中升集團控股有限公司

ZHONGSHENG GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 881

ANNUAL REPORT 2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Huang Yi *(Chairman)*
Mr. Li Guoqiang *(President and Chief Executive Officer)*
Mr. Du Qingshan
Mr. Li Guohui (appointed on 10 June 2020)
Mr. Si Wei (retired on 10 June 2020)
Mr. Tang Xianfeng (appointed on 10 June 2020)
Mr. Yu Guangming (retired on 10 June 2020)
Mr. Zhang Zhicheng

NON-EXECUTIVE DIRECTORS

Mr. David Alexander Newbigging
Mr. Hsu David (appointed on 20 March 2020)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shen Jinjun
Mr. Ying Wei
Mr. Chin Siu Wa Alfred
Mr. Li Yanwei

CORPORATE HEADQUARTERS

No. 20 Hequ Street
Shahekou District
Dalian
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1803–09
18th Floor, Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE

Second Floor
Century Yard, Cricket Square
P.O. Box 902
Grand Cayman
KY1-1103
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
Second Floor
Century Yard, Cricket Square
P.O. Box 902
Grand Cayman
KY1-1103
Cayman Islands

LEGAL ADVISERS AS TO HONG KONG LAW

Allen & Overy
9th Floor, Three Exchange Square
Central
Hong Kong

JOINT COMPANY SECRETARIES

Ms. Mak Sze Man
Ms. Yao Zhenchao

AUTHORISED REPRESENTATIVES

Mr. Huang Yi
Ms. Yao Zhenchao

AUDIT COMMITTEE

Mr. Ying Wei *(Chairman)*
Mr. Shen Jinjun
Mr. Chin Siu Wa Alfred

REMUNERATION COMMITTEE

Mr. Chin Siu Wa Alfred *(Chairman)*
Mr. Li Guoqiang
Mr. Shen Jinjun

NOMINATION COMMITTEE

Mr. Shen Jinjun *(Chairman)*
Mr. Huang Yi
Mr. Chin Siu Wa Alfred

COMPLIANCE COMMITTEE

Mr. Du Qingshan *(Chairman)*
Mr. Huang Yi
Mr. Li Guoqiang

RISK COMMITTEE

Mr. Li Guohui *(Chairman)* (appointed on 10 June 2020)
Mr. Yu Guangming *(Chairman)* (retired on 10 June 2020)
Mr. Huang Yi (appointed on 10 June 2020)
Mr. Si Wei (retired on 10 June 2020)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Li Guohui *(Chairman)* (appointed on 2 November 2020)
Mr. Tang Xianfeng (appointed on 2 November 2020)

BRANCH SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong
Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

881

AUDITORS

Ernst & Young
Certified Public Accountants and
Registered Public Interest Entity Auditor
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

CHAIRMAN'S STATEMENT

Huang Yi
Chairman

Dear Honourable Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Zhongsheng Group Holdings Limited ("**Zhongsheng Group**" or the "**Company**"), I am very pleased to present the annual results report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020.

The year of 2020 has marked a particularly special year. The International Monetary Fund has forecasted that the global economy would shrink by 4.4% in 2020 due to the impact of the COVID-19 pandemic. However, the PRC economy has shown recovery and growth. According to the data published by the National Bureau of Statistics, the PRC's gross domestic product (GDP) in 2020 reached RMB101.5986 trillion, representing a year-on-year increase of 2.3% at comparable price and surpassing the RMB100 trillion mark for the first time with continuous enhancement in its competitive advantages internationally. The per capita GDP had exceeded USD10,000 for two consecutive years and the gap between the per capital GDP in the PRC and that in other high-income countries had continued to narrow. The per capita disposable income of PRC residents reached RMB32,189, representing a nominal year-on-year increase of 4.7%. The per capita income of urban and rural residents doubled that of 2010, and the pace of consumption upgrade accelerated gradually. The added value of the tertiary industry accounted for 54.5% of the GDP, representing a year-on-year increase of 0.2%. The economic structure continued to be optimised, and consumption remained the cornerstone of stable economic operation.

In 2020, notwithstanding the sudden onslaught of the COVID-19 pandemic and the downward economic pressure, the PRC's automobile market showed strong resilience and became a driving force for the recovery and growth of the global automobile market. According to the data published by the China Association of Automobile Manufacturers, the PRC's automobile production and sales volume were 25.225 million units and 25.311 million units respectively, in 2020 representing a year-on-year decrease of 2.0% and 1.9% respectively. The rates of decrease narrowed by 5.5% and 6.3% compared to those of the previous year, with its market size continuing to lead the world for the second consecutive year. According to the data from the China Passenger Car Association, the retail sales volume of the passenger vehicles market in the PRC reached 19.288 million units in total in 2020, representing a year-on-year decrease of 6.8%. In chronological order, the retail sales volume of passenger vehicles in the PRC dropped by 41.0% in the first quarter of 2020 and by 3.6% in the second quarter. With the systematic prevention and control of the pandemic in the second half of the year, both the macro-economy and exports showed unexpectedly strong recovery, which enabled the retail sales of passenger vehicles to maintain a growth rate of about 8.0% for the six consecutive months.

In 2020, despite the tremendous impact of the COVID-19 pandemic, by leveraging on the prospective strategic deployment, good brand portfolio and operation capability, and in particular, our quick response to the COVID-19 pandemic as well as our efficient execution, each business segment maintained steady growth by leveraging the Group's economies of scale and the acceleration of economic recovery. In 2020, the Group achieved new automobile sales volume of 500,609 units, representing a year-on-year increase of 9.9%, of which sales volume for luxury brands reached 275,417 units, representing a year-on-year increase of 20.8%, further optimising the sales structure. The after-sales and accessories business recovered and grew quickly after the COVID-19 pandemic, with a total revenue of RMB20.25 billion, representing a year-on-year increase of 13.5%. In addition, the profit of the Group's value-added service business, which includes car insurance, car financing and pre-owned automobiles, also achieved good recovery and rapid growth, achieving a net revenue of RMB3.15 billion and representing a year-on-year increase of 9.2%. Taking into consideration of all businesses, the profit attributable to owners of the parent in 2020 amounted to RMB55.4 billion, representing a year-on-year increase of 23.1%.

The Group has always upheld the "Brand + Region" strategy to seize the market opportunities after the COVID-19 pandemic, actively participate in market integration and optimise its existing brand portfolio, while simultaneously strengthening its existing regional advantages and striving to maintain its leading position among the prominent brands, with a constant increase in market share of core brands in 2020. As of the end of December 2020, the total number of the Group's dealerships increased to 373, of which 218 were luxury brand dealerships and 155 were mid-to-high-end brand dealerships. The consumption sustainability and future growth potential of the high-tier cities and their surrounding cities will be an important driving force for the Group's sustainable development. The Group will further deepen its network layout in key regions of economically developed cities, strengthen the leading advantages of the sales network in key regions, and further leverage the economies of scale.

The Group's development continued to receive wide recognition both domestically and abroad. In May 2020, the Group was ranked second place in 2020's Top 100 Automobile Dealers in China. At the same time, it once again topped the list in respect of its comprehensive abilities for five consecutive years. In June 2020, the Group received investment grade ratings (Moody's BAA3 and Fitch BBB-) awarded by international credit rating agencies, Moody's and Fitch for the first time. In January 2021, the Group also received investment grade rating (BBB-) awarded by S&P, and became the only automobile dealer in China that had received such investment grade ratings from international rating agencies. All of these fully reflect the high recognition of the Group's operational management and financial management capabilities by international rating agencies. In July 2021, the Group was once again selected as one of the "Fortune China 500 Companies", an internationally renowned ranking, and was ranked the 82nd. In August 2021, Mr. Li Guoqiang, the CEO of the Group, was selected as one of the "Best CEOs of Listed Companies in China" by Forbes China in 2020 by virtue of his outstanding operational management capabilities. These honours will encourage the Group to continue to strive for excellence and move forward.

In 2020, in order to quickly restore the normal operations in the overall economy and stabilise the consumption in the domestic automobile market, the government implemented several measures simultaneously. Various measures in respect of automobile consumption were introduced from a national level to a local level, including financial subsidies, financial support, tax relief, infrastructural development, automobile replacement and upgrading, increased quotas of vehicle purchase, pre-owned automobiles and automobile insurance policy reform. In early 2021, the national ministries and commissions further issued a statement which mentions the expansion of automobile consumption. With the economy returning to normal growth and the supply-side reforms continuing to advance, domestic demand and consumption are expected to accelerate and increase further. In 2021, the annual economic growth is expected to reach 7.0% to 9.0%. The consumption of consumer discretionary products such as automobiles is expected to experience further growth. Meanwhile, the growth momentum of the luxury automobile market is expected to continue, given the upgrade of consumption patterns and the increase in demand for automobile replacement.

Looking into the future, the Group will proactively face the challenges and opportunities brought by the transformation and upgrading of automobiles market and the development of new energy vehicles in China. While strengthening cooperation in electric vehicles with traditional automobile manufacturers, the Group will strategically carry out research and deployment of the new energy vehicle segment. Through the Group's existing network layout, customer base and service capabilities, the Group will develop new energy vehicle services. In addition, the Group is also confident that its current leading position and competitive advantages in luxury brand fuel vehicles will certainly be reflected in the new business of new energy vehicles. The Group will adhere to its corporate motto and take "Zhongsheng Group — Lifetime Partner" as its philosophy, continue to optimise its service quality, improve its operational management efficiency and per capita efficiency, and further promote precision management, improve distribution network, and enable the enterprise to maintain its sustainable and stable development.

For the Group to achieve its development and progress today, we would like to thank the staff from all our departments for their loyalty, dedication and contributions as well as our shareholders and business partners for their trust, support and encouragement. On behalf of the Board, I would like to express our sincere gratitude to all of you for your valuable contributions to the Group's outstanding development!

