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Brilliance Auto

華 晨 汽 車

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, 2021

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, 2021 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	2021 RMB'000	2020 RMB'000
Revenue	4	2,141,946	3,123,210
Cost of sales		(1,961,217)	(3,104,623)
Gross profit		180,729	18,587
Other income		53,370	160,629
Interest income		49,801	185,058
Selling expenses		(140,461)	(223,772)
General and administrative expenses		(2,941,517)	(2,201,127)
Net expected credit loss (“ECL”) allowance on loans and receivables		(1,011,930)	(6,459,433)
Loss on unauthorised guarantees	12	–	(1,917,062)
Finance costs		(125,667)	(135,465)
Share of results of:			
A joint venture		14,514,842	10,091,949
Associates		(119,556)	(347,954)
Profit (Loss) before income tax expense	5	10,459,611	(828,590)
Income tax expense	6	(18,817)	(128,956)
Profit (Loss) for the year		10,440,794	(957,546)

* 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	2021 RMB'000	2020 RMB'000
Attributable to:			
Equity holders of the Company		11,960,525	11,219
Non-controlling interests		(1,519,731)	(968,765)
		10,440,794	(957,546)
Earnings per share			
	7		
- Basic		RMB2.37064	RMB0.00222
- Diluted		RMB2.37064	RMB0.00222

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December,

	Note	At 31st December, 2021 RMB'000	At 31st December, 2020 RMB'000
Non-current assets			
Intangible assets		41,468	618,058
Property, plant and equipment		726,126	2,122,694
Land lease prepayments		78,147	80,265
Interests in a joint venture		41,554,943	29,960,324
Interests in associates		987,766	1,108,960
Equity investments		9,463	6,881
Long-term loan receivables		1,517,536	2,613,356
Other non-current assets		78,352	116,829
Total non-current assets		44,993,801	36,627,367
Current assets			
Cash and cash equivalents		1,049,252	2,021,771
Statutory deposit reserves at central bank		32,500	31,564
Short-term bank deposits		–	500,000
Pledged and restricted short-term bank deposits	8	745,195	1,514,023
Inventories		298,387	505,883
Accounts receivable	9	310,860	896,261
Notes receivable		109,490	108,501
Other current assets		2,411,510	5,769,343
Total current assets		4,957,194	11,347,346
Current liabilities			
Accounts payable	10	1,087,348	1,459,316
Notes payable		334,388	1,941,987
Other current liabilities		2,713,671	4,000,960
Short-term bank borrowings		2,167,338	4,528,700
Long-term bank borrowings due within one year		390,600	217,200
Income tax payable		2,661	14,176
Provision for loss on unauthorised guarantees	12	1,917,062	1,917,062
Total current liabilities		8,613,068	14,079,401
Net current liabilities		(3,655,874)	(2,732,055)
Total assets less current liabilities		41,337,927	33,895,312
Non-current liabilities			
Other non-current liabilities		156,088	157,182
Long-term bank borrowings		7,500	381,000
Total non-current liabilities		163,588	538,182
NET ASSETS		41,174,339	33,357,130

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

	At 31st December, 2021 RMB'000	At 31st December, 2020 RMB'000
Capital and reserves		
Share capital	397,176	397,176
Reserves	41,931,523	32,888,605
Total equity attributable to equity holders of the Company	42,328,699	33,285,781
Non-controlling interests	(1,154,360)	71,349
TOTAL EQUITY	41,174,339	33,357,130

NOTES:

1. CORPORATE INFORMATION

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

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

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

Due to the sudden tightening of bank financing and the overall reduction in the availability of bank loans in the PRC, the sudden credit crunch was unpredictable and has jeopardised the production plan of RBJAC. As a result, both the Group and the other shareholder of RBJAC accepted a restructuring of RBJAC (the “**RBJAC Restructuring**”), including the option of seeking new investors or to liquidate RBJAC if invitation of new investors is not successful. The RBJAC Restructuring was also accepted by the Shenyang Intermediate People’s Court on 12th January, 2022 (the “**Court Order**”). Pursuant to the Court Order, a restructuring committee of RBJAC to be headed by Mr. Gao Wei (高巍), the director of the general law office of the State-owned Assets Supervision and Administration Commission of Liaoning Provincial People’s Government, was appointed by the Shenyang Intermediate People’s Court as the administrator to administer the RBJAC Restructuring.

