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Brilliance Auto

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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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2020

The board of directors of Brilliance China Automotive Holdings Limited (the “Company”) announces the consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December, 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December,

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

	Note	2020 RMB'000	2019 RMB'000 (Restated)
Revenue	4	3,123,210	3,861,949
Cost of sales		(3,104,623)	(3,787,570)
Gross profit		18,587	74,379
Other income		160,629	159,108
Interest income		185,058	101,395
Selling expenses		(223,772)	(376,860)
General and administrative expenses		(2,201,127)	(1,153,435)
Net expected credit loss (“ECL”) allowance on loans and receivables		(6,459,433)	(121,385)
Loss on unauthorised guarantees	13	(1,917,062)	–
Finance costs		(135,465)	(95,460)
Share of results of:			
Joint ventures		10,091,949	7,626,004
Associates		(347,954)	(16,757)
(Loss) Profit before income tax expense	5	(828,590)	6,196,989
Income tax expense	6	(128,956)	(215,454)
(Loss) Profit for the year		(957,546)	5,981,535

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)*For the year ended 31st December,**(Expressed in thousands of RMB except for earnings per share amounts)*

	Note	2020 RMB'000	2019 RMB'000 (Restated)
Attributable to:			
Equity holders of the Company		11,219	6,667,240
Non-controlling interests		(968,765)	(685,705)
		(957,546)	5,981,535
Earnings per share			
	7		
- Basic		RMB0.00222	RMB1.32148
- Diluted		RMB0.00222	RMB1.32148

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31st December,*

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December,

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31st December,*

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

NOTES:

1. CORPORATE INFORMATION

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

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

The Company is an investment holding company. The principal activities of the 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 and multi-purpose vehicles ("MPVs") through its subsidiary, Renault Brilliance Jinbei Automotive Company Limited ("RBJAC") and automotive components through its subsidiaries Ningbo Yumin Machinery Industrial Co., Ltd ("Ningbo Yumin") and Mianyang Brilliance Ruian Automotive Components Co., Ltd. ("Mianyang Ruian"), and the provision of auto financing service through its subsidiary, Brilliance-BEA Auto Finance Co., Ltd. ("BBAFC").

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

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

Furthermore, as published in the announcement of the Company dated 30th March, 2022, the independent board committee also appointed an independent forensic investigator on 15th March, 2022 to conduct an independent forensic investigation ("**Independent Forensic Investigation**") with a view to identifying all unauthorised financial assistance made by the Group since 2019.

The Independent Forensic Investigation is ongoing and with reference to the preliminary findings in the draft report prepared by the independent forensic investigator, the board of directors has identified all unauthorised financial assistance made by the Group. The board of directors considers the impact of these unauthorised financial assistance made by the Group has been accounted for in the consolidated financial statements. The impact of unauthorised financial assistance, together with the findings of the Independent Investigation and follow up actions taken by the Company, are summarized as below.

2. SUSPENSION OF TRADING OF SHARES OF THE COMPANY AND INDEPENDENT INVESTIGATION (Continued)

Unauthorised guarantees

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

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

Unauthorised pledged short-term bank deposits

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

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

2. SUSPENSION OF TRADING OF SHARES OF THE COMPANY AND INDEPENDENT INVESTIGATION (Continued)

Unauthorised pledged short-term bank deposits (Continued)

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

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

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

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

Inconsistencies in bank statements

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

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

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

2. SUSPENSION OF TRADING OF SHARES OF THE COMPANY AND INDEPENDENT INVESTIGATION (Continued)

Inconsistencies in bank statements (Continued)

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

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

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

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

2. SUSPENSION OF TRADING OF SHARES OF THE COMPANY AND INDEPENDENT INVESTIGATION (Continued)

Inconsistencies in bank statements (Continued)

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

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

Fund inflows and outflows without commercial rationale

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

2. SUSPENSION OF TRADING OF SHARES OF THE COMPANY AND INDEPENDENT INVESTIGATION (Continued)

Fund inflows and outflows without commercial rationale (Continued)

For the year ended 31st December, 2020:

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

For the year ended 31st December, 2019:

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

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

2. SUSPENSION OF TRADING OF SHARES OF THE COMPANY AND INDEPENDENT INVESTIGATION (Continued)

Fund inflows and outflows without commercial rationale (Continued)

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

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), collective terms of which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and the accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the SEHK (the “**Listing Rules**”).

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Adoption of New and Amended HKFRSs

(i) *Amendments to HKAS 1 and HKAS 8 “Definition of Material”*

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

The amendments also:

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

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

(ii) *Amendments to HKFRS 16 “COVID-19-Related Rent Concessions”*

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

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Adoption of New and Amended HKFRSs (Continued)

(ii) Amendments to HKFRS 16 “COVID-19-Related Rent Concessions” (Continued)

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

- a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) any reduction in lease payments affects only payments originally due on or before 30th June, 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30th June, 2021 and increased lease payments that extend beyond 30th June, 2021); and
- c) there is no substantive change to other terms and conditions of the lease.

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

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

(c) Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost, except for financial instruments classified as finance assets which are measured at FVOCI and fair value through profit or loss.