Huang Yi
Chairman
Hong Kong, 19 March 2021

CHIEF EXECUTIVE OFFICER'S STATEMENT

Li Guoqiang
President and Chief Executive Officer

Dear Honourable Shareholders,

MARKET REVIEW

The year of 2020 marks a very extraordinary year. In the first half of the year, as affected by the COVID-19 pandemic, people's work and lives were subject to varying restrictions, and public places and road traffic across the country were shut down for a period. Thanks to the favourable prevention and control of the central government, the production of enterprise and people's lives gradually resumed normal in the second half of the year, and China's automobile market has resumed growth. In 2020, the PRC's overall automobile market's development varied, with the luxury automobile market outperforming the mid-to-low-end market, the post-epidemic markets in economically developed regions picking up quickly with increasing demand, and the top-tier cities being better than the overall national market. In view of the general trend of domestic consumption upgrade, the post COVID-19 pandemic luxury automobile market has shown stronger resilience than the mid-to-low-end market, and continued to show significant growth in 2020. According to the data from the China Passenger Car Association, the sales volume of the luxury automobile market in 2020 reached 2.5291 million units, representing a year-on-year increase of 14.7%, and the penetration rate of luxury automobiles in the passenger car market continued to rise to 13.0%, as compared to that of 25% to 30% in developed countries, showing the enormous potential for growth in the PRC's luxury automobile market. In terms of brands, the growth rate of Japanese brands took the lead in the overall market, with its market share accelerating to catch up with that of the German brands, and therefore the advantages of Japanese, German and part of stronger independent brands as market leaders were further reinforced. In particular, the three first-tier luxury brands (BBA), namely Mercedes-Benz, BMW and Audi from Germany, all hit record highs in their 2020 sales volume. Official data show that the sales volume of Mercedes-Benz in the PRC was 774,000 units in 2020, representing a year-on-year increase of 11.7%. The sales volume of the BMW Group in the PRC was 777,000 units (including MINI), representing a year-on-year increase of 7.4%. The sales volume of FAW-Volkswagen Audi in the PRC was 726,000 units, representing a year-on-year increase of 5.4%. The sales volume of Japanese luxury brand Lexus in the PRC was 224,000 units in 2020, representing a year-on-year increase of 12.0%. Toyota, a mid-to-high-end brand, also performed well. The sales volume of FAW Toyota and GAC Toyota in the PRC was 788,000 units and 760,000 units in 2020 respectively, representing a year-on-year increases of 8.7% and 14.2% respectively. In addition, new energy vehicles have become a dark horse in the automobile market in 2020. The production and sales volume of new energy vehicles reached 1.134 million units and 1.17 million units respectively in 2020, representing a year-on-year increases of 26.8% and 12.0% respectively, of which the proportion of purely electric vehicles continued to rise, and plug-in hybrid vehicles also maintained positive growth as driven by the new products. After a round of competition among the new energy vehicle companies, an oligopolistic market is gradually taking shape. Meanwhile, the smart technologies in automobiles are also being used across the globe, and domestic and foreign automobile companies have launched electric vehicles and engaged in the use of smart technologies. The global automobile market is expected to usher in new development opportunities.

According to the statistics published by the Ministry of Public Security of the PRC, the national motor vehicle ownership reached 372 million units in 2020, of which automobile ownership accounted for 281 million units, representing an increase of 8.1% over 2019. The number of newly registered motor vehicles nationwide reached 33.28 million units, representing a year-on-year increase of 1.14 million units or 3.6%. The number of motor vehicle drivers in the PRC continued to increase in 2020. In 2020, the number of motor vehicle drivers in the PRC reached 418 million, among which 22.31 million were newly licenced drivers.

As to the pre-owned automobile market, according to the data from the China Association of Automobile Manufacturers, the cumulative transaction volume of the national pre-owned automobile market in 2020 was 14.341 million units, representing a year-on-year decrease of 3.9%. The transaction volume was affected by the COVID-19 pandemic in the first half of the year, and began to recover gradually in the second half of the year. From August to December 2020, the monthly transaction volume maintained a double-digit year-on-year growth for five consecutive months, and the market conditions continued to improve. Benefiting from the value-added tax reduction policy for pre-owned automobile that was introduced in 2020 and the complete revocation of the transfer restriction policy for pre-owned automobiles in early 2021, the market sentiment continued to improve and the market efficiency continued to increase. As domestic motor vehicles ownership continues to increase, the market focus is expected to shift from the new automobile market to the pre-owned automobile market. Enormous development opportunities are expected to emerge in the pre-owned automobile market.

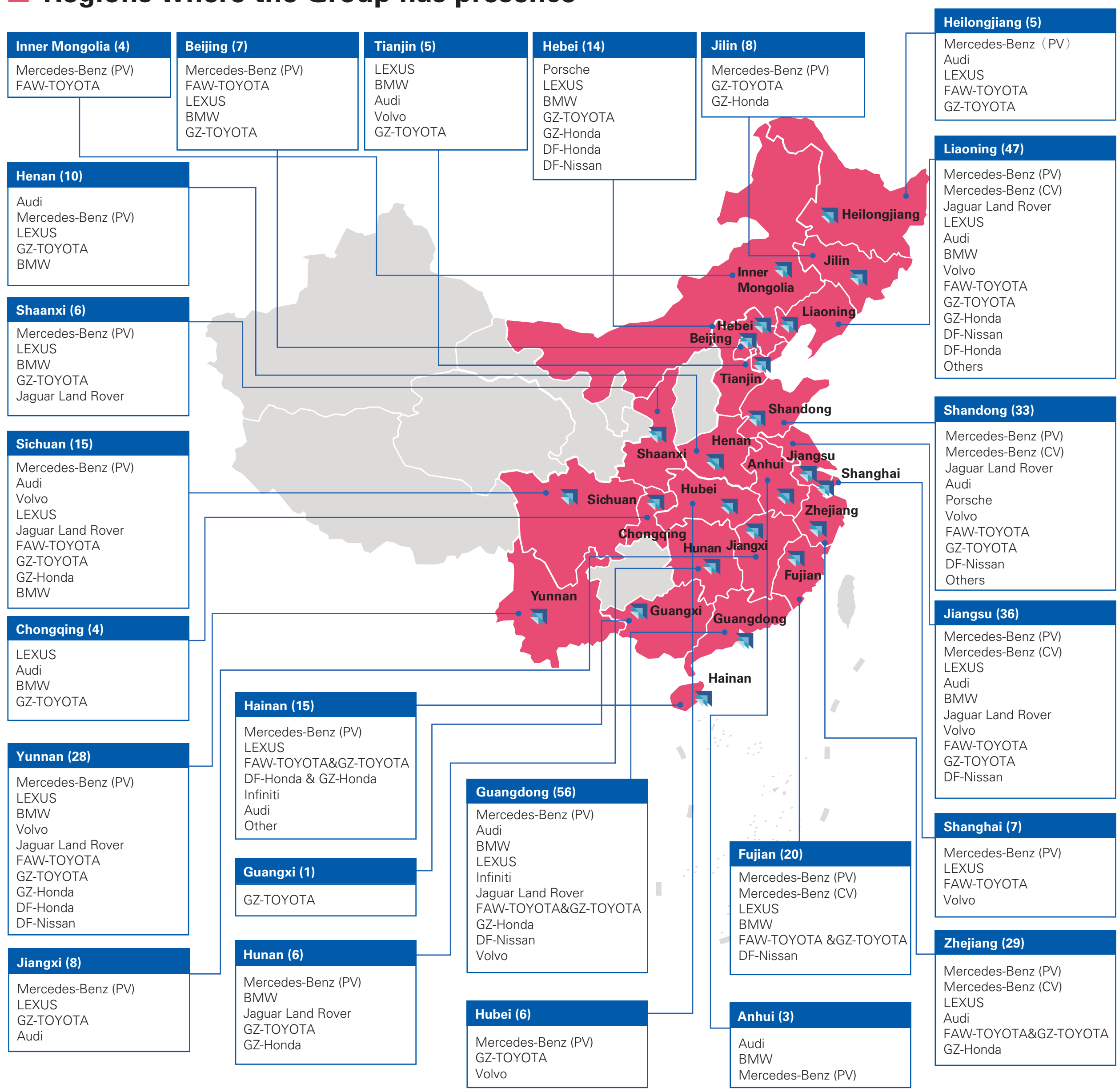
BUSINESS REVIEW

MAINTAINING THE "BRAND + REGION" PORTFOLIO STRATEGY TO FURTHER STRENGTHEN THE LEADING ADVANTAGES OF SALES NETWORK IN KEY REGIONS

According to the statistics of the Ministry of Public Security of the PRC, in terms of distribution of automobile ownership in the PRC, 70 cities have more than one million units, 31 cities have over two million units and 13 cities have exceeded three million units, among which Beijing, Chengdu and Chongqing have over five million units, Suzhou, Shanghai and Zhengzhou have over four million units and seven cities including Xi'an, Wuhan, Shenzhen, Dongguan, Tianjin, Qingdao and Shijiazhuang each has over three million units. Beijing tops the number of automobile ownership with 6.03 million units in total. In terms of the geographical distribution, Southern China has the highest proportion of cities with national automobile ownership of over two million units, with developed regions in Southeastern China slowly gaining traction, in which four cities in each of Guangdong Province, Shandong Province and Zhejiang Province as well as three cities in each of Hebei Province and Jiangsu Province reached national automobile ownership of over two million units. After the COVID-19 pandemic, the demand for automobiles in economically developed regions increased at an accelerated pace. Coupled with the adjustment of traffic restriction policies, the relaxation of car purchase restrictions in urban areas and the shift of personal travelling habits towards self-driving cars, top-tier cities have shown stronger car purchase demand and purchasing power. The Group will further grow its network coverage in the key regions of top-tier cities to enhance its sales networks as its leading advantage in such key regions.

The Group has always upheld the "Brand + Region" strategy to strengthen the optimisation of its existing brand portfolio. At the same time, the Group will continue to expand to new regions to strengthen and leverage its existing regional advantages. As at 31 December 2020, the total number of the Group's dealerships increased to 373, of which 218 were luxury brand dealerships and 155 were mid-to-high-end brand dealerships, covering 24 provinces, municipalities and autonomous regions and over 90 cities in the PRC. As at 31 December 2020, the geographical distribution of the Group's dealership was as follows:

Regions where the Group has presence



Currently, the Group's brand portfolio covers luxury brands such as Mercedes-Benz, Lexus, Audi, BMW, Volvo, Jaguar and Land Rover, as well as mid-to-high-end brands such as Toyota, Nissan and Honda.

EACH BUSINESS SEGMENT REBOUNDING STRONGLY, WITH OPERATIONAL EFFICIENCY AND PROFITABILITY IMPROVING STEADILY

Under the impact of the COVID-19 pandemic at the beginning of 2020, customer flow and new automobile sales in the Group's dealerships declined significantly in the first quarter, and the number of visits of after-sales service for vehicles involved in accidents was also greatly affected. With the resumption of production and work nationwide in the second quarter, there was a very strong momentum of recovery and growth. In the second half of the year, the domestic economy picked up rapidly with significantly increasing demand for consumption in the automobile market, and therefore each business segment achieved a strong recovery in growth. In 2020, the Group achieved a new car sales volume of 500,609 units, representing a year-on-year increase of 9.9%, new car sales volume reached 303,421 units in the second half of 2020, representing a year-on-year increase of 25.4%. Among them, the sales volume of luxury brands reached 275,417 units, representing a year-on-year increase of 20.8%, the sales volume of luxury brands reached 163,764 units in the second half of 2020, representing a year-on-year increase of 33.8% and accounting for 55.0% of the Group's total sales volume and representing a significant increase over 2019, with further optimisation of its product mix. The revenue from new car sales amounted to RMB125,526.7 million, representing a year-on-year increase of 18.2%.