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

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

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

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

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

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

Unauthorised guarantees

As reported in the consolidated financial statements for the year ended 31st December, 2020, the former management of Shenyang JinBei Automotive Industry Holdings Co., Ltd. ("**SJAI**"), entered into unauthorised undisclosed guarantee agreements with 中國光大銀行股份有限公司瀋陽分行 (China Everbright Bank Co., Ltd. (Shenyang Branch)*) ("**China Everbright Bank**") of RMB4,400,000,000, 中國進出口銀行遼寧省分行 (The Export-Import Bank of China (Liaoning Province Branch)*) ("**Export-Import Bank**") of RMB598,000,000, 華夏銀行股份有限公司瀋陽和平支行 (Huaxia Bank Co., Ltd. (Shenyang Heping Branch)*) ("**Huaxia Bank**") of RMB600,000,000 and 哈爾濱銀行股份有限公司瀋陽分行 (Harbin Bank Co., Ltd. (Shenyang Branch)*) ("**Harbin Bank**") of RMB300,000,000 as security for the bank loans granted to Huachen by these banks.

As the Group considered these unauthorised guarantees were illegal and unenforceable against the Group, the Group defended in the court cases brought by these banks against SJAI after Huachen failed to repay. As at the date of this announcement, the court hearings for the claims from these banks have completed. The court judgments for the claims from all these four banks required SJAI to pay to these banks 50% of the bank loans should Huachen eventually fail to repay these banks. On the assumption that Huachen will not be able to make any payment to these banks, the Group has made a provision of RMB1,917,062,000 for the estimated loss for these unauthorised guarantees as at 31st December, 2020.

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

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

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

Unauthorised pledged short-term bank deposits

The former management of SJAI also entered into unauthorised agreements to pledge SJAI's short-term bank deposits as security to certain banks for the bank guaranteed notes issued by Huachen, Shenyang Brilliance Power Train Machinery Co., Ltd. ("**Brilliance Power**"), an associate of the Group and a subsidiary of Huachen, and Shenyang Huayixin Automobile Sales Co., Ltd. ("**Huayixin**"), a third party and a customer of Huachen, totalling RMB4,005,900,000. As a result of the failure to repay by these companies to these respective banks, pledged short-term bank deposits of RMB2,190,000,000 were deducted directly by the respective banks in the year ended 31st December, 2020. Although pledged short-term bank deposits of RMB765,900,000 were released to the Group, they were immediately transferred to Huayixin in the year ended 31st December, 2020. As at 31st December, 2020, short-term bank deposits of RMB1,050,000,000 still remain pledged for the same purposes but were also deducted by the respective banks in the year ended 31st December, 2021 and ECL allowance of the full amount for such pledged short-term deposits was provided and recognised in the consolidated statement of profit or loss for the year ended 31st December, 2020.

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

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

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

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

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

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

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

The Independent Investigation revealed the inconsistencies in the bank statements in 2019 and 2020 which were partly the result of the concealment of the pledge of short-term deposits made by SJAI for Huayixin, Brilliance Power and Huachen, and the funds transferred to/from Huachen and its affiliated companies as well as other third parties. Further to the Independent Investigation, in addition to SJAI, the Independent Board Committee also identified inconsistencies in the bank statements of another subsidiary, Shenyang XingYuanDong Automobile Component Co., Ltd. (“**Xing Yuan Dong**”). The directors of the Company considered that inconsistencies in bank statements were not found in 2021.

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

The Independent Board Committee concluded that the findings of the Independent Investigation and the Independent Forensic Investigation revealed certain deficiencies in the Group’s corporate governance and internal control system and that the intentional and premeditated actions of Huachen to bypass the Group’s existing corporate governance and internal controls, particularly through its influence over the former management of certain subsidiaries of the Group, was the major cause of the unauthorised financial assistance revealed in the Independent Forensic Investigation.

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

For the year ended 31st December, 2021:

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

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

Inconsistencies in bank statements and fund inflows and outflows without commercial rationale (Continued)

For the year ended 31st December, 2020:

	Fund outflows from the Group <i>RMB'000</i>	Fund inflows into the Group <i>RMB'000</i>	Net (outflows) inflows <i>RMB'000</i>
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

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

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

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

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

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

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

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

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 Listing Rules.