(d) Preparation of consolidated financial statements

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

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Future changes in HKFRSs

As at the date of authorisation of these consolidated financial statements, the HKICPA has issued certain new and amended HKFRSs which are relevant to the Group and not yet effective.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosures of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction ³
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrowers of a Term Loan that Contains a Repayment on Demand Clause ³
HKFRS 17	Insurance Contracts and related amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination ⁵

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

² Effective for annual periods beginning on or after 1st January, 2022

³ Effective for annual periods beginning on or after 1st January, 2023

⁴ Effective date not yet determined

⁵ Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1st January, 2022

The directors of the 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. The directors expect that the new and amended HKFRSs have no material impact on the Group's consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue earned during the year represents:

	2020 RMB'000	2019 RMB'000
Sale of minibuses, MPVs and automotive components, net of consumption tax, discounts and return	2,554,363	3,391,432
Interest and service charge income from provision of auto financing service, net of other indirect taxes	568,847	470,517
	3,123,210	3,861,949

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

During the year, the Group had two largest customers with aggregate revenue of approximately RMB386,909,000 or 12% of the Group's revenue (2019: one largest customer with aggregate revenue of approximately RMB380,342,000 or 10% of the Group's revenue). Other than these two largest customers (2019: one largest customer), no other customer had aggregate revenue reaching or exceeding 10% of the Group's revenue during the year (2019: same).

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

	2020 RMB'000	2019 RMB'000
PRC	2,360,843	3,186,737
Other Asian countries	10,247	3,889
Latin America and Caribbean Sea	123,512	190,946
Middle East	28,770	9,746
Others	30,991	114
	2,554,363	3,391,432

All interest and service charge income from provision of auto financing service is derived in the PRC.

The 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.

4. REVENUE AND SEGMENT INFORMATION (Continued)

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, interests in associates and equity investments. 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.

All segment assets are located in the PRC.

4. REVENUE AND SEGMENT INFORMATION (Continued)

Operating segments – 2020

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

Operating segments – 2019 (Restated)

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision of auto financing service RMB'000	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination RMB'000	Total RMB'000
Segment sales	3,391,432	169,441,062	479,659	(169,450,204)	3,861,949
Segment results (as restated)	(1,440,618)	20,393,874	51,979	(20,375,245)	(1,370,010)
Unallocated costs net of unallocated income					(48,183)
Interest income					101,395
Finance costs					(95,460)
Share of results of:					
Joint ventures	-	7,626,004	-	-	7,626,004
Associates	(16,757)	-	-	-	(16,757)
Profit before income tax expense (as restated)					6,196,989

4. REVENUE AND SEGMENT INFORMATION (Continued)

Operating segments – 2020

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision for auto financing service RMB'000	Reconciliation to the Group's consolidated statement of financial position and intersegment elimination RMB'000	Total RMB'000
Segment assets	11,302,384	139,305,840	6,078,299	(139,963,280)	16,723,243
Interests in joint ventures	-	29,960,324	-	-	29,960,324
Interests in associates	1,108,960	-	-	-	1,108,960
Equity investments					6,881
Unallocated assets					175,305
Total assets					47,974,713
Segment liabilities	10,887,881	79,385,192	4,383,453	(80,048,778)	14,607,748
Unallocated liabilities					9,835
Total liabilities					14,617,583
Other disclosures:					
Capital expenditures					
- Owned assets	541,155	9,240,390	7,296	(9,240,390)	548,451
- Right-of-use assets	9,432	302,903	11,902	(302,903)	21,334
Depreciation of property, plant and equipment					
- Owned assets	275,871	4,588,554	1,645	(4,588,554)	277,516
- Right-of-use assets	18,337	264,359	5,900	(264,359)	24,237
Amortisation of land lease prepayments	2,116	79,078	-	(79,078)	2,116
Amortisation of intangible assets	133,563	123,363	5,450	(123,363)	139,013
Provision for inventories	118,502	1,239,145	-	(1,239,145)	118,502
Reversal of provision for inventories sold	122,699	924,966	-	(924,966)	122,699
Net provision of ECL allowance	6,374,036	-	85,397	-	6,459,433
Loss on unauthorised guarantees	1,917,062	-	-	-	1,917,062
Impairment losses on assets	930,160	126,213	-	(126,213)	930,160
Impairment losses on interests in associates	115,006	-	-	-	115,006
Income tax expense	5,472	6,932,539	23,484	(6,832,539)	128,956

4. REVENUE AND SEGMENT INFORMATION (Continued)

Operating segments – 2019 (Restated)

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision for auto financing service RMB'000	Reconciliation to the Group's consolidated statement of financial position and intersegment elimination RMB'000	Total RMB'000
Segment assets (as restated)	18,639,135	116,080,980	7,752,825	(116,435,143)	26,037,797
Interests in joint ventures	-	21,555,021	-	-	21,555,021
Interests in associates	1,571,131	-	-	-	1,571,131
Equity investments					6,477
Unallocated assets					204,111
Total assets (as restated)					49,374,537
Segment liabilities	9,240,705	72,970,938	6,107,833	(73,335,412)	14,984,064
Unallocated liabilities					10,488
Total liabilities					14,994,552
Other disclosures:					
Capital expenditures					
- Owned assets	974,418	6,923,132	7,678	(6,923,132)	982,096
- Right-of-use assets	7,002	1,050,942	-	(1,050,942)	7,002
Depreciation of property, plant and equipment					
- Owned assets	250,154	4,395,528	1,428	(4,395,528)	251,582
- Right-of-use assets	17,466	226,632	5,803	(226,632)	23,269
Amortisation of land lease prepayments	2,116	53,140	-	(53,140)	2,116
Amortisation of intangible assets	122,771	119,398	4,695	(119,398)	127,466
Provision for inventories	165,793	952,824	-	(952,824)	165,793
Write-back of provision for inventories sold	56,854	730,651	-	(730,651)	56,854
Net provision of ECL allowance (as restated)	96,945	-	76,586	(52,146)	121,385
Impairment losses on assets	283,747	172,517	-	(172,517)	283,747
Income tax expense	2,946	5,127,379	12,508	(4,927,379)	215,454