In 2020, with the continuous optimisation of the management system and diversified innovative services, the Group's after-sales and accessories business achieved rapid recovery and growth after the COVID-19 pandemic became under control in the PRC. Its revenue amounted to RMB20,245.1 million, which represented a year-on-year increase of 13.5% and accounted for 13.6% of the Group's total revenue. The post-pandemic Matthew effect of the industry has been strengthened and the brand advantages of the Group as one of the leading companies have become more obvious. In the future, the automobile after-sales market is expected to continue to be the main growth driver of the automobile service industry and the automobile industry is expected to usher in further integration towards an oligopolistic market and large-scale development.

As one of the Group's main growth drivers in the future, the value-added service business, which includes motor insurance, car finance and agency for pre-owned automobiles, achieved strong growth in 2020, with an income of RMB3,149.6 million for the year, which represented a year-on-year increase of 9.2% (would be 15.9% in terms of accounting in gross profit for pre-owned automobile sales under distribution model). The pre-owned automobile business segment is the Group's key business at this stage. In 2020, the trade volume for pre-owned automobile reached 107,075 units, representing a year-on-year increase of 50.0%, the trade volume for pre-owned automobile reached 66,399 units in the second half of 2020, representing a year-on-year increase of 61.9%. After the PRC value-added tax rate for pre-owned automobile was reduced from 2.0% to 0.5% at the end of March 2020, the Group started its pre-owned automobile retail business under its brand with a distribution model in a stepwise manner. The sales of pre-owned automobile business for luxury brands under the distribution model was recorded in the revenue from sales of motor vehicles on a gross basis. With the increase in the proportion of pre-owned car retail business, it is expected to further drive the rapid future growth in the value-added services and after-sales market business for the pre-owned automobile. In 2020, the Group's financial penetration rate of new car sales (i.e. sales of cars financed through various means such as loans) further increased significantly to 60.8%. As the domestic personal credit system gradually improves in the future, the financial penetration rate is expected to further increase.

FUTURE STRATEGIES AND OUTLOOK

The automobile market in the PRC experienced its first downturn in 2018 after nearly three decades of rapid growth. It has shifted from a period of explosive growth to a period of steady growth, and has gradually transitioned to an after-sales automobile market. The value chain of the automobile industry has gradually shifted towards downstream, and the automobile after-sales market has demonstrated tremendous development potential. Driven by industry transformation and enhancement, with the increasing industry concentration, the acceleration of survival of the fittest among enterprises, and intensified differentiation, some brands are expected to be outperformed and gradually withdraw from the market, whereas luxury and leading brands are expected to continue to enhance their positions. The economies of scale in the dealership industry and the strong advantages of refined management are expected to strengthen the Matthew effect of leading companies. At the same time, new development opportunities emerged in the global automobile market in 2020, including new energy vehicles, intelligent vehicles, etc..

Facing the challenges and opportunities arising from the transformation and enhancement of the automobile market as well as the development of new energy vehicles in the PRC, the Group will adhere to its people-oriented and customer-first principles, actively participate in the supply-side structural reform of the national automobile industry, and establish its presence in the new energy vehicle sector in a strategic and forward-looking manner. Leveraging our over 20 years of industry experience, solid management foundation and the Group's existing customer base and network coverage, the Group will improve its operational management efficiency and per capita return, constantly facilitate product mix optimisation, continuously improve operational efficiency, service standard and customer satisfaction through refined management, consolidate the advantages of the Group's core brands, and efficiently establish its presence and expand its coverage of the distribution network in the key regions of the PRC. In addition, the Group will adopt a market-oriented approach to explore the huge development potential of the automobile after-sales market, pre-owned automobile market and new energy vehicle sectors, and take full advantage of the Group's platform and economies of scale to sustain its long-term development potential and maintain the competitive advantages.

Li Guoqiang
President and Chief Executive Officer

Hong Kong, 19 March 2021

TOYOTA
XF
EXPERIENCE AMAZING
UX260h
Audi Q7 e-tron
M ZY 7797
E-Class Coupe
点设计大奖
S90

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE

Revenue for the year ended 31 December 2020 was RMB148,348.1 million, representing an increase of RMB24,305.6 million or 19.6% as compared to the year ended 31 December 2019. Revenue from new automobile sales amounted to RMB125,526.7 million, representing an increase of RMB19,327.6 million or 18.2% as compared to the year ended 31 December 2019. Revenue from after-sales and accessories business amounted to RMB20,245.1 million, representing an increase of RMB2,401.7 million or 13.5% as compared to the year ended 31 December 2019. Revenue from pre-owned automobile sales reached RMB2,576.2 million (the year ended 31 December 2019: nil).

New automobile sales business accounted for a substantial portion of the Group's revenue, representing 84.6% (the year ended 31 December 2019: 85.6%) of the total revenue for the year ended 31 December 2020. After-sales and accessories business accounted for 13.6% of the total revenue for the year 31 December 2020 (the year ended 31 December 2019: 14.4%). Pre-owned automobile sales accounted for 1.8%. For the year ended 31 December 2020, almost all of the Group's revenue was derived from business located in the PRC.

In terms of revenue from new automobile sales, Mercedes-Benz is the Group's top selling brand, with revenue from the sales of which representing 29.4% of the Group's total revenue from new automobile sales (the year ended 31 December 2019: 29.3%).

COST OF SALES AND SERVICES

Cost of sales and services for the year ended 31 December 2020 amounted to RMB134,866.3 million, representing an increase of RMB22,311.5 million or 19.8% as compared to the year ended 31 December 2019. Costs for new automobile sales business amounted to RMB121,817.1 million for the year ended 31 December 2020, representing an increase of RMB18,505.5 million or 17.9% as compared to the year ended 31 December 2019. Costs for after-sales and accessories business amounted to RMB10,669.9 million for the year ended 31 December 2020, representing an increase of RMB1,426.7 million or 15.4% as compared to the year ended 31 December 2019. Costs for pre-owned automobile sales business amounted to RMB2,379.3 million.

GROSS PROFIT

The Group's gross profit for the year ended 31 December 2020 amounted to RMB13,481.7 million, representing an increase of RMB1,994.1 million or 17.4% as compared to the year ended 31 December 2019. Gross profit from new automobile sales business amounted to RMB3,709.6 million, representing an increase of RMB822.1 million or 28.5% as compared to the year ended 31 December 2019. Gross profit from after-sales and accessories business amounted to RMB9,575.2 million, representing an increase of RMB975.1 million or 11.3% as compared to the year ended 31 December 2019. Gross profit from sales of pre-owned automobile amounted RMB196.9 million. For the year ended 31 December 2020, gross profit from after-sales and accessories business accounted for 71.0% of the total gross profit (the year ended 31 December 2019: 74.9%).

The Group's gross profit margin for the year ended 31 December 2020 was 9.1% (the year ended 31 December 2019: 9.3%).

OTHER INCOME AND GAINS, NET

The other income and gains, net, for the year ended 31 December 2020 amounted to RMB3,423.9 million, representing an increase of RMB314.4 million or 10.1% as compared to the year ended 31 December 2019. The other income and gains mainly consisted of service income from automobile insurance and automobile financing services, commission from pre-owned automobile trading business, rental income and interest income, etc..

PROFIT FROM OPERATIONS

The profit from operations for the year ended 31 December 2020 amounted to RMB8,936.7 million, representing an increase of RMB1,218.4 million or 15.8% as compared to the year ended 31 December 2019. The operating profit margin for the year ended 31 December 2020 was 6.0% (the year ended 31 December 2019: 6.2%).

PROFIT FOR THE YEAR

The profit for the year ended 31 December 2020 amounted to RMB5,580.8 million, representing an increase of RMB1,061.3 million or 23.5% as compared to the year ended 31 December 2019. The profit margin for the year ended 31 December 2020 was 3.8% (the year ended 31 December 2019: 3.6%).

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The profit attributable to owners of the parent for the year ended 31 December 2020 amounted to RMB5,539.8 million, representing an increase of RMB1,038.1 million or 23.1% as compared to the year ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

CASH FLOW

The Group primarily uses cash to pay for new automobiles, spare parts and automobile accessories, to repay its indebtedness, to fund its working capital and normal operating expenses and to establish new dealerships and acquire additional dealerships. The Group finances its liquidity requirements mainly through a combination of cash flows generated from its operating activities, bank loans and other borrowings.

The Company believes that its future liquidity demand will continue to be satisfied by using a combination of bank loans and other borrowings, cash flow generated from its operating activities and other funds raised from the capital markets from time to time in the future.

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2020.

CASH FLOW GENERATED FROM OPERATING ACTIVITIES

For the year ended 31 December 2020, the net cash generated from operating activities by the Group amounted to RMB9,324.4 million, consisting primarily of operating profit before working capital movement and tax payment.

CASH FLOW USED IN INVESTING ACTIVITIES

For the year ended 31 December 2020, the net cash used in investing activities by the Group amounted to RMB3,234.1 million.

CASH FLOW USED IN FINANCING ACTIVITIES

For the year ended 31 December 2020, the net cash used in financing activities by the Group amounted to RMB3,963.6 million.

NET CURRENT ASSETS

As at 31 December 2020, the Group had net current assets of RMB5,376.7 million, representing an increase of RMB881.8 million from the net current assets of the Group as at 31 December 2019.

CAPITAL EXPENDITURES AND INVESTMENT

The Group's capital expenditures comprised expenditures on property, plant and equipment, land use rights and business acquisition. For the year ended 31 December 2020, the Group's total capital expenditures amounted to RMB3,158.2 million. Save as disclosed above, the Group did not make any significant investments during the year ended 31 December 2020.

INVENTORY ANALYSIS

The Group's inventories primarily consisted of new automobiles, spare parts and automobile accessories. Generally, each of the dealerships of the Group individually manages the quotas and orders for new automobiles, after-sales and accessories products. The Group also coordinates and aggregates orders for automobile accessories and other automobile-related products across its dealership network. The Group manages its quotas and inventory levels through its information technology systems, including an Enterprise Resource Planning (ERP) system.