These consolidated financial statements have been prepared on the basis consistent with the accounting policies adopted in the 2020 financial statements, except for the adoption for the first time the following amended HKFRSs (collectively "**New and Amended HKFRSs**") issued by the HKICPA, which are relevant to and effective for the annual consolidated financial statements beginning on or after 1st January, 2021.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Statement of compliance (Continued)

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

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

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.

(b) Adoption of new and amended HKFRSs

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

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

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

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

(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, 2021, the Group had net current liabilities of approximately RMB3,655,874,000. Notwithstanding the Group’s current liabilities exceeding its current assets as at 31st December, 2021, in preparing these consolidated financial statements, the directors of the Company have given careful consideration to current and future liquidity of the Group and its ability to provide working capital for its operations.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Preparation of consolidated financial statements (Continued)

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

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

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

² Effective for annual periods beginning on or after 1st January, 2023

³ Effective date not yet determined

⁴ Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1st January, 2022

The directors of the Group anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The directors expect that the new and amended HKFRSs have no material impact on the Group's consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue earned during the year represents:

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

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

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

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

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

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 – 2021

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision of auto financing service RMB'000	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination RMB'000	Total RMB'000
Segment sales	1,750,985	213,629,487	390,961	(213,629,487)	2,141,946
Segment results	(3,865,460)	36,700,840	26,644	(36,669,019)	(3,806,995)
Unallocated costs net of unallocated income					(52,814)
Interest income					49,801
Finance costs					(125,667)
Share of results of:					
A joint venture	-	14,514,842	-	-	14,514,842
Associates	(119,556)	-	-	-	(119,556)
Profit before income tax expense					<u>10,459,611</u>

Operating segments – 2020

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

4. REVENUE AND SEGMENT INFORMATION (Continued)

Operating Segments – 2021

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision for auto financing service RMB'000	Reconciliation to the Group's consolidated statement of financial position and intersegment elimination RMB'000	Total RMB'000
Segment assets	3,776,811	175,772,032	4,147,212	(176,423,685)	7,272,370
Interests in a joint venture	-	41,554,943	-	-	41,554,943
Interests in associates	987,766	-	-	-	987,766
Equity investments					9,463
Unallocated assets					126,453
Total assets					49,950,995
Segment liabilities	6,986,992	92,662,146	2,432,461	(93,319,945)	8,761,654
Unallocated liabilities					15,002
Total liabilities					8,776,656
Other disclosures:					
Capital expenditures					
- Owned assets	333,585	12,999,352	5,148	(12,999,352)	338,733
- Right-of-use assets	29,163	451,660	1,134	(451,660)	30,297
Depreciation of property, plant and equipment					
- Owned assets	217,821	4,831,156	1,381	(4,831,156)	219,202
- Right-of-use assets	16,656	291,752	5,469	(291,752)	22,125
Amortisation of land lease prepayments	2,118	81,604	-	(81,604)	2,118
Amortisation of intangible assets	62,457	120,571	6,147	(120,571)	68,604
Provision for inventories	93,465	1,355,897	-	(1,355,897)	93,465
Reversal of provision for inventories sold	9,948	1,136,808	-	(1,136,808)	9,948
Net provision of ECL allowance	1,005,886	500,532	6,044	(500,532)	1,011,930
Impairment losses on assets	2,028,900	-	-	-	2,028,900
Income tax expense	12,455	7,642,295	6,362	(7,642,295)	18,817

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 a joint venture	-	29,960,324	-	-	29,960,324
Interests in associates	1,108,960	-	-	-	1,108,960
Equity investments					6,881
Unallocated assets					175,305
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