5. (LOSS) PROFIT BEFORE INCOME TAX EXPENSE

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

	2020 RMB'000	2019 RMB'000 (Restated)
Charging:		
ECL allowance on loans and receivables:		
– Pledged and restricted short-term bank deposits	1,050,000	–
– Accounts receivable	32,986	9,059
– Loan receivables	51,628	77,999
– Other receivables grouped under		
– Current assets	3,737,357	82,368
– Non-current assets	–	4
– Accounts receivable from affiliated companies	139,037	450
– Amounts due from affiliated companies	1,447,871	–
– Dividend receivable from an affiliated company	566	–
Impairment losses on owned assets:		
– Property, plant and equipment (b)	573,016	283,747
– Intangible assets (b)	357,144	–
Impairment losses on interests in associates:		
– Listed associate (b)	72,799	–
– Unlisted associate (b)	42,207	–
Staff costs (including directors' emoluments)	648,363	761,030
Amortisation of intangible assets (a)	139,013	127,466
Amortisation of land lease prepayments	2,116	2,116
Loss on disposal of property, plant and equipment:		
– Owned assets	6,649	1,783
– Right-of-use assets	891	–
Loss on disposal of intangible assets	–	82
Depreciation of property, plant and equipment:		
– Owned assets	277,516	251,582
– Right-of-use assets	24,237	23,269
Cost of inventories	2,803,141	3,570,892
Exchange loss, net (b)	46,760	5,476
Provision for inventories	118,502	165,793
Auditors' remuneration (b)	3,541	3,286
Research and development costs (b)	412,009	142,603
Warranty provision (b)	4,092	24,154
Lease charges:		
– Short-term leases with lease terms of 12 months or shorter	15,068	12,103
– Low value items	368	472
Crediting:		
Reversal of provision for inventories sold	122,699	56,854
Rental income from land and buildings	5,268	5,265
Reversal of ECL allowance on loans and receivables:		
– Other receivables grouped under non-current assets	12	–
– Amounts due from affiliated companies	–	48,495

5. (LOSS) PROFIT BEFORE INCOME TAX EXPENSE (Continued)

- (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.

6. INCOME TAX EXPENSE

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

	2020	2019
	RMB'000	RMB'000
<hr/>		
<i>Current tax</i>		
PRC corporate income tax		
– Current year	31,861	18,697
– Over provision in prior years	(2,905)	(3,243)
PRC withholding tax on dividend	100,000	200,000
<hr/>		
Total income tax expense	128,956	215,454
<hr/>		

(a) Bermuda tax

The Company was incorporated under the laws of Bermuda and has received an undertaking from the Ministry of Finance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act, 1966, which exempts the Company and its shareholders, other than shareholders ordinarily residing in Bermuda, from any Bermuda taxes computed on profit, income or any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, at least until year 2035.

(b) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2019: nil).

(c) PRC corporate income tax

The Group's subsidiaries incorporated in the PRC are subject to Corporate Income Tax. Under the PRC Corporate Income Tax Law and the respective regulations, the Corporate Income Tax for the subsidiaries, except Mianyang Ruian, is calculated at 25% on their estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

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

6. INCOME TAX EXPENSE (Continued)

(c) PRC corporate income tax (Continued)

With effect from 1st January, 2008, all profits of the PRC subsidiaries arising since that date that are distributed and remitted as dividend to the overseas parents are subject to 5% or 10% withholding tax on the amount remitted. The dividends received by the Company during the year related solely to the dividends distributed by BBA and therefore dividend withholding tax is paid in the same year. For the profits generated by the manufacture of minibuses, MPVs and automotive components by the Group's subsidiaries, it is the intention of the management that the Group would reinvest these profits in the respective subsidiaries and therefore withholding tax would not be applicable for those profits. Accordingly, no deferred tax is recognised in respect of this withholding tax on profits of the Group's PRC subsidiaries. Unremitted earnings (determined under PRC GAAP) subject to this withholding tax totalled approximately RMB7,317,158,000 at 31st December, 2020 (2019: approximately RMB5,301,834,000).

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

	2020 RMB'000	2019 RMB'000 (Restated)
(Loss) Profit before income tax expense	(828,590)	6,196,989
Calculated at a weighted average statutory taxation rate in the PRC of 4.99% (2019: 25.35%)	(41,310)	1,571,129
Effect of tax holiday	(34)	(260)
Tax effect of non-taxable income	(35,325)	(9,893)
Tax effect of non-deductible expenses	1,606,685	627
Profits attributable to joint ventures	(2,522,987)	(1,906,501)
Losses attributable to associates	86,989	4,189
PRC withholding tax on dividend	100,000	200,000
Unrecognised temporary differences	672,188	97,447
Unrecognised tax losses net of utilisation of previously unrecognised tax losses	265,655	261,959
Over provision in prior years	(2,905)	(3,243)
Tax expense for the year	128,956	215,454

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately RMB11,219,000 (2019: approximately RMB6,667,240,000 (as restated)) by the weighted average number of ordinary shares of 5,045,269,000 shares (2019: 5,045,269,000 shares).

Diluted earnings per share is the same as basic earnings per share for the year ended 31st December, 2020 (2019: same) as there was no potential dilutive ordinary share in issue during the year (2019: same).