The Group's inventories decreased from RMB9,828.5 million as at 31 December 2019 to RMB9,090.1 million as at 31 December 2020, primarily due to the further optimisation of inventory structure benefitted from its continuous improving stock management.

The following table sets forth the average inventory turnover days of the Group for the periods indicated:

	For the year ended 31 December	
	2020	2019
Average inventory turnover days	**23.3**	30.4

The inventory turnover days of the Group showed a healthy decrease during the year ended 31 December 2020 as compared to the year ended 31 December 2019, which was mainly due to improved inventory management. During the year ended 31 December 2020, the Group's inventory mix gradually optimised and the inventory balance decreased significantly as compared to 31 December 2019, in the meanwhile network scale further expanded.

ORDER BOOK AND PROSPECT FOR NEW BUSINESS

Due to its business nature, the Group did not maintain an order book as at 31 December 2020. As at the date of this report, the Group has no new services to be introduced to the market.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2020, the Group's bank loans and other borrowings amounted to RMB19,331.4 million (31 December 2019: RMB21,014.1 million), and its convertible bonds liability portion amounted to RMB4,827.2 million (31 December 2019: RMB4,293.9 million). The decrease in the Group's bank loans and other borrowings during the year ended 31 December 2020 was primarily due to the repayment of the loan and other borrowings, benefiting from the substantial cash generated from operating activities. The annual interest rates of the bank loans and other borrowings ranged from 1.0% to 5.9%.

INTEREST RATE RISK AND FOREIGN EXCHANGE RATE RISK

The Group currently has not used any derivatives to hedge interest rate risk. The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. Most cash and bank deposits of the Group are denominated in RMB. The Group has not used any long-term contracts, currency borrowings or other means to hedge its foreign currency exposure. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the Group had 31,460 employees (31 December 2019: 29,293). The Group strives to offer a good working environment, a diversified range of training programmes as well as an attractive remuneration package to its employees. The Group endeavours to motivate its staff with performance-based remuneration. On top of basic salary, the Group will reward staff who had outstanding performances with cash bonuses, honorary awards or a combination of all the above to further align the interests of the employees and the Company, to attract talented individuals, and to create long-term incentive for its staff.

PLEDGE OF THE GROUP'S ASSETS

The Group pledged its assets as securities for bank and other loan and banking facilities which were used to finance daily business operations. As at 31 December 2020, the pledged assets of the Group amounted to RMB5.9 billion (31 December 2019: RMB6.0 billion).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2020, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

FUTURE PLANS AND EXPECTED FUNDING

Going forward, the Company will continue to expand its business in the luxury and mid-to-high end passenger vehicle market by capitalising on the opportunities arising from the market and exploring developing potential. The Company aims to expand its distribution network through new store establishment and appropriate mergers and acquisitions in the future. The Group plans to fund its future capital expenditure through cash flows generated from its operating activities and various resources including internal funds and borrowings from financial institutions, and the Group currently has sufficient credit facilities granted by banks.

CONTINGENT LIABILITIES

As at 31 December 2020, neither the Company nor the Group had any significant contingent liabilities.

GEARING RATIO

As at 31 December 2020, the gearing ratio of the Group was 50.9% (31 December 2019: 57.3%), which was calculated from net debt divided by the sum of net debt and total equity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

REPORT PROFILE

The report is the 2020 Environmental, Social and Governance ("**ESG**") report issued by the Group, which mainly introduces the Group's management policies in the ESG aspect and the specific management measures adopted during the reporting period, with an aim to strengthen the communication and engagement with internal and external stakeholders of the Group.

REPORTING SCOPE

The time span of this report is from 1 January 2020 to 31 December 2020. The report covers Zhongsheng Group Holdings Limited and its 373 dealerships (218 luxury brand dealerships and 155 mid-to-high-end brand dealerships). There was no significant change in the scope of coverage this year as compared with the previous reporting year.

REPORT BASIS

The report is prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") of Hong Kong Exchanges and Clearing Limited ("**Hong Kong Stock Exchange**").

ACCESS AND RESPONSE TO THE REPORT

The Chinese and English versions of this report can be downloaded from the website of the Stock Exchange at http://www.hkexnews.hk. The report is published in both Chinese and English. In the case of any discrepancy between the two versions, the Chinese version shall prevail.

The Group welcomes stakeholders' feedback on our ESG approach and performance. Suggestions can be sent to us via e-mail at zhongsheng-hk@zs-group.com.cn.

1. STRENGTHENING RESPONSIBILITY — LIFETIME UNDERTAKING

1.1 ESG VISION AND MANAGEMENT POLICY

As one of the leading national automobile dealership groups in the PRC, the Group has always adhered to the operating philosophy of "Pursuing for Excellence, Being Determined and Devoted, Being Trustworthy and Reliable, Being Innovative and Creative" to provide customers with quality services in an ethical and responsible manner. In addition, the Group is committed to sustainable development, actively promotes green culture, engages in exchanges on environmental issues, establishes a green supply chain, promotes environmental protection projects for public welfare, and puts into practice the new concept of environmental protection for corporate citizens. The Group attaches great importance to ESG governance, and we expect to work together with employees, investors and shareholders, customers, suppliers, governments and community groups for mutual benefits, so as to contribute to social progress, economic growth and environmental governance.

We have all along been committed to the operating philosophy of "Pursuing for Excellence, Being Determined and Devoted, Being Trustworthy and Reliable, Being Innovative and Creative" to provide customers with services that offer the maximum overall value by focusing on customers' needs, continued to promote sustainable business practices and discharge corporate social responsibilities, so as to better capture the opportunities from the development of the industry and create overall value for stakeholders.

In order to improve the standard of ESG governance, the Group established an ESG committee during the year after being approved by a resolution of the Board, which is directly under the Board and its members are the executive directors of the Group. It is mainly responsible for the development of the Group's ESG development strategy and the implementation and supervision of various activities. In response to the impact of energy conservation, emission reduction and climate change, the ESG committee has carefully assessed related risks and developed corresponding strategies and targets for environmental protection, carbon reduction and response to climate change, including: ① minimising and optimising water use, and establishing a recycling water system in areas where conditions permit; ② establishing a recycling system to achieve the target of living in harmony with nature; and ③ gradually reducing new automobile emissions, automobile life cycle emissions and carbon dioxide emissions from related plant.

In order to achieve the aforesaid strategic targets, the Group will keep abreast of the trends of new environmental laws and regulations and formulate contingency strategies and policies in a timely manner to ensure compliance with environmental protection laws and regulations. We have strengthened talents recruitment and training, increased investment in development or introduced more environmentally friendly products or business models to effectively control the waste recycling process. In addition, the Group will introduce more related hybrid and new energy vehicles, and establish a complete inventory distribution and information management system to reduce the impact of any emergency.

In the future, the Group will continue to proactively assume corporate social responsibilities for achieving sustainable development. The Group will actively respond to and implement relevant government policies and requirements in place, actively support the society-wide low-carbon development, and actively engage in society-wide actions of energy conservation and emission reduction.

1.2 ESG GOVERNANCE

The Board of the Group established an environmental, social and governance (ESG) committee in November 2020 to continuously improve the Group's sustainable development performance. The members of ESG committee include two executive directors of the Group, whose main functions are to review the Group's sustainable development targets and strategies (including assessment of ESG risks) and report to the Board on major domestic trends relating to ESG work. They developed sustainable development initiatives and monitored the performance and progress of the Group with reference to key performance indicators and other relevant standards and provided suggestions to promote the development and implementation of the Group's ESG work, as well as reviewed the ESG report of the Group. The ESG committee will conduct relevant discussions and hold meetings as required at least once a year. The Group will continue to improve the sustainable development management system and promote the sustainable development progress of the Group.

The ESG task group at the management level of the Group undertakes ESG supervision and coordination functions, puts into practice decisions of decision-making organisation, communicates and coordinates ESG-related affairs, organises the preparation of ESG reports, and reports the implementation of related work to the ESG committee.

In addition, as executive organisations for specific work, all functional departments and dealerships of the Company will implement the ESG plan formulated by the task group, effectively record and report ESG related information, and put into practice the ESG related management work.

ESG Governance Structure of the Group	
Decision-making organisation ESG Committee of the Board	• Responsible for overall ESG governance • Supervising and reviewing ESG performance
Co-ordination organisation ESG Task Group	• Put into practice the decisions of decision-making organisation • Communicating and coordinating ESG affairs • Organising the preparation of ESG report
Executive organisation All Functional Departments and Dealerships	• Executing ESG work plans • Collecting and reporting ESG information • Performing ESG management work

1.3 STAKEHOLDER COMMUNICATION

Taking into account the interests and influence of different stakeholders and establishing a good and effective communication channels with stakeholders will not only assist the Group in responding to and identifying existing and potential risks and opportunities in the market in a timely manner, but also serve as a basis for establishing a sustainable development strategy.

The Group's business involves various stakeholder groups, including but not limited to its employees, investors and shareholders, customers, suppliers and governmental and community groups. Having continuous communication and engagement with the stakeholders is an important part of the Group's daily operation. Communication with stakeholders would normally be conducted by the Group via our day-to-day interaction with them or during the annual general meeting. In addition, announcement and publications relevant to the Group would also be issued on the Group's or the Stock Exchange's websites to respond to the concerns of investment stakeholders. The main communication channels between the Group and each stakeholder, the main concerns of the stakeholders and the key actions of the Group are detailed as follows:

Stakeholders	Governments	Shareholders and investors	Employees	Customers	Suppliers	Community
Methods of communication and exchange information	• Take part in discussions when relevant policies are being formulated, share enterprise experience • Guide and influence public policies actively • Engage in dialogue with the local government	• Annual general meeting • Annual reports and interim reports • The Group's announcements and publications • Telephone or email	• Working conference • Training program • The Group's office platform • The Group's announcements and publications • Team building activities	• The Group's announcements and publications • Communicate during the service offering process • Customer survey and feedback • Complaint hotline • Telephone or email • The Group's WeChat official account and mini program of Zhongsheng Home (中升之家)	• Announce the supplier management rules • Contract negotiation • Daily business exchange • Enhance information disclosures	• Communicate with local government and organisations • Exchange ideas with community members • Enhance information disclosures • The Group's WeChat official account and mini program of Zhongsheng Home (中升之家)
Main concerns	• Respond to state policies • Operate according to laws and regulations • Pay taxes in accordance with applicable tax laws • Promote employment	• Business strategy & financial performance • Protect shareholder's legal rights • Business sustainability • Company transparency	• Remuneration and benefits • Guarantee of rights and interests • Career development • Safety and health • Corporate culture	• Timely service • Safety of householders • Privacy protection • Continuously improve service quality	• Abide by commercial ethics & state laws and rules • Be transparent and fair • Fulfill commitments, achieve mutual benefits and enable win-win cooperation	• Hold community activities • Participate in community construction • Participate in public welfare activities of community • Promote the community's development