5. PROFIT (LOSS) BEFORE INCOME TAX EXPENSE

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

	2021 RMB'000	2020 RMB'000
Charging:		
ECL allowance on loans and receivables:		
– Pledged and restricted short-term bank deposits	–	1,050,000
– Accounts receivable	24,240	32,986
– Loan receivables	6,576	51,628
– Other receivables grouped under		
– Current assets	24,477	3,737,357
– Non-current assets	65	–
– Accounts receivable from affiliated companies	86,124	139,037
– Amounts due from affiliated companies	870,448	1,447,871
– Dividend receivable from an affiliated company	–	566
Impairment losses on assets:		
– Owned property, plant and equipment (b)	1,356,823	573,016
– Owned intangible assets (b)	631,968	357,144
– Right-of-use assets (b)	40,109	–
Impairment losses on interests in associates:		
– Listed associate (b)	–	72,799
– Unlisted associate (b)	–	42,207
Staff costs (including directors' emoluments)	479,969	648,363
Amortisation of intangible assets (a)	68,604	139,013
Amortisation of land lease prepayments	2,118	2,116
Loss on disposal of property, plant and equipment:		
– Owned assets	1,701	6,649
– Right-of-use assets	842	891
Depreciation of property, plant and equipment:		
– Owned assets	219,202	277,516
– Right-of-use assets	22,125	24,237
Cost of inventories	1,735,230	2,803,141
Exchange loss, net (b)	14,445	46,760
Provision for inventories	93,465	118,502
Auditors' remuneration (b)	6,856	3,541
Research and development costs (b)	55,075	412,009
Warranty provision (b)	2,977	4,092
Lease charges:		
– Short-term leases with lease terms of 12 months or shorter	12,678	15,068
– Low value items	205	368
Crediting:		
Reversal of provision for inventories sold	9,948	122,699
Reversal of warranty provision (b)	2,935	–
Rental income from land and buildings	4,241	5,268
Reversal of ECL allowance on loans and receivables:		
– Other receivables grouped under non-current assets	–	12

5. PROFIT (LOSS) 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:

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

(a) Bermuda tax

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

(b) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2020: nil).

(c) PRC corporate income tax

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

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

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

7. EARNINGS PER SHARE

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

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

8. PLEDGED AND RESTRICTED SHORT-TERM BANK DEPOSITS

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

	2021 RMB'000	2020 RMB'000
Restricted short-term bank deposits (Note i)	580,676	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)	164,519	1,212,680
– Brilliance Power, Huachen and Huayixin (Note iii)	–	1,050,000
Bank loans granted to Shenyang JinBei Automotive Co., Ltd. (“JBC”) (Note iv)	–	214,100
Total pledged short-term bank deposits	164,519	2,476,780
Less: ECL allowance	–	(1,050,000)
	164,519	1,426,780
Total pledged and restricted short-term bank deposits	745,195	1,514,023

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

Note ii: As at 31st December, 2021, the Group had also pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB73.1 million (2020: approximately RMB63.2 million) to secure the issue of bank guaranteed notes.

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

The RMB1,050,000,000 deducted and the respective ECL allowance were reclassified to other receivables of RMB350 million and amounts due from affiliated companies of RMB700 million in the year.

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

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

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

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

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

9. ACCOUNTS RECEIVABLE

	2021 RMB'000	2020 RMB'000
Accounts receivable	306,755	326,281
Accounts receivable from affiliated companies	4,105	569,980
	310,860	896,261

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

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

As at 31st December, 2021, accounts receivable from third parties of approximately RMB33 million (2020: approximately RMB44 million) are substantially denominated in U.S. Dollar or Euro and the rest are denominated in Renminbi. 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.

10. ACCOUNTS PAYABLE

	2021 RMB'000	2020 RMB'000
Accounts payable	823,527	1,003,001
Accounts payable to affiliated companies	263,821	456,315
	1,087,348	1,459,316

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

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

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

11. DIVIDENDS

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

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

12. PROVISION FOR LOSS ON UNAUTHORISED GUARANTEES

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

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, Harbin Bank and Huaxia Bank have completed. The court judgements for the completed court hearings, as set out in note 2, required SJAI to pay to these creditor banks 50% of the final unsettled bank loans by Huachen.

As it is still uncertain as to the amount that Huachen will be able to repay these creditor banks given its restructuring is still ongoing, the provision for the loss in these unauthorised guarantees are recognised on 50% of the bank facilities utilised by Huachen at 31st December, 2021 plus the respective legal costs. Accordingly, a provision of RMB1,917,062,000 was recognised for the estimated loss from these unauthorised guarantees as detailed below.