8. PLEDGED AND RESTRICTED SHORT-TERM BANK DEPOSITS

Pledged short-term bank deposits as at 31st December, 2020 were pledged for the following purposes:

	2020 RMB'000	2019 RMB'000
Restricted short-term bank deposits (Note i)	87,243	–
<i>Pledged short-term bank deposits for:</i>		
Issue of bank guaranteed notes by		
– the Group for settlements of accounts payable (Note ii)	1,212,680	2,583,334
– Brilliance Power (Note iii)	300,000	–
– Huayixin (Note iii)	350,000	300,000
– Huachen (Note iv)	400,000	–
Bank loans granted to Shenyang JinBei Automotive Co., Ltd. (“JBC”)	214,100	210,530
Joint auto financing arrangement	–	59
Total pledged short-term bank deposits	2,476,780	3,093,923
Less: ECL allowance	(1,050,000)	–
	1,426,780	3,093,923
Total pledged and restricted short-term bank deposits	1,514,023	3,093,923

Note i: Restricted short-term bank deposits represent the Group’s short-term bank deposits designated by the courts in the PRC with restricted use for settlements of claims by creditors for payment disputes of purchases of goods and capital assets against the Group upon the final court judgements. The respective payable balances have been recognised in the consolidated financial statements and some of the cases have been resolved up to the date of these consolidated financial statements and the Group does not have to bear additional liabilities. For the court cases still underway, the directors of the Company also considered that the additional liabilities, if any, will not be material to the Group.

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

8. PLEDGED AND RESTRICTED SHORT-TERM BANK DEPOSITS (Continued)

Note iii: For the reasons mentioned in note 2, the former management of SJAI, acted in accordance with the instructions of Huachen, provided deposit pledges in aggregate of RMB3,290,000,000 to Shengjing Bank as security for bank financing offered to Brilliance Power and Huayixin with cumulative amount not exceeding RMB4,000,000,000. The bank financing facilities were utilised by both Brilliance Power and Huayixin to issue bank guaranteed notes for settlements of accounts payable to Huayixin by Brilliance Power and Huachen by Huayixin, respectively. However, as they failed to repay the amounts due to Shengjing Bank, Shengjing Bank deducted the Group's pledged short-term deposits of (i) RMB340,000,000 during the year and RMB300,000,000 subsequent to 31st December, 2020 for the bank guaranteed notes issued by Brilliance Power, and (ii) RMB1,850,000,000 during the year and RMB350,000,000 subsequent to 31st December, 2020 for the bank guaranteed notes issued by Huayixin. The amounts of these pledged short-term deposits deducted during the year are recognised as amounts due from Brilliance Power and Huayixin.

ECL allowance for the short-term deposits deducted by Shengjing Bank subsequent to 31st December, 2020 in aggregate of RMB650,000,000 in relation to the bank guaranteed notes issued by Brilliance Power and Huayixin is recognised in the consolidated statement of profit or loss for the year ended 31st December, 2020.

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

Note iv: Similarly, during the year, the former management of SJAI, acted in accordance with the instructions of Huachen, provided deposits pledge of RMB400,000,000 to China Minsheng Bank Co., Ltd. ("**Minsheng Bank**") as security for the bank guaranteed notes of RMB400,000,000 issued by Huachen. As Huachen also failed to repay the amount to Minsheng Bank, RMB400,000,000 of the Group's pledged deposits were deducted by Minsheng Bank subsequent to 31st December, 2020. ECL allowance of the full amount is recognised in the consolidated statement of profit or loss for the year ended 31st December, 2020.

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

9. ACCOUNTS RECEIVABLE

	2020 RMB'000	2019 RMB'000
Accounts receivable	326,281	384,754
Accounts receivable from affiliated companies	569,980	697,977
	896,261	1,082,731

9. ACCOUNTS RECEIVABLE (Continued)

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

	2020 RMB'000	2019 RMB'000
Less than six months	314,418	333,196
Six months to one year	700	11,332
Above one year but less than two years	8,084	9,332
Above two years but less than five years	33,716	25,549
Five years or above	47,584	50,580
	404,502	429,989
Less: ECL allowance	(78,221)	(45,235)
	326,281	384,754

As at 31st December, 2020, accounts receivable from third parties of approximately RMB44 million (2019: approximately RMB61 million) are substantially denominated in U.S. Dollar or Euro and the rest are denominated in Renminbi. 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.

9. ACCOUNTS RECEIVABLE (Continued)

The table below provides information about the exposure to credit risk and the ECL model for accounts receivable which are assessed based on the provision matrix as at 31st December, 2020.

	2020			2019		
	Gross carrying amount RMB'000	Weighted average loss rate %	ECL allowance RMB'000	Gross carrying amount RMB'000	Weighted average loss rate %	ECL allowance RMB'000
Less than six months	314,418	2.5	7,798	333,196	1.2	3,998
Six months to one year	700	17.1	120	11,332	3.6	408
Above one year but less than two years	8,084	33.6	2,720	9,332	7.2	672
Above two years but less than five years	33,716	60.0	20,226	25,549	18.5	4,727
Five years or above	47,584	99.5	47,357	50,580	70.0	35,430
	404,502		78,221	429,989		45,235

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

	2020 RMB'000	2019 RMB'000
At 1st January,	45,235	36,753
ECL allowance recognised	32,986	9,059
Write-off of uncollectible amounts	–	(577)
At 31st December,	78,221	45,235

10. ACCOUNTS PAYABLE

	2020 RMB'000	2019 RMB'000
Accounts payable	1,003,001	1,101,935
Accounts payable to affiliated companies	456,315	438,289
	1,459,316	1,540,224