Stakeholders	Governments	Shareholders and investors	Employees	Customers	Suppliers	Community
Key actions	• Implement state policies, abide by state laws and regulations • Accept supervision and check-ups • Create more posts to boost the employment rate • Declare taxes in a timely manner	• Convene shareholder meetings regularly • Convene the Board meetings regularly • Convene meetings with investors • Disclose statutory issues in a timely manner	• Enhance training for employees in respect of work skills • Improve employees living and working environment • Guarantee employees' rights and benefits, upgrade their welfare level • Health and safety guarantees for employees	• Regulate and standardise services • Conduct regular customer satisfaction surveys • Respond to customer complaints and provide them with feedback in a timely manner • Earnestly protect customer privacy	• Set up an open and transparent bid invitation system • Set up a communication platform for suppliers • Perfect the supplier selection system • Offer equal opportunities to suppliers	• Regularly hold activities to benefit community residents • Be passionate about public welfare, and contribute to society

1.4 IDENTIFICATION OF MATERIAL ISSUES

In addition to considering the Group's ESG strategy and targets, as well as the concerns of various stakeholders, during the year, through benchmarking ESG reporting standards, ESG rating agencies, ESG reports from local and international peers, trends of automobile dealership industry and opinions from stakeholders, the Group identified the following issues that are important to the Group, listed these aspects as key focuses of the sustainable development of the Group, and disclosed in this report accordingly.

Name of issues	Definitions of issues
Social	
Customer service	The Group's management mechanism and measures in terms of customer service, such as after-sales service, response to complaints and customer satisfaction
Customer privacy protection	The Group's system, mechanism and measures in terms of customer data protection, how to protect customer data from being leaked out
Supply chain management	The Group's mechanism and measures in terms of environmental and social management of supply chain enterprises
Employment and benefits	The Group's management mechanism and measures in terms of employees' recruitment and dismissal, remuneration and holidays, and promotion
Health and safety	The Group's management mechanism and measures in terms of the occupational health and safety of employees, such as occupational disease prevention and treatment, and prevention of work injuries
Environmental	
Use of Resources	The Group's consumption and management mechanism in terms of related energy (electricity and gasoline) and resources (water resources and packaging materials)
Governance	
Corporate governance	The Group's overall governance in terms of ESG, top-down governance structure and bottom-up feedback

2. DEVOTED SERVICE — LIFETIME PARTNER

We believe that high-quality after-sales business is an important indicator for customers to choose 4S dealerships. The Group has always adhered to the guiding principle of "Zhongsheng Group — Lifetime Partner", attached great importance to the service quality of 4S dealerships and continued to make effort to improve. The Group has been engaged in after-sales businesses for more than ten years. Such businesses provided include spare parts, automobile accessories, repair and maintenance services, detailing services, and other automobile-related products and services, such as second-hand automobile trading services and rental of motor vehicles. With the increasing number of automobile owners in the PRC, the customer base of Zhongsheng Group is rapidly expanding, and its demand for after-sales businesses is increasing, making after-sales business an important part of operating model of the entire 4S dealership.

2.1 PRODUCT QUALITY MANAGEMENT

Adhering to the "people-oriented and customer-first" principles, the Group has actively enhanced in-depth co-operation with industry chain participants to continuously improve operational efficiency, service quality and customer satisfaction. The procurement of the Group's vehicle accessories is in strict compliance with manufacturers' standards. Vehicles must undergo a three-level inspection before being delivered to customers.

We have complied with relevant laws and regulations, including the Regulation concerning Management of Compulsive Product Certification (《強制性產品認證管理規定》), the Regulations of the People's Republic of China on Certification and Accreditation (《中華人民共和國認證認可條例》), the Announcement on the Issuing of the Catalogue of Descriptions and Table of Definitions for Compulsory Product Certification by the Certification Accreditation Administration of the People's Republic of China (No. 45, 2014) (《國家認監委關於印發強制性產品認證目錄描述與界定表的公告(2014年第45號)》) and the Catalogue of Descriptions and Table of Definitions for Compulsory Product Certification and the Reference Table for HS Code 2014 (《〈強制性產品認證目錄描述與界定表〉與2014年HS編碼參考表》). In 2020, there was no occurrence of non-compliance in terms of product and service liability that may have a significant impact on us.

After the new automobiles arrive at the dealership, the dealers will inspect the automobiles in accordance with the testing standards formulated by each brand. The main contents are as follows:

- In handing over the commercial automobiles with the logistics company, the automobile managers of sales department should strictly and carefully check whether there are defects in the exterior and interior of the automobile and whether there is any wrong installation or missing installation. If the aforesaid problems are found, they should sign and confirm with the logistics staff in time and negotiate with the logistics company or the brand storage and transportation department to solve the problems;

- The automobile managers of sales department should record the automobiles arriving in the store in a table, and check the exterior, interior decoration, function keys (such as air outlets and vanity mirrors), tires, wiper blades and other items one by one;

- After passing the preliminary inspection, the commercial automobile should be warehoused and the maintenance workshop should be arranged for Pre-Delivery Inspection (PDI);

- Maintenance technicians should carry out detailed inspections on the automobiles according to the requirements of each brand, including computer diagnosis, and regularly maintain the automobiles before delivery;

- If problems are found during the inspection, they should report to the manufacturer in time and follow up on the results; and

- Documents for inspection process should be filed.

In addition, quality inspection for pre-owned automobile is also important. The main contents of the acquisition and quality inspection process for the Group's pre-owned automobiles are as follows:

- Automobile Evaluation: Carrying out inspection for automobile conditions in accordance with standard procedures
- Inspection Automobile Procedures: Checking the automobile procedures to ensure the normal trading and transfer of automobile in the future
- Maintenance Record Inquiry: Inquiring automobile maintenance records through the manufacturer system (automobiles of our brand) or a third-party platform (automobiles not of our brand) to have a further understanding of automobile usage
- Automobile Pricing: Quoting to customers based on the overall situation of the automobile
- Automobile Negotiations: Negotiating with customers based on automobile conditions to facilitate automobile transactions
- Entering into the Contract: After the two parties reach an agreement on the automobile price and related matters, a paper contract shall be entered into
- Automobile Handover: Handover of automobiles, procedures and keys
- Financial Payment: Payment of the automobile payment or deduction of the new automobile payment by the finance department, with the procurement process ending after the vehicle being warehoused.

Each of the Group's products goes through a quality assurance process and when necessary, the Group carries out the following recall procedures in strict accordance with the requirements of the manufacturers if the Group's products are being recalled:

- manufacturer publishes announcement to recall products;
- identifying affected vehicles;
- preparing preliminary spare parts inventory based on actual situation;
- identifying customers' mailing addresses and delivering notices to customers; and
- carrying out recall measures when the recalled vehicles arrive at the facilities.

2.2 CUSTOMER SERVICE AND CUSTOMER PRIVACY MANAGEMENT

Our corporate motto is "Zhongsheng Group — Lifetime Partner", and it is central to our corporate culture. We value the feedback from customers by establishing the mechanism about customer service and support. The Company treats providing customer support as an opportunity to improve our relationship with the customer, addressing customer's concern in a timely manner and in accordance with international standards.

The Group has a 24-hour customer service hotline and a WeChat platform for handling customer complaints. In addition, the Group provides employees with training to improve their efficiency and capacity in handling customer complaints. In 2020, we received a total of 74 complaints from clients, which were resolved successfully.

The Group respects and protects customer data and privacy, and strives to ensure customer information are encrypted and secure and has invested in highly secure information management systems in order to handle our customer's information securely. The application scope of the Group's data privacy policy covers all relevant business lines of the Group. All employees shall sign employee confidentiality agreements to protect customer privacy, and suppliers are also required to sign confidentiality agreements. The Group's consumer data protection and privacy policies are restricted to only collecting necessary information for customers, and only some employees have access to customer information from the Group's system. The information management department of the Group is responsible for the management of privacy and data security, and related privacy and data security issues will also be discussed at the Board meeting. We invite third parties to review the information security policy and system, the scope of which includes group-level control, change management control, logical access control and other general IT controls.

2.3 SUSTAINABLE SUPPLY CHAIN

Due to the business nature of our Group, we depend significantly on the automakers and suppliers of automobile accessories. The Group follows the principles of openness, fairness and transparency in selecting suppliers and service providers, and has established a supplier assessment system in terms of price, quality and costs and after-sales service. The Group will carry out long-term quality monitoring and conduct regular reviews on all suppliers as well as casual examinations on different suppliers to ensure sustainable quality material supplies and services.

In the supplier admission stage, the Group requires suppliers to complete a self-assessment questionnaire to evaluate the failure rate of related products, operating results, tax declaration and results of approval of quality certification system. In terms of supplier management, all procurement contracts specify requirements for suppliers in terms of product quality, packaging, price and after-sales services.

In 2020, the Group had a total of 58 key suppliers, which were mainly spare parts suppliers. During the year, the Group was not aware that any key suppliers had any significant actual and potential negative impact on the business ethics, environmental protection, human rights and labour practices, nor did any of them have any non-compliance incident in respect of human rights issues.

	Number of key suppliers
By geographical region	
Northeastern and Northern China regions	14
Eastern and Central China regions	22
Southern China region	16
Southwestern and Northwestern mainland regions	6
Total	58

3. TRUE CONCERN — LIFETIME SAFETY

The Group always believes that the employees of an enterprise are one of the most important elements to an enterprise's competitiveness. We insist on placing the "people-oriented" concept in an important position of the Group's development and operation strategy to ensure the sustainable development of the Group.

Our employees are critical to our success. We have invested, and will continue to invest substantially in our employees in order to recruit, integrate and retain the best personnel for our business. As a result of our large scale operations, we have been able to implement a systematic approach to foster capable managers. One of our policies is to promote capable personnel within the Group's operations and provide a clear career development planning to those personnel, thus forming a large pool of motivated and experienced employees to support our business expansion plans.

In addition, as a leading national automobile dealership group in China with a diversified portfolio of automobile brands, we are able to offer our employees diverse working opportunities encompassing working with different automobile brands as well as work in other regions in China, and we believe this would increase our employee retention rates in the face of intense competition for human resources. During the year, the Group was awarded the title of "Model Enterprise for Talent Training in China's Automobile Dealing Industry in 2020", demonstrating the Group's outstanding performance in the recruitment and training of talents in the industry, and also encouraging us to continuously improve the talent training mechanism and enhance our core competitiveness.