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

OVERVIEW AND PROSPECTS

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

In spite of industry-wide shortage in chip supply and rising prices of raw materials, BBA continued to deliver remarkable results with both record sales volumes and profits for 2021. With strong dedication of the teams and support from BMW AG, BBA was able to maintain sufficient production to meet strong customer demands. BBA also took advantage of market opportunities to further improve price realization. At the same time, the company also managed to adhere to the scheduled timelines for its production capacity expansions (including the construction of its third production plant and the extension of the existing Dadong, Tiexi and battery facilities) which is crucial for ensuring new models can be launched as planned in the coming years. BBA's dealer network nationwide also reached 605 full service 4S/5S shops as at 31st December, 2021.

The new X3 facelift model was successfully launched in August 2021. BBA is also committed to be a leader in premium e-mobility in China, and is working with BMW to explore new technologies and accelerate sustainability throughout the entire NEV value chain. By the end of 2021 the BMW public charging network already comprised of over 360,000 charging pillars across China. Sales of the iX3, which is the very first pure electric model of BBA debuted late last year produced by BBA for China and for the world, had ramped up steadily during the year. BBA has also completed the installation of the latest digital functions in its production plants in the second half of 2021 in preparation for the production of new BMW models in 2022 and beyond.

In 2021, Ling Yue Digital Information Technology Co., Ltd., the wholly owned subsidiary of BBA responsible for digital solutions and management of digital business operations, enabled realization of the end-to-end premium digital customer journey. It continued to work on the built-up of China-specific software development competencies within the BBA group of companies, to enable fast allocation of resources to build solutions leveraging on leading new technologies and to comply with Chinese regulations, as well as extending BBA's IT footprint in China.

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

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

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

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. It has plans to expand into self-manufacture and processing of upstream and downstream industry chain. Moreover, in view of the current rapid development in lightweight product for new energy vehicles, Ningbo Yumin is also expanding into the business of related lightweight aluminum alloy components.

Mianyang Ruian, another wholly-owned subsidiary of the Company, also continued to engage in the research and development (“R&D”) as well as manufacture of camshafts for petrol vehicle engines. In 2021, Mianyang Ruian continued to enhance its R&D efforts in range-extended hybrid, plug-in hybrid and other vehicles, and the L9 range-extended hybrid vehicles equipped with the products of Mianyang Ruian have been launched on the market. In addition, the camshafts for the Nordthor Power DHE-15 plug-in hybrid vehicles of Geely Automobile went into mass production in 2021 and will be launched to overseas markets together with Geely’s 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 announcements published by the Company from time to time. The Company has already completed the Independent Investigation and the Independent Forensic Investigation into the unauthorised guarantees, pledged deposits and additional fund transfers. The Company has also completed the Internal Control Review and has taken appropriate remedial measures to rectify weaknesses identified.

Amidst global headwinds and COVID-related uncertainties, and the suspension of trading of the shares of the Company, the safety and welfare of all our employees is paramount, while at the same time we are working hard to maintain our business operations. With dedicated efforts and proper steering, we are hopeful that our group companies will be able to navigate the uncertainties before us, and that the Company’s overall performance will be further improved over time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

RMB390.6 million of the long-term bank borrowings as at 31st December, 2021 were due within one year, being repayable from 20th January, 2022 to 20th December, 2022 (As at 31st December, 2020: RMB217.2 million, repayable from 20th January, 2021 to 1st December, 2021); and RMB7.5 million were due over one year, being repayable from 20th January, 2023 to 20th October, 2023 (As at 31st December, 2020: RMB381 million, repayable on 13th May, 2022). As at 31st December, 2021, these long-term bank borrowings were interest-bearing at rates ranging from 4.10% to 5.23% per annum, and were denominated in Renminbi (As at 31st December, 2020: 4.10% to 5.23% per annum, Renminbi).

With an aim to improve its liquidity, the Group regularly monitors its accounts receivable turnover and inventory turnover. For the year ended 31st December, 2021, the Group's accounts receivable turnover days was approximately 101 days, compared to approximately 114 days for 2020. Inventory turnover days was approximately 83 days in 2021, compared to approximately 78 days in 2020.