10. ACCOUNTS PAYABLE (Continued)

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

	2020 RMB'000	2019 RMB'000
Less than six months	743,543	704,055
Six months to one year	37,606	69,717
Above one year but less than two years	44,726	53,713
Two years or above	177,126	274,450
	1,003,001	1,101,935

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

11. DIVIDENDS

	2020		2019	
	HK\$'000	RMB'000	HK\$'000	RMB'000
Special dividends of HK\$0.30 per share declared during the year (2019: HK\$0.74 per share)	1,513,581	1,368,126	3,733,499	3,280,290
Dividends of HK\$0.11 per share declared during the year (2019: HK\$0.11 per share)	554,980	501,646	554,980	487,611
	2,068,561	1,869,772	4,288,479	3,767,901

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

12. CONTINGENT LIABILITIES

The Group and JBC agreed to provide cross guarantees to each other for banking facilities up to a maximum amount of RMB600 million as at 31st December, 2020 (2019: RMB600 million). Under these cross guarantees, bank loans and other banking facilities totalling RMB236 million as at 31st December, 2020 (2019: RMB206 million) were utilised by JBC, of which RMB206 million (2019: RMB206 million) was secured by the Group's pledged short-term bank deposits of RMB214.1 million (2019: RMB210.5 million).

Although the cross guarantees arrangement ended on 1st January, 2021, the bank loans and other banking facilities utilised by JBC were still secured by the Group's guarantees and pledged short-term bank deposits as they had not reached maturity for repayments.

12. CONTINGENT LIABILITIES (Continued)

The Group's pledged short-term bank deposits of RMB206 million deducted by the bank in December 2021 had been fully repaid by JBC to the Group in April 2022.

13. PROVISION FOR LOSS ON UNAUTHORISED GUARANTEES

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

Creditor bank	Unauthorised guarantee amount RMB'000	Unauthorised guarantee amount utilised at 31st December, 2020 RMB'000	Unauthorised guarantee amount utilised based on the court judgement RMB'000	Provision for loss on unauthorised guarantee RMB'000
China Everbright Bank	4,400,000	2,935,938	2,703,226	1,358,643
Export-Import Bank	598,000	598,000	612,436	307,770
Huaxia Bank (Note i)	600,000	199,747	–	99,873
Harbin Bank	300,000	300,000	300,000	150,776
	5,898,000	4,033,685	3,615,662	1,917,062

During the year, for the reasons mentioned in note 2, the former management of SJAI, acted in accordance with the instructions of Huachen, entered into guarantee agreements with the above creditor banks for providing guarantees to these creditor banks as security for bank loans granted to Huachen. Knowing that SJAI, being a subsidiary of the Group, required the Company's shareholders' approval for the guarantees, these creditor banks agreed that the guarantees would be "undisclosed guarantee" which did not require the approval of shareholders of the Company or disclosures by the Company, nor approvals by SJAI or the Company. The creditor banks also did not register the guarantees with the Credit Reference Center of the People's Bank of China. The directors of the Company considered that these guarantees were illegal and not enforceable.

Due to the failure of repayment by Huachen, these creditor banks have commenced legal proceedings against Huachen as the borrower and SJAI as the guarantor. The court hearings against SJAI as the guarantor to China Everbright Bank, Export-Import Bank and Harbin Bank have completed and the court hearings for the claims by Huaxia Bank are still undergoing. The court judgements for the completed court hearings, as set out in note 2, required SJAI to pay to these three creditor banks 50% of the final unsettled bank loans by Huachen.

As it is still uncertain as to how much Huachen will be able to repay these creditor banks, given its restructuring is still ongoing, the provision for the loss in these unauthorised guarantees are recognised on 50% of the bank facilities utilised by Huachen at 31st December, 2020 plus the respective legal costs. Accordingly, RMB1,917,062,000 is recognised in the consolidated statement of profit or loss for the year.

Note i: Based on legal advice, it is expected that the court judgement of Huaxia Bank will be similar to that of China Everbright Bank, Export-Import Bank and Harbin Bank.

14. MATERIAL SUBSEQUENT EVENT

In the meeting of directors of RBJAC held in July 2021, the directors of RBJAC suggested the Group and another shareholder of RBJAC to consider a restructuring of RBJAC (the “**RBJAC Restructuring**”) including the option of seeking new investors or to liquidate RBJAC if invitation of new investors is not successful. Both the Group and the other shareholder of RBJAC accepted the proposal. The proposal was made due to the sudden tightening of bank financing as a result of restructuring of Huachen and the overall tightening of bank financing in the PRC. The sudden credit crunch was unpredictable and has jeopardised the production plan of RBJAC.

As published in the announcement of the Company dated 12th January, 2022, the application for the RBJAC Restructuring was accepted by the Shenyang Intermediate People’s Court on 12th January, 2022 (the “**Court Order**”). Pursuant to the Court Order, a restructuring committee of RBJAC to be headed by Mr. Gao Wei (高巍), the director of the general law office of the State-owned Assets Supervision and Administration Commission of Liaoning Provincial People’s Government, was appointed by the Shenyang Intermediate People’s Court as the administrator to administer the RBJAC Restructuring.

At the request of RBJAC, the Shenyang Intermediate People’s Court on 8th July, 2022 granted an extension to 12th October, 2022 for RBJAC to submit its restructuring plan.