3.1 EMPLOYMENT AND STAFF BENEFITS

RECRUITMENT SYSTEM

The Group has formulated a standardised recruitment management system to provide employees with reasonable remuneration, a non-discriminatory working atmosphere, fair and just promotion opportunities in strict accordance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), Law on Protection of Minors (《未成年人保護法》) and Provisions on the Prohibition of Child Labour (《禁止使用童工規定》), so as to protect the legitimate rights and interests of employees, and lay a solid talent foundation for the future development of the Company.

At the end of the reporting year, the Group employed a total of 31,460 employees, all of whom were full-time employees, representing an increase of 2,167 as compared with the end of last year. The breakdown of the number of employees by gender, geographical region, age, and employee type is as follows:

By gender	Number of employees	Percentage of total
Male	19,618	62.36%
Female	11,842	37.64%

By geographical region	Number of employees	Percentage of total
Northeastern and Northern China regions	6,936	22.05%
Eastern and Central China regions	13,004	41.34%
Southern China region	6,699	21.29%
Southwestern and Northwestern mainland regions	4,821	15.32%

By age	Number of employees	Percentage of total
Below 25	5,847	18.59%
25–34	19,600	62.30%
35–44	5,155	16.38%
45–54	729	2.32%
55–64	129	0.41%

By employee type	Number of employees	Percentage of total
General employee	30,971	98.45%
Supervisor	440	1.40%
Middle management	45	0.14%
Senior management	4	0.01%

In terms of employee turnover, the number of employee turnover of the Group during the year was 6,921, representing a decrease of 4,501 as compared with that of last year, with a total turnover rate of 22.00%. The breakdown of turnover by gender, geographical region and age is as follows:

By gender	Number of employee turnover	Turnover rate
Male	4,216	21.49%
Female	2,705	22.84%

By geographical region	Number of employee turnover	Turnover rate
Northeastern and Northern China regions	1,331	19.19%
Eastern and Central China regions	2,755	21.19%
Southern China region	1,631	24.35%
Southwestern and Northwestern mainland regions	1,204	24.97%

By age	Number of employee turnover	Turnover rate
Below 25	1,767	30.22%
25–34	4,286	21.87%
35–44	773	15.00%
45–54	82	11.25%
55–64	13	10.08%

STAFF BENEFITS

The Group has formulated a standardised Secondment, Promotion and Demotion Management System (《異動、晉級、降級管理制度》), aiming to providing transparent remuneration, benefits and promotion opportunities for every employee in the Group and maintain a fair competitive environment within the Group. In addition, we encourage employees to perform in their respective sectors through a remuneration performance policy that provides incentives and imposes restrictions.

The Group follows the Employee Benefit Management System (《員工福利管理制度》), provides employees with paid annual leave, pays social insurance and provident funds in accordance with the law, and proactively provides employees with working meals, implements heatstroke prevention and cooling, team building and various condolences, aiming to making employees feeling cared for and enhance their sense of belonging through various methods.

In accordance with national laws and regulations, we organise employee lectures from time to time and provide online training courses to prevent employees from being discriminated, harassed or injured in the workplace, and provide effective employee assistance. We promote the Group's cultural composition and career development planning through normalised induction training for new employees, creating a more cohesive staff team, and promoting a more diverse and inclusive working environment.

We fully guarantee the two-way communication channels between the Group and employees, including the channels through which the Group disseminates corporate information to employees and the channels through which employees provide information to the Group and employee opinion surveys. The Group currently releases information about important appointments, systems and notices of key matters of the Group to employees through the Group's office platform. At the same time, it releases audit checks information and human resources communication information to employees, and receives various opinions from employees. We carefully review and consider every feedback received from employees, and make corresponding improvements to protect the rights and interests of employees in a timely manner.

EMPLOYMENT STANDARDS

The Group strictly follows relevant PRC labor regulations relating to working hours, rest and holidays to ensure the physical and mental health of all employees. The Group will not force employees to work overtime. Employees are entitled to overtime pay if they obtain prior approval from their senior manager. The Group also has implemented policies relevant to holidays, such that employees are entitled to paid days off from work for national public holidays and company holidays, as well as, for example, annual vacation leave, compassionate leave, marriage leave, maternity leave, sick leave, etc..

The Group strictly follows the Provisions on the Prohibition of Child Labour (《禁止使用童工規定》). The Group's human resources team affirms applicants' age by checking valid identification during interviews and hires a third party to conduct reference checks on all applicants. Individuals under 16 years of age are disqualified from employment at the Group. In addition, regular inspection will also be conducted to ensure no child or forced labour is employed.

If any suspicious case of child labour or forced labour is identified, the Group will take immediate actions to contact and report to official departments, including the police, to protect the right and well-being of the affected persons. In addition, internal investigation or discussion with employees involved will be conducted to review and evaluate the situation.

During the Report Period, there was no incident of child labour or forced labour, or incident of violation of relevant employment policies, laws and regulations within the Group.

3.2 STAFF TRAINING AND DEVELOPMENT

In order to promote the mutual growth of the Group and our employees, the Group actively invests resources in talent training. In accordance with the Employee Training Management Measures (《員工培訓管理辦法》), the Group standardises and improves the employee training system, formulates an exclusive development path for employees, stimulates their potential and supports their growth. We provide basic skills training, professional skills training, product training, middle management training and reserve general manager training throughout employees' careers. In addition, we encourage employees to participate in trainings on various products, skills, and management capabilities of automobile makers, and provide training support. During the year, the Group provided employees with multiple sessions and multiple types of staff training. The breakdown of the number of employees trained by gender and employee type, as well as average training hours is as follows:

By gender	Number of employees trained	Percentage of employees trained	Average training hours
Male	19,618	100%	360
Female	11,842	100%	360

By employee type	Number of employees trained	Percentage of employees trained	Average training hours
General employees	30,971	100%	363
Supervisor	440	100%	192
Middle management	45	100%	216
Senior management	4	100%	120

In order to further increase our efforts in training talents, reserving outstanding talents and seeking long-term development, the Group currently carries out reserve training activities for many core positions such as general managers of dealerships and department managers in brand on a regular basis. In the selection of job promotion and personnel replacement, we can implement re-election evaluation and recommendation appointments through the reserve talent pool. We expect to use social recruitment as the main method, promote the unified image of the Group, conduct targeted external talent recruitment through job position fixing, and manage the talent pool through the brand/central city, so as to promote the career development of employees from management and professional dimensions. In line with this, we use manufacturer resources to actively carry out school-enterprise cooperation for targeted training in respect of some brands, so as to build a potential talent pool.

3.3 SAFETY AND HEALTH MANAGEMENT

The Group attaches great importance to staff health and work environment safety, strictly abides by the relevant laws and regulations including the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), Fire Control Law (《消防法》), Law on the Prevention and Control of Occupational Diseases (《職業病防治法》), with a view to reduce accidents, illness and risks in working area, and promote the health of employees, thus also reducing employee absence rate and turnover rate. The Group strives to ensure complete safety facilities in the office and other workplaces, create a healthy and safe working environment for employees and improve their self-health and safety awareness through providing regular health and safety reminders to employees.

In the course of daily business operations, each dealership of the Group will conduct safety production training activities from time to time with the participation of all employees. The types of training include but are not limited to safety production and fire drills. In addition, physical examinations is one of the benefits provided by the Group to our employees. Every year, the Group organises a physical examination for all employees, and a special occupational health physical examination for workers in workshops to pay attention to the physical and mental health of employees.

During the year, against the severe situation of the novel coronavirus pneumonia, COVID-19, the Group implemented prevention and control measures, and resumed work and production in an orderly manner. At the early stage of the epidemic, given the shortage of anti-epidemic resources of the society and a great demand for epidemic prevention and disinfection services, the Group has used its best endeavours to purchase personal epidemic prevention and disinfection materials for employees in combination with customer service needs and its own ability to secure resources. In addition, the Group has implemented home office approach, and companies and departments at all levels held remote meetings to promote epidemic prevention, work directions and method training. At the stage of the resumption of work and production. Moreover, the Group implemented rotating shift by fixed on-duty team, and members of staff were not allowed to be changed, so as to avoid accidents caused by cross shift-duty and fully protect the safety and health of employees during the epidemic.

During the Reporting Period, there was no occurrence of non-compliance in terms of providing a safe working environment and protecting employees from occupational hazards, and there were no work-related fatalities in the Group, and the number of lost days due to work injury was zero.

4. LOW-CARBON, ENVIRONMENTAL PROTECTION — LIFETIME CLEAN

The Group always regards the promotion of sustainable development as an obligatory social responsibility and strictly abides by the relevant environmental protection laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) to practice green concepts and build a low-carbon society. We aim to achieve common development of economic benefit and environmental benefit. While developing our business, the Group thoroughly implement the concept of energy conservation and environmental protection at the time developing out business through adopting a variety of measures, and continue to pursue clean, efficient and green development.

4.1 EFFICIENT USE OF RESOURCES

Faced with limited supply of resources, building a resource-saving and environment-friendly society requires enterprises to shoulder social responsibilities, which are an obligatory responsibility of enterprises. Saving energy and a commitment to improving energy use efficiency can reduce operating costs of enterprise and promote the research and development of new technologies. The Group attaches great importance to the economical use of natural resources and strictly abides by the Energy Law of the People's Republic of China (《中華人民共和國能源法》), the Renewable Energy Law (《可再生能源法》), the Law on Promoting Circular Economy (《循環經濟促進法》), the Water Law of the People's Republic of China (《中華人民共和國水法》), the National Water Conservation Plan (《國家節水行動方案》) and the Interim Provisions on Saving Raw Material Management (《節約原材料管理暫行規定》) and other laws and regulations, aiming to achieve the coordinated and sustainable development of people, resources and the environment.