CAPITAL STRUCTURE AND FUNDING POLICIES

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

As at 31st December, 2021, 90.9% (As at 31st December, 2020: 91.1%) of the Group's cash and cash equivalents (comprising cash on hand, bank balances and demand deposits within 3 months of maturity when acquired) were denominated in Renminbi, whereas 0.7% (As at 31st December, 2020: 2.6%) were denominated in U.S. Dollar. The remaining balance of 8.4% (As at 31st December, 2020: 6.3%) were denominated in other currencies. Apart from the borrowings, banking facilities were in place for contingency purposes. As at 31st December, 2021, the Group's total available banking facilities for its daily operations amounted to RMB80.9 million (As at 31st December, 2020: RMB961.8 million) without any committed banking facilities.

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

CAPITAL EXPENDITURES AND COMMITMENTS

In 2021, the Group incurred capital expenditures of RMB369.0 million (2020: RMB569.8 million) mainly for acquisition of both owned and right-of-use assets of tools and moulds, machinery and equipment, and development costs for minibuses and MPVs as well as specialised software. As at 31st December, 2021, the Group's contracted capital commitments amounted to RMB832.9 million (As at 31st December, 2020: RMB896.4 million), which were related to the capital expenditures in respect of construction projects, acquisition of plant and machinery, and product development.

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

There were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31st December, 2021.

NEW BUSINESS AND NEW PRODUCTS

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

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

As for Mianyang Ruian, the camshafts for the Nordthor Power DHE-15 plug-in hybrid vehicles of Geely Automobile went into mass production in 2021 and will be launched to overseas markets together with Geely's new energy vehicles this year.

EMPLOYEES, REMUNERATION POLICY AND TRAINING PROGRAMMES

The Group employed approximately 4,113 employees as at 31st December, 2021 (As at 31st December, 2020: approximately 4,820). Employee costs amounted to RMB480.0 million for the year ended 31st December, 2021 (For the year ended 31st December, 2020: RMB648.4 million). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions, and that employees' remuneration is based on performance.

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

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

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

CHARGE ON ASSETS

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

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

In addition, as at 31st December, 2021, the Group pledged short-term bank deposits in an aggregate amount of RMB164.5 million (As at 31st December, 2020: RMB2,476.8 million) for issue of bank guaranteed notes by the Group for settlements of accounts payable (As at 31st December, 2020: RMB2,262.7 million for issue of bank guaranteed notes; and RMB214.1 million to secure bank loans granted to a third party). For details, please refer to note 8 of this announcement.

As at 31st December, 2021, the Group had restricted short-term bank deposits of RMB580.7 million (As at 31st December, 2020: RMB87.2 million) which represent the Group's short-term bank deposits designated by the courts in the PRC with restricted use for settlements of claims by creditors for payment disputes of purchases of goods and capital assets against the Group upon the final court judgements. The respective payable balances have been recognised in the consolidated financial statements and some of the cases have been resolved up to the date of these consolidated financial statements and the Group does not have to bear additional liabilities. For the court cases still underway, the directors of the Company also considered that the additional liabilities, if any, will not be material to the Group.

As at 31st December, 2021, the Group had also pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB73.1 million (As at 31st December, 2020: approximately RMB63.2 million) to secure the issue of bank guaranteed notes.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS

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

GEARING RATIO

As at 31st December, 2021, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.21 (As at 31st December, 2020: 0.44). The decrease in the gearing ratio was primarily due to an increase of share of profits of BBA.

FOREIGN EXCHANGE RISKS

The Group considers that exchange rate fluctuations may have some effect on the overall financial performance of the Group but it is still at an insignificant level. The Group will continue to monitor and may consider entering into hedging arrangements in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 31st December, 2021 (As at 31st December, 2020: nil).

CONTINGENT LIABILITIES

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

DIVIDENDS

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

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 of directors of the Company 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 of directors of the Company 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 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 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.
- (v) On 15th March, 2022, RSM Corporate Advisory (Hong Kong) Limited (“**RSMCA**”), an independent third party investigator, was engaged to conduct the Independent Forensic Investigation with a view to identifying all unauthorised financial assistance made by the Group since 2019 and produce a report of findings on the Independent Forensic Investigation to the Independent Board Committee. RSMCA issued a report on the Independent Forensic Investigation on 18th August, 2022. Details of the key findings of the Independent Forensic Investigation are set out in the Company’s announcement dated 19th August, 2022.

c) **Restructuring of RBJAC**

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

d) **Disposal of 25% equity interest in BBA by Sjai**

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

e) **Litigations against the Group**

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

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.