Although the Company will continue to closely monitor the development of the RBJAC Restructuring and actively cooperate with the subsequent restructuring procedures imposed by the Shenyang Intermediate People’s Court, it is too early for the Group to assess the final outcome of the RBJAC Restructuring and the impact on the consolidated financial statements at the date on which these consolidated financial statements are approved.

OVERVIEW AND PROSPECTS

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

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

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

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

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

As for our minibus and light commercial vehicle (“LCV”) business under RBJAC, this joint venture has been hard hit by the coronavirus pandemic resulting in a decrease in sales volume during 2020. A new strategic plan “Transformation” was launched in the second half of 2020 to reduce fixed costs, improve organization efficiency and accelerate development of a new product line-up including electrification. In spite of the reduction of fixed costs by 35% in 2020 and the launch of the first LCV product “Haise King”, the business of RBJAC still faced a lot of challenges in a highly competitive market. RBJAC applied to Shenyang Intermediate People’s Court on 30th December, 2021 for a restructuring. RBJAC is still undergoing the restructuring.

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

Ningbo Yumin and Mianyang Ruian are both wholly-owned and principal subsidiaries of the Company engaging in the manufacturing and sales of automobile components.

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

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

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

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

BUSINESS DISCUSSION & ANALYSIS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

CAPITAL STRUCTURE AND FUNDING POLICIES

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

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

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

CAPITAL EXPENDITURES AND COMMITMENTS

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

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

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

NEW BUSINESS AND NEW PRODUCTS

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

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

EMPLOYEES, REMUNERATION POLICY AND TRAINING PROGRAMMES

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

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

CHARGE ON ASSETS

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

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

In addition, as at 31st December, 2020, the Group pledged short-term bank deposits in an aggregate amount of RMB2,476.8 million (As at 31st December, 2019: RMB3,093.9 million) for the following purposes: (a) RMB2,262.7 million for issue of bank guaranteed notes (As at 31st December, 2019: RMB2,883.3 million); and (b) RMB214.1 million (As at 31st December, 2019: RMB210.5 million) to secure bank loans granted to a third party. For details, please refer to note 8 of this announcement.

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS

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

GEARING RATIO

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

FOREIGN EXCHANGE RISKS

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

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 12 to this announcement.

DIVIDENDS

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

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

IMPORTANT EVENTS AFFECTING THE GROUP THAT HAVE OCCURRED SINCE THE END OF THE FINANCIAL YEAR

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

a) Restructuring of Huachen

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

b) Suspension of trading in the shares of the Company on the SEHK

- (i) Trading in the shares of the Company on the SEHK has been suspended since 31st March, 2021, and remains suspended as at the date of this announcement.
- (ii) On 23rd April, 2021, RSM Consulting (Hong Kong) Limited ("**RSM**"), an independent third party investigator, was engaged to conduct an independent investigation (the "**Independent Investigation**") into the guarantees provided by SJAI, an indirect wholly-owned subsidiary of the Company, in favour of a number of banks in the PRC to secure loans to Huachen in the accumulated sum of RMB5,898,000,000 (the "**Unauthorised Guarantees**") and deposit pledges provided by SJAI to banks in the PRC as security for the issue of bank acceptance notes (also referred to as bank guaranteed notes in the consolidated financial statement issued by the auditors of the Company in this announcement) to Huachen and as security for bank financing to Brilliance Power and/or Huayixin, in the accumulated sum of RMB4,005,900,000 (the "**Additional Issues**") and produce a report of findings on the Independent Investigation to the independent board committee of the Company comprising of all independent non-executive directors of the Company. RSM issued a report on the Independent Investigation on 12th November, 2021. Details of the key findings of the Independent Investigation are set out in the Company's announcement dated 16th November, 2021.

- (iii) On 27th May, 2021, the Company received a letter from the SEHK stating that the Listing Committee of the SEHK may cancel the Company's listing under Rule 6.01A(1) of the Listing Rules if the Company fails to remedy the issues causing its trading suspension, fulfil the resumption guidance, and fully comply with the Listing Rules to the SEHK's satisfaction and resume trading in its shares by 30th September, 2022. In such case, the Listing Division of the SEHK will recommend the Listing Committee of the SEHK to proceed with the cancellation of the Company's listing. For further details, please refer to the Company's announcement dated 31st May, 2021.
- (iv) On 9th February, 2022, the Company received additional resumption guidance from the SEHK. For further details, please refer to the Company's announcement dated 14th February, 2022.