The Group is principally engaged in the business of automobile sales services and other automobile-related services. As a result, power consumption is primarily generated from the lighting and air conditioning in the Group's offices and day-to-day operations. In terms of electricity consumption, we designate personnel to turn off lighting and ensure the reasonable use of air conditioning, and administrative departments to check electricity conservation from time to time. In addition, we also fully use A8 office management software to conduct on-line approval for all the Group's documents that are submitted for approval for all employees; new bullet promoting energy conservation and emission reduction to fully achieve paperless office for the Group. In all dealerships of the Group, burning diesel fuel in the spray paint booth is gradually turned to electricity, thus reducing energy and other resources consumption, reducing waste and increasing recycling. The Group is continuously improving its environmental management practices, and has implemented energy use efficiency initiatives to reduce our energy consumption for our day-to-day operations. In 2020, the energy consumption of the Group was as follows:

ENERGY CONSUMPTION AND INTENSITY OF THE GROUP

Category	Consumption	Unit
Electricity	139,788,969.69	kWh
Electricity consumption intensity	374,769.36	kWh/store
Gasoline	3,980.83	tonne
Diesel	4,055.89	tonne
Liquefied petroleum gas	5,694.04	tonne
Natural gas	572,730.38	Nm^3
Comprehensive energy consumption	193,646,746.88	kWh
Comprehensive energy consumption intensity	519,160.18	kWh/store

The Group is highly focused on the efficiency of resource utilisation and has continuously explored methods to best use the natural resources while guaranteeing service quality. In order to further strengthen the recycling of water resources, we have promoted reasonable and recycled water use among employees in workshops of various dealerships in the Group to increase the utilisation rate of water resources. During the year, the Company had no serious problems in sourcing suitable water sources. In 2020, we have set annual targets for the use of water resources of the Group, which were mainly focused on reducing water waste and improving the use efficiency of water resources. To achieve the targets, we have taken the following measures:

- encouraging water-saving; stopping water supply if cash wash services are suspended; installing water-saving sprinklers in washing bays;
- installing motion-sensor water tap in toilets; and
- recycling water resources under suitable conditions.

Through adopting the aforesaid measures, we have basically achieved the targets for the year. The use of the Group's water resource during the year was as follows:

WATER CONSUMPTION AND INTENSITY OF THE GROUP

Category	Consumption	Unit
Total water consumption	2,601,568.00	m^3
Total water consumption intensity	6,974.71	m^3/store

4.2 REDUCING POLLUTION EMISSION

EMISSIONS OF EXHAUST GAS AND GREENHOUSE GAS ("GHG")

We strictly abide by laws and regulations related to exhaust gas and GHG emissions, wastewater discharge, and waste generation and discharge including the Law of the People's Republic of China on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the State Council's Circular on Print and Distribution of the Work Program for Control of Greenhouse Gas Emissions in the "Thirteenth Five-year Plan" (《國務院關於印發「十三五」控制溫室氣體排放工作方案的通知》) (Guo Fa [2016] No. 61), the Water Pollutant Discharge Standards of the Automobile Maintenance Industry (汽車維修業水污染物排放標準) (GB 26877–2011), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), Decision on Implementing Scientific Concept of Development and Strengthening Environmental Protection by the State Council (《國務院關於落實科學發展觀加強環境保護的決定》), the Liaoning Ordinances on the Prevention and Control of Air Pollution (《遼寧省大氣污染防治條例》) and Hazardous Waste Management Guidelines Manual of Zhongsheng Group (《中升集團危廢管理指引手冊》). In 2020, there was no confirmed non-compliance of laws and regulations related to environmental protection that had a significant impact on the Group.

In 2020, we have set annual targets for air emissions of the Group, which were mainly focused on reducing sulphur and GHG emissions. To achieve the targets, we have taken the following measures:

- undertaking an environmental impact assessment, inspection and rectification of the paint spray booth and improving emission monitoring equipment so as to reduce exhaust emission;
- undertaking standardised construction of environmental protection facilities and conducting sewage treatment improvement works within the Group;
- arranging a scientific test drive and test ride, rationally planning routes so as to reduce exhaust emission;
- equipping a dry grinder for dust produced in the paint spraying and polishing process, and a vacuum cleaner for poisonous gas produced in the welding process; and
- encouraging employees to replace business travel and long-distance face-to-face meetings with telephone or video conferences, and use public transportation to reduce the use of private cars.

Through adopting the aforesaid measures, we have achieved initial successes. The emissions of the Group's exhaust gas and GHG are as follows:

EMISSIONS AND INTENSITY OF EXHAUST GAS AND GHG[1] OF THE GROUP

Category	Emissions	Unit
Sulphur dioxide	182.88	kg
Nitrogen oxides	4,382.83	kg
Particulates	384.08	kg
Direct GHG emissions	13,443.00	Tonnes CO_2 equivalent
Indirect GHG emissions	85,285.25	Tonnes CO_2 equivalent
Total GHG emissions	98,728.25	Tonnes CO_2 equivalent
GHG emissions Intensity	264.69	Tonnes CO_2 equivalent/store

1 The calculations of GHG emissions:
Direct GHG emissions: Multiply the consumption of the Group's gasoline and natural gas by the corresponding emission factor. For the emission factor, refer to ① Chinese Energy Statistical Yearbook and ② IPCC2006;
Indirect GHG emissions: Multiply the consumption of the Group's purchased electricity by the corresponding emission factor. For the emission factor, refer to the Notice of the General Office of the National Development and Reform Commission on Carbon Emissions Reporting and Verification and Emissions Monitoring Program for the year 2016 and year 2017 (《國家發展改革委辦公廳關於做好2016、2017年度碳排放報告與核查及排放監測計劃制定工作的通知》);
Total GHG emissions: the sum of direct GHG emissions and indirect GHG emissions.

SOLID WASTE

The wastes generated from our business operations include waste automotive spare parts, waste engine oil, waste batteries, construction/demolition wastes and filter grease waste. For hazardous wastes, we adopt and select qualified waste recycling enterprises to co-operate in carrying out recycling treatment. For non-hazardous wastes, we treat the non-hazardous waste according to the principle of priority recycling. In addition, we have established a comprehensive environmental pollution prevention and control system, adopted measures against industrial solid waste to prevent environmental pollution and clarified management responsibility.

The Group has carried out standardised management in strict compliance with the requirements of relevant laws and regulations:

1. developing and strict organising the implementation of hazardous waste management system for enterprises in motor vehicle maintenance industry;

2. labeling hazardous waste, keeping management record and standardising temporary hazardous waste storage warehouses, and implementing standardised management for the entire process from production, temporary storage, transportation and disposal of the enterprise's hazardous wastes; and

3. before transferring of hazardous waste such as waste engine oil and waste lead-acid batteries, going through the approval of the hazardous waste transfer plan and signing a disposal contract with an operating entity with hazardous waste disposal qualification, going through the transfer procedures such as the transfer receipt on the provincial hazardous waste transfer approval platform or the national solid waste management information system online, and implementing the transfer of hazardous waste after the transfer plan being approved.

The Group has continued to improve its environmental management practices to reduce energy and other resources, minimise waste and increase recycling. We undertook waste treatment in accordance with the relevant government requirements and fully implemented the Hazardous Waste Management Requirements of Motor Vehicle Maintenance Industry. In 2020, we set the annual targets for the solid waste discharge of the Group, which were mainly focused on reducing waste discharge. To achieve the targets, we have taken the following measures:

- recycling of paper, plastic or glass waste;

- double-sided printing paper in office, placing special waste cartons in the office area or recycling cartons around the office; and

- encouraging the recycling of office supplies, using electronic document for document issuance and notification, and promoting paperless office;

In addition, all employees of the Group participated in waste reduction training in various dealerships during the year. Through waste reduction training, the employees' quality, sense of responsibility and environmental awareness were improved, thus achieving the waste reduction targets.

Through adopting the aforesaid measures, we have achieved initial successes. In 2020, the total hazardous wastes generated by the Group was 8,910.95 tonnes, with an average intensity per store of 23.89 tonnes/store. The total non-hazardous waste generated was 5,526.76 tonnes, and an average intensity per store of 14.82 tonnes/store. The data related to wastes is as follows:

TOTAL WASTE PRODUCED AND INTENSITY OF THE GROUP

	Total production (tonne)	Average intensity per store (tonne/store)
Hazardous waste		
Waste automotive spare parts	1,162.00	3.12
Battery	352.02	0.94
Waste engine oil	6,528.01	17.50
Waste paint	191.41	0.51
Other hazardous wastes (waste cotton fiber, waste activated carbon and waste filter elements)	677.51	1.82
Total hazardous waste	8,910.95	23.89
Non-hazardous waste		
Total non-hazardous waste	5,526.76	14.82

4.3 RESPONSE TO CLIMATE CHANGE

The Global Risk Report published by the World Economic Forum depicted that environmental risks remained as the primary issue from the perspective of the probability and impact of risks in the next decade. Environmental risks are closely related to climate change, posing a severe challenge to response to climate change. In 2020, China announced the 2030 Plan for Peaking Carbon Dioxide Emissions (2030年碳排放達峰計劃) and 2060 Vision of Carbon Neutrality (2060年碳中和願景). For enterprises, their responses to climate change and the standards of green development will truly become the their core competitiveness and determine their success or failure in the future.

Against the impact of climate change, the automotive industry will face mitigation and adjustment problems in the future, coupled with the implementation of related measures for response to climate change in countries around the world, the automotive industry and even the entire social concept are likely to be susceptible to significant changes. For example, more stringent policies, including fuel efficiency regulations, the implementation or increase of carbon pricing, and the launch of low-carbon products, are enough to significantly change customers' crisis awareness of environmental protection and climate change. With the formulation of regulations for responding to global climate change, it is expected that traditional fuel vehicles will be subject to a certain impact. The introduction of carbon pricing and the gradual implementation of transactions will result in higher production costs for automobile makers and purchase costs for consumers. However, the sale and the use of low-carbon new energy vehicles on the market will likely contribute to the emission reduction effect of carbon dioxide, which will also bring more business opportunities. In addition, climate change may cause more frequent or severe natural disasters, such as floods and heavy rainfall, which will result in delays in the delivery of products and spare parts, and affect operational efficiency and punctuality rate of automotive delivery, thereby affecting market sales performance.

In order to fully cope with the opportunities and challenges brought about by climate change, the Board established an ESG committee in 2020, which is mainly responsible for the development of the Group's ESG development strategy and the implementation and supervision of various activities. In response to climate change and its associated impacts, the ESG Committee has carefully assessed related risks and developed corresponding strategies and targets for climate change. The details are as follows:

1. minimising and optimising water use, and establishing a recycling water system in areas where conditions permit;

2. establishing a recycling system to achieve the target of living in harmony with nature; and

3. gradually reducing new automobile emissions, automobile life cycle emissions and carbon dioxide emissions from related plant.

In order to achieve the aforesaid strategic targets, the Group will keep abreast of the trends of new environmental laws and regulations, formulate contingency strategies and policies in a timely manner to ensure compliance with environmental protection laws and regulations. The Group will introduce more related hybrid and new energy vehicles, and establish a complete inventory distribution and information management system.