UPDATE ON RESUMPTION OF TRADING

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

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

Fulfillment of Resumption Guidance

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

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

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities in 2021.

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 has complied with the standards set out in the Model Code during the year ended 31st December, 2021.

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 and in effect in the financial year ended 31st December, 2021 (the "**CG Code**"). Throughout the financial year ended 31st December, 2021, the Group has complied with all code provisions in the CG Code except for the followings:

- Under the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. Mr. Xu Bingjin, an independent non-executive director of the Company, passed away on 25th February, 2021 and Mr. Dong Yang was appointed as an independent non-executive director with effect from 21st May, 2021 to fill this vacancy. Except the aforesaid, throughout the year 2021, the number of independent non-executive directors has fulfilled the minimum requirement of the Listing Rules.
- The 2020 annual results and 2021 interim results have not been issued in the year 2021. Therefore, the audit committee has not met with the auditor, in the absence of management, to discuss matters relating to the audit as required by code provision C.3.3 note (1) (iii) of the CG Code in 2021.
- Due to the delay in the publication of the 2020 annual results, the Company is unable to provide accurate monthly updates of the Company to all members of the board of directors of the Company pursuant to code provision C.1.2 of the CG Code.
- Due to the delay in the publication of the 2020 annual results and dispatch of the 2020 annual report, no annual general meeting has been convened in 2021. Thus, the Company had not arranged for the notice to shareholders for the annual general meeting at least twenty (20) clear business days beforehand as required by code provision E.1.3 of the CG Code.

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, 2021.

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, 2021 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, 2021.

"Disclaimer of Opinion on the Consolidated Financial Performance and Consolidated Cash Flows

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

Unmodified Opinion on the Consolidated Financial Position

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

Basis for Disclaimer of Opinion on the Consolidated Financial Performance and Consolidated Cash Flows and Basis for Unmodified Opinion on the Consolidated Financial Position

The Independent Board Committee of the Company appointed independent investigators to carry out independent investigation ("**Independent Investigation**") and independent forensic investigation ("**Independent Forensic Investigation**") as disclosed in note 2 to the consolidated financial statements. The Group has taken into account the findings of the Independent Investigation and Independent Forensic Investigation when it prepared the consolidated financial statements for the year ended 31st December, 2021.

As described in note 2 to the consolidated financial statements, the former management of the Group's subsidiaries forged certain bank statements of the subsidiaries and concealed the financial records and information of the Group's funds inflows and outflows in the respective banks. The funds inflows and outflows with Shenyang Huayixin Automobile Sales Co., Ltd. ("**Huayixin**", a third party of the Group and a customer of Huachen Automotive Group Holdings Company Limited ("**Huachen**", the Company's controlling shareholder)), the associates of the Group and the other third parties during the year ended 31st December, 2021 amounted to RMB4,220,000,000 and RMB4,674,000,000, respectively. In respect of the resulting balances of RMB404,000,000 from these funds flows, the Group recognised full expected credit loss ("**ECL**") allowance for the year ended 31st December, 2021.

We were unable to obtain satisfactory explanations and adequate evidence from the Company's management to ascertain (i) the relationships among the third parties, Huachen and the Group; (ii) the nature of the transactions; (iii) the business rationale and commercial substance of the transactions; and (iv) the corresponding ECL allowance in relation to the balances resulting from these transactions for the year ended 31st December, 2021. Because of the above limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to the business rationale and commercial substance, legitimacy and presentation of these transactions for the year ended 31st December, 2021, and whether these transactions are properly disclosed.

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

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

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

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

PUBLICATION OF ANNUAL REPORT

The 2021 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.

DELAY IN PUBLICATION OF THE 2022 INTERIM RESULTS

Pursuant to Rule 13.49(6) and 13.48(1) of the Listing Rules, the Company is required to publish its preliminary announcement of the interim results for the six months ended 30th June, 2022 (the “**2022 Interim Results**”) to its shareholders not later than two months after the date upon which the financial period ended, that is, on or before 31st August, 2022.

Due to the delay in the publication of the Group’s 2021 annual results, the Company is unable to publish its 2022 Interim Results by 31st August, 2022. The Company will use its best endeavours to complete and publish the 2022 Interim Results to inform its shareholders and the public of the information in appraising the financial position of the Group as soon as practicable.

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, 26th August, 2022