c) Restructuring of RBJAC

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

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

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

e) Litigations against the Group

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

- (ii) China Everbright Bank has brought a claim against SJAI and 華晨汽車(鐵嶺)專用車有限公司 (Huachen Automotive (Tieling) Special Purpose Vehicle Co., Ltd.*) (“**Huachen Tieling**”), an associate of Huachen, in the sum of approximately RMB30 million (inclusive of interests accrued, legal costs and other costs and expenses) (the “**CEB RMB30 million Proceeding**”). The CEB RMB30 million Proceeding was heard by the Shenyang Intermediate People’s Court on 15th July, 2021. On 11th March, 2022, the Shenyang Intermediate People’s Court issued its judgment in relation to the CEB RMB30 million Proceeding (the “**CEB RMB30 million Proceeding Trial Judgment**”). The CEB RMB30 million Proceeding Trial Judgment stipulates that (1) Huachen Tieling shall (i) repay China Everbright Bank the principal of the loan in the amount of RMB29,543,496.84, interest accrued up to the date of repayment (as of 19th April, 2021, the total accrued interest amounted to RMB488,132.43) calculated in accordance with the terms of the loan agreement and legal fees of China Everbright Bank in the amount of RMB100,000 (together the “**CEB RMB30 million Repayment Order**”); and (ii) be liable for the case acceptance fee, and 50% of the preservation fee; and (2) SJAI shall be liable for (i) 50% of such amount of the CEB RMB30 million Repayment Order which cannot be discharged by Huachen Tieling; (ii) up to 50% of the case acceptance fee subject to the extent discharged by Huachen Tieling; and (iii) 50% of the preservation fee. At the request of China Everbright Bank, the Shenyang Intermediate People’s Court had also simultaneously issued a court order on 11th March, 2022 for the seizure of assets of Huachen Tieling and SJAI with the aggregate value of RMB30,131,629.27 (the “**CEB RMB30 million Seizure Order**”) as preservation for the CEB RMB30 million Repayment Order.
- (iii) China Everbright Bank has brought a claim against SJAI in the sum of approximately RMB156 million (inclusive of interests accrued, legal costs and other costs and expenses) (the “**CEB RMB156 million Proceeding**”). The CEB RMB156 million Proceeding was heard by the Shenyang Intermediate People’s Court on 27th August, 2021. On 8th December, 2021, the Shenyang Intermediate People’s Court issued its judgment in relation to the CEB RMB156 million Proceeding (the “**CEB RMB156 million Proceeding Trial Judgment**”). The CEB RMB156 million Proceeding Trial Judgment stipulates that SJAI shall (i) repay China Everbright Bank 50% of the principal of the loan together with interest in the amount of RMB155,602,540.41; and (ii) be liable for 50% of the case acceptance fee. China Everbright Bank has filed an appeal to the Liaoning High People’s Court in relation to the CEB RMB156 million Proceeding Trial Judgment.
- (iv) China Everbright Bank has brought a claim against SJAI in the sum of approximately RMB208 million (inclusive of interests accrued, legal costs and other costs and expenses) (the “**CEB RMB208 million Proceeding**”). The CEB RMB208 million Proceeding was heard by the Shenyang Intermediate People’s Court on 8th October, 2021. On 28th February, 2022, the Shenyang Intermediate People’s Court issued its judgment in relation to the CEB RMB208 million Proceeding (the “**CEB RMB208 million Proceeding Trial Judgment**”). The CEB RMB208 million Proceeding Trial Judgment stipulates that SJAI shall (i) repay China Everbright Bank 50% of the principal of the loan together with interest in the amount of RMB205,901,500.01; and (ii) be liable for 50% of the case acceptance fee, and the preservation fee in the amount of RMB5,000.

- (v) China Everbright Bank has brought a claim against SJAI in the sum of approximately RMB490 million (the “**CEB RMB490 million Proceeding**”). The CEB RMB490 million Proceeding was heard by the Shenyang Intermediate People’s Court on 22nd July, 2021. On 25th November, 2021, the Shenyang Intermediate People’s Court issued its judgment in relation to the CEB RMB490 million Proceeding (the “**CEB RMB490 million Proceeding Trial Judgment**”). The CEB RMB490 million Proceeding Trial Judgment stipulates that (1) according to the CEB RMB490 million Proceeding Trial Judgment, the subject loan under the CEB RMB490 million Proceeding was drawn by the defendant, as borrower (the “**CEB RMB490 million Proceeding Defendant**”), which was a group company of Huachen at the material time, and which shall (i) repay China Everbright Bank the principal of the loan in the amount of RMB493,272,918.78, interest accrued up to the date of repayment (as of 5th July, 2020, the total accrued interest amounted to RMB1,218,669.92) calculated in accordance with the terms of the loan agreement and legal fees of China Everbright Bank in the amount of RMB90,000 (together the “**RMB490 million Repayment Order**”); and (ii) be liable for the case acceptance fee and the preservation fee; and (2) SJAI shall be liable for (i) 50% of such amount of the RMB490 million Repayment Order which cannot be discharged by the CEB RMB490 million Proceeding Defendant; (ii) up to 50% of the case acceptance fee subject to the extent discharged by the CEB RMB490 million Proceeding Defendant and a group company of Huachen as guarantor; and (iii) the preservation fee. China Everbright Bank has filed an appeal to the Liaoning High People’s Court in relation to the CEB RMB490 million Proceeding Trial Judgment.
- (vi) At the request of China Everbright Bank, a court order has been issued by the Shenyang Intermediate People’s Court to freeze deposits of SJAI deposited with Industrial Bank Co., Ltd. Shenyang Branch (興業銀行股份有限公司瀋陽分行) (“**Industrial Bank**”) in the aggregate amount of RMB2,212,646,915.77 (collectively, the “**CEB Freezing Orders**”) in relation to the CEB RMB1,818 million Proceeding Trial Judgment, the CEB RMB156 million Proceeding Trial Judgment, the CEB RMB208 million Proceeding Trial Judgment and the CEB RMB30 million Proceeding Trial Judgment. As a result of the CEB Freezing Orders, an aggregate amount of RMB2,212,646,915.77 had been frozen by Industrial Bank for a period of 12 months (with commencement dates ranging from 25th February, 2022, 4th March, 2022 and 17th March, 2022) or until the respective CEB Freezing Orders have been discharged.
- (vii) Harbin Bank has brought a claim against SJAI in the sum of RMB300 million (the “**Harbin Bank RMB300 million Proceeding**”). The Harbin Bank RMB300 million Proceeding was heard by the Shenyang Intermediate People’s Court on 26th April, 2021. On 25th November, 2021, the Shenyang Intermediate People’s Court issued its judgment in relation to the Harbin Bank RMB300 million Proceeding (the “**Harbin Bank RMB300 million Proceeding Trial Judgment**”). The Harbin Bank RMB300 million Proceeding Trial Judgment stipulates that (1) Huachen shall (i) repay Harbin Bank the RMB300 million loan (the “**RMB300 million Repayment Order**”); and (ii) be liable for the case acceptance fee and the preservation fee; and (2) SJAI shall be liable for (i) 50% of such amount of the RMB300 million Repayment Order which cannot be discharged by Huachen; (ii) up to 50% of the case acceptance fee subject to the extent discharged by Huachen and the two group companies of Huachen as guarantors; and (iii) the preservation fee. Harbin Bank has filed an appeal to the Liaoning High People’s Court in relation to the Harbin Bank RMB300 million Proceeding Trial Judgment. At the request of Harbin Bank, a court order has been issued by the Shenyang Intermediate People’s Court to freeze bank deposits of SJAI deposited with Shengjing Bank Co., Ltd. in the amount of approximately RMB301 million or assets of equivalent value.