In the future, the Group will continue to proactively assume corporate social responsibilities for responding to climate change, and take effective measures to cope with the challenges brought by climate change, so as to achieve its own sustainable development. The Group will actively respond to and implement relevant government policies and requirements in response to climate change, and actively engage in society-wide common action in responding to climate change.

5. COMPLIANCE OPERATION — LIFETIME INTEGRITY

During the Reporting Period, the Group has complied with laws and regulations relating to bribery, extortion, fraud and money laundering, such as Law of The People's Republic of China against Unfair Competition. The Group defended and promoted fair competition to protect consumer interests as well as public interests, and did not monopolise or misappropriate operational resources.

The Group highly emphasises on business ethics and adheres to high-standard business principles. Employees are required to sign the Employee Undertaking and Personal Integrity Commitment. In addition, the Group has also organised a number of anti-corruption training activities. During the Reporting Period, the Group's legal department has carried out training on Common Duty Crimes and Conduct of Duty (《常見職務犯罪與職務操守》) for all employees of the Group. Through analysing the types of common duty crimes, such as embezzlement, fraud, and misappropriation of funds, and interpreting typical cases, the legal awareness of employees has been enhanced, and the occurrence of crimes of employees has been prevented, so that employees strictly abide by work discipline and professional ethics and perform their duties in a faithful way. In addition, for the management leaders above the manager level, the legal department has drafted and required them to sign the Self-discipline Guarantee (《任職自律保證書》) to regulate the behavior of managers.

The Group has policies on the upper limit of gift giving to partners and government officials or dining reimbursement policies and has assigned personnel to be responsible for monitoring such policies to ensure their effective implementation. In addition, the Group has internal and external monitoring mechanisms to prevent and detect non-compliance or misconduct. For internal control, we have conducted risk training for employees on a regular basis, and conducted data monitoring and daily audit and supervision. In terms of external monitoring, we have arranged a whistle-blowing mailbox on the official website to provide channels for employees and external entities and personnel to report violations of laws, disciplines, regulations, the Group's articles of association and corrupt practice of the Group's directors, managers, and employees in the performance of their duties by real names or anonymity. The whistle-blowing mechanism is coordinated by the Group's audit and supervision department. Upon receiving whistle-blowing incidents, the department will analyse and sort out the whistle-blowing information. After preliminary review and verification, if it is believed that the reported person does have the facts of disciplinary violations, the investigation shall be formally filed and handled in accordance with the relevant regulations of the discipline inspection and supervision department.

During the Reporting Period, the Group confirmed there were not any corruption incidents or any violation of relevant laws and regulations.

6. CARE FOR THE COMMUNITY — LIFETIME RETURN

Corporate social responsibility requires to place great emphasis on human values and active contribution and giving back to society during the production and operation process, going beyond the traditional concept of "only making profit". The Group has always been committed to developing a harmonious and inclusive relationship between the enterprise and the community, fully taking into account the interests of the community in day-to-day operation and management, and pursuing sustainable development with equal emphasis on the economic benefits and social benefits of the Group.

As a renowned automobile dealer, the Group has always provided long-term and stable job opportunities to the society, maintained good employment relationships, provided employment opportunities for the society, increased local taxation, and improved the local automobile sales brand, thus promoting local economic development, and achieving self-development and a win-win situation with the local community. In our daily operations, the Group's dealerships across the nation are connected to local communities and established corresponding grievance committee and related grievance procedures to understand and respond to the needs of local communities.

In addition, the Group attaches great importance to social public welfare activities and hopes to spread the love and warmth from the Group to the society. On 12 February 2020, the Group donated RMB15.00 million to the Hubei Charity Federation to fully support the fight against the COVID-19 pandemic in Hubei Province, and demonstrate our respect to the medical and epidemic prevention workers who were fighting against COVID-19 at the frontline of epidemic areas, exhibiting the Group's unwavering commitment to actively and always shouldering social responsibility.

7. APPENDIX

7.1 ENVIRONMENTAL AND SOCIAL PERFORMANCE DATA TABLE

ENVIRONMENTAL PERFORMANCE DATA

Use of Resources		
Category	Consumption	Unit
Electricity	139,788,969.69	kWh
Electricity consumption intensity	374,769.36	kWh/store
Gasoline	3,980.83	tonne
Diesel	4,055.89	tonne
Liquefied petroleum gas	5,694.04	tonne
Natural gas	572,730.38	Nm^3
Comprehensive energy consumption	193,646,746.88	kWh
Comprehensive energy consumption intensity	519,160.18	kWh/store
Total water consumption	2,601,568.00	m^3
Total water consumption intensity	6,974.71	m^3/store
Lubricating oil	13,549.83	tonne

Exhaust Gas and GHG Emissions		
Category	Emissions	Unit
Sulphur dioxide	182.88	kg
Nitrogen oxides	4,382.83	kg
Particular matters	384.08	kg
Direct GHG emissions	13,443.00	Tonnes CO_2 equivalent
Indirect GHG emissions	85,285.25	Tonnes CO_2 equivalent
Total GHG emissions	98,728.25	Tonnes CO_2 equivalent
GHG emissions Intensity	264.69	Tonnes CO_2 equivalent/store

Waste		
Hazardous waste	Total production (tonne)	Average intensity per store (tonne/store)
Waste automotive spare parts	1,162.00	3.12
Battery	352.02	0.94
Waste engine oil	6,528.01	17.50
Waste paint	191.41	0.51
Other hazardous wastes	677.51	1.82
Total hazardous waste	8,910.95	23.89

Non-hazardous Waste	Total production (tonne)	Intensity per store (tonne/store)
Total non-hazardous waste	5,526.76	14.82

SOCIAL PERFORMANCE DATA

Breakdown of employee By gender	Number of employees	Percentage of total
Male	19,618	62.36%
Female	11,842	37.64%
Total	31,460	100%

By geographical region	Number of employees	Percentage of total
Northeastern and Northern China regions	6,936	22.05%
Eastern and Central China regions	13,004	41.34%
Southern China region	6,699	21.29%
Southwestern and Northwestern mainland regions	4,821	15.32%

By age	Number of employees	Percentage of total
Below 25	5,847	18.59%
25–34	19,600	62.30%
35–44	5,155	16.38%
45–54	729	2.32%
55–64	129	0.41%

By employment category	Number of employees	Percentage of total
General employee	30,791	98.45%
Supervisor	440	1.40%
Middle management	45	0.14%
Senior management	4	0.01%

Breakdown of employee turnover By gender	Number of employee turnover	Turnover rate
Male	4,216	21.49%
Female	2,705	22.84%

By geographical region	Number of employee turnover	Turnover rate
Northeastern and Northern China regions	1,331	19.19%
Eastern and Central China regions	2,755	21.19%
Southern China region	1,631	24.35%
Southwestern and Northwestern mainland regions	1,204	24.97%

By age	Number of employees	Percentage of total
Below 25	1,767	30.22%
25–34	4,286	21.87%
35–44	773	15.00%
45–54	82	11.25%
55–64	13	10.08%

Staff Training

By gender	Number of employees trained	Percentage of employees trained	Average training hours
Male	19,618	100%	360
Female	11,842	100%	360

By employment category	Number of employees trained	Percentage of employees trained	Average training hours
General employee	30,971	100%	363
Supervisor	440	100%	192
Middle management	45	100%	216
Senior management	4	100%	120

7.2 HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

	Environmental, Social and Governance Reporting Guide	Section
Subject Areas A. Environmental		
Aspect A1: Emissions		
A1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Reducing Pollution Emission
A1.1	Types of emissions and respective emissions data.	Reducing Pollution Emission
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Reducing Pollution Emission
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume and per facility).	Reducing Pollution Emission
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Reducing Pollution Emission
A1.5	Description of emission target(s) set and steps taken to achieve them.	Reducing Pollution Emission
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Reducing Pollution Emission

	Environmental, Social and Governance Reporting Guide	Section
Aspect A2: Use of Resources		
A2	General Disclosure	Efficient Use of Resources
	Policies on the efficient use of resources, including energy, water and other raw materials.	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	Efficient Use of Resources
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Efficient Use of Resources
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Efficient Use of Resources
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Efficient Use of Resources
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group consumes packaging materials (including cartons, iron and aluminum cans and plastic packaging) in the course of business operations, however, as a non-manufacturing company, the Group has no control over the packaging of automobiles sold, as these are directly supplied by the manufacturer. Therefore, it does not apply to the disclosure of consumption of packaging materials.
Aspect A3: The Environment and Natural Resources		
A3	General Disclosure	
	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Low-carbon, Environmental Protection — Lifetime Clean
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Low-carbon, Environmental Protection — Lifetime Clean

Environmental, Social and Governance Reporting Guide		Section
Aspect A4: Climate Change		
A4	General Disclosure	
	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Response to Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Response to Climate Change
Subject Areas B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
B1	General Disclosure	True Concern — Lifetime Safety
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment and Staff Benefits
B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and Staff Benefits

Environmental, Social and Governance Reporting Guide		Section
Aspect B2: Health and Safety		
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Safety and Health Management
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Safety and Health Management
B2.2	Lost days due to work injury.	Safety and Health Management
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Safety and Health Management
Aspect B3: Development and Training		
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Staff Training and Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Staff Training and Development
B3.2	The average training hours completed per employee by gender and employee category.	Staff Training and Development

Environmental, Social and Governance Reporting Guide		Section
Aspect B4: Labour Standards		
B4	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Staff Benefits
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment and Staff Benefits
B4.2	Description of steps taken to eliminate such practices when discovered.	Employment and Staff Benefits
Operating Practices		
Aspect B5: Supply Chain Management		
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	Sustainable Supply Chain
B5.1	Number of suppliers by geographical region.	Sustainable Supply Chain
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Sustainable Supply Chain
Aspect B6: Product Responsibility		
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Devoted Service — Lifetime Win-win

	Environmental, Social and Governance Reporting Guide	Section
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Service and Customer Privacy Management
B6.3	Description of practices relating to observing and protecting intellectual property rights.	The Group has attached great importance to the maintenance and protection of third-party intellectual property rights, and not been involved in associated irregularities
B6.4	Description of quality assurance process and recall procedures.	Product Quality Management
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Customer Service and Customer Privacy Management
Aspect B7: Anti-corruption		
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Compliance Operation — Lifetime Integrity
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Compliance Operation — Lifetime Integrity
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Compliance Operation — Lifetime Integrity
B7.3	Description of anti-corruption training provided to directors and staff.	Compliance Operation — Lifetime Integrity

	Environmental, Social and Governance Reporting Guide	