and reserves		
Share capital	397,176	397,176
Reserves (<i>Note</i>)	3,981,376	3,963,277
TOTAL EQUITY	4,378,552	4,360,453

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

Yan Bingzhe
Director

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

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, 2018	2,476,082	8,866	39,179	846,876	3,371,003
Dividends	-	-	-	(483,822)	(483,822)
Profit and total comprehensive expense for the year	-	(12,206)	-	1,088,302	1,076,096
As at 31st December, 2018 and 1st January, 2019	2,476,082	(3,340)	39,179	1,451,356	3,963,277
Dividends	-	-	-	(3,767,901)	(3,767,901)
Profit and total comprehensive expense for the year	-	(5,816)	-	3,791,816	3,786,000
As at 31st December, 2019	2,476,082	(9,156)	39,179	1,475,271	3,981,376

The directors consider that the Company had approximately RMB1,514.4 million (2018: approximately RMB1,490.5 million) available for distribution to shareholders.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

38. INTERESTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 31st December, 2019 and 2018 were as follows:

Name of company	Place of establishment/ incorporation	Registered capital/issued and fully paid capital	Legal structure	Percentage of effective equity interest/voting right attributable to the Company at 31st December, 2019 and 2018		Principal activities
				Directly	Indirectly	
RBJAC	Shenyang, the PRC	US\$1,562,074,000	Equity joint venture	-	51%	Manufacture, assembly and sale of automobiles and automotive components
Ningbo Yuming Machinery Industrial Co., Ltd.	Ningbo, the PRC	US\$22,500,000	Wholly foreign owned enterprise	-	100%	Manufacture and sale of automotive components
Xing Yuan Dong	Shenyang, the PRC	US\$150,000,000	Wholly foreign owned enterprise	100%	-	Manufacture and trading of automotive components
Ningbo Brilliance Ruixing Auto Components Co., Ltd.	Ningbo, the PRC	US\$5,000,000	Wholly foreign owned enterprise	100%	-	Manufacture and trading of automotive components
Mianyang Ruian	Mianyang, the PRC	US\$22,910,000	Wholly foreign owned enterprise	100%	-	Manufacture and trading of automotive components
Shenyang Brilliance Dongxing Automotive Component Co., Ltd.	Shenyang, the PRC	RMB222,000,000	Wholly foreign owned enterprise	-	100%	Manufacture and trading of automotive components and remodeling minibuses and sedans
Shenyang Brilliance Jindong Development Co., Ltd.	Shenyang, the PRC	RMB10,000,000	Equity joint venture	-	100%	Trading of automotive components
Shenyang Jianhua Motors Engine Co., Ltd	Shenyang, the PRC	RMB155,032,500	Equity joint venture	-	100%	Investment holding
China Brilliance Automotive Components Group Limited	Bermuda	US\$12,000	Company with limited liabilities	100%	-	Investment holding
Brilliance Investment Holdings Limited	British Virgin Islands	US\$1	Company with limited liabilities	100%	-	Investment holding
Beston Asia Investment Limited	British Virgin Islands	US\$1	Company with limited liabilities	100%	-	Investment holding

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2019

38. INTERESTS IN SUBSIDIARIES (Cont'd)

Name of company	Place of establishment/ incorporation	Registered capital/issued and fully paid capital	Legal structure	Percentage of effective equity interest/voting right attributable to the Company at 31st December, 2019 and 2018		Principal activities
				Directly	Indirectly	
Pure Shine Limited	British Virgin Islands	US\$1	Company with limited liabilities	100%	–	Investment holding
Key Choices Group Limited	British Virgin Islands	US\$50,000	Company with limited liabilities	100%	–	Investment holding
Brilliance China Finance Limited	British Virgin Islands	US\$50,000	Company with limited liabilities	100%	–	Investment holding
SJAI	Shenyang, the PRC	RMB1,500,000,000	Company with limited liabilities	–	100%	Investment holding
Shanghai Hidea Auto Design Co., Ltd.	Shanghai, the PRC	US\$2,000,000	Equity joint venture	25%	75%	Design of automobiles
BBAFC	Shanghai, the PRC	RMB1,600,000,000	Equity joint venture	55%	–	Provision of auto financing service

Note: Except for the subsidiaries incorporated in Bermuda and the British Virgin Islands, all other subsidiaries principally operate in the PRC.

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 92 to 184 were approved and authorised for issue by the board of directors on 27th March, 2020.