- (viii) Export-Import Bank has brought a claim against SJA I in the sum of approximately RMB612 million (the “**EIB Proceeding**”). The EIB Proceeding was heard by the Shenyang Intermediate People’s Court on 26th July, 2021. On 7th December, 2021, the Shenyang Intermediate People’s Court issued its judgment in relation to the EIB Proceeding (the “**EIB Proceeding Trial Judgment**”). The EIB Proceeding Trial Judgment stipulates that SJA I shall (i) repay Export-Import Bank 50% of the principal of the loan together with interest in the amount of RMB612,435,515.74; and (ii) be liable for 50% of the case acceptance fee. Export-Import Bank has filed an appeal to the Liaoning High People’s Court in relation to the EIB Proceeding Trial Judgment. At the request of Export-Import Bank, a court order has been issued by the Shenyang Intermediate People’s Court to freeze deposits of SJA I deposited with Industrial Bank in the aggregate amount of RMB612,429,822.69 (the “**Export-Import Bank Freezing Order**”). As a result of the Export-Import Bank Freezing Order, an amount of RMB612,429,822.69 had been frozen by Industrial Bank from 1st July, 2022 for a period of 12 months or until the Export-Import Freezing Order has been discharged.
- (ix) Huaxia Bank has brought a claim against SJA I in the sum of approximately RMB69 million (inclusive of interests accrued, legal costs and other costs and expenses) (the “**Huaxia Bank RMB69 million Proceeding**”). The Huaxia Bank RMB69 million Proceeding was heard by the Shenyang Intermediate People’s Court on 4th March, 2022. At the request of Huaxia Bank, a court order has been issued by the Shenyang Intermediate People’s Court to freeze deposits of SJA I deposited with Industrial Bank in the aggregate amount of RMB199,619,271.44 (the “**Huaxia Bank Freezing Order**”). As a result of the Huaxia Bank Freezing Order, an amount of RMB199,619,271.44 had been frozen by Industrial Bank from 22nd February, 2022 for a period of 12 months or until the Huaxia Bank Freezing Order has been discharged.
- (x) Huaxia Bank has brought a claim against SJA I in the sum of approximately RMB130 million (inclusive of interests accrued, legal costs and other costs and expenses) (the “**Huaxia Bank RMB130 million Proceeding**”). The Huaxia Bank RMB130 million Proceeding was heard by the Shenyang Intermediate People’s Court on 19th July, 2022.

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

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, each director of the Company has confirmed that he/she has complied with the standards set out in the Model Code during the year ended 31st December, 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining the highest standards of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the “Corporate Governance Code” set out in Appendix 14 to the Listing Rules. Throughout the financial year ended 31st December, 2020, the Group has complied with all code provisions which were in effect in the financial year ended 31st December, 2020.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the consolidated financial statements of the Group for the year ended 31st December, 2020.

At present, the audit committee comprises Mr. Song Jian, Mr. Jiang Bo and Mr. Dong Yang, all of whom are independent non-executive directors of the Company. Mr. Jiang Bo is the chairman of the audit committee.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31st December, 2020 have been agreed by Grant Thornton Hong Kong Limited, the Company’s auditor (the “**Auditor**”), to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

EXTRACTS FROM INDEPENDENT AUDITOR’S REPORT

The followings are extracted from the independent auditor’s report on the consolidated financial statements of the Group for the year ended 31st December, 2020.

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

Basis for disclaimer of opinion

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

(1) Unauthorised pledged short-term bank deposits

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

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

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

(2) *Funds inflows and outflows without commercial rationale*

(a) Transactions with the related parties and third parties

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

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

(b) Balances with the related parties and third parties

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

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

(3) *Independent Forensic Investigation*

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

PUBLICATION OF ANNUAL REPORT

The 2020 annual report of the Company containing the information required by the Listing Rules will be published on the websites of the SEHK (www.hkexnews.hk) and the Company (www.brillianceauto.com) in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises four executive directors: Mr. Wu Xiao An (also known as Mr. Ng Siu On) (*Chairman*), Mr. Shen Tie Dong (*Chief Executive Officer*), Mr. Zhang Wei and Mr. Sun Baowei; and three independent non-executive directors: Mr. Song Jian, Mr. Jiang Bo and Mr. Dong Yang.

By Order of the Board
Brilliance China Automotive Holdings Limited
Wu Xiao An
(also known as Ng Siu On)
Chairman

Hong Kong, 29th July, 2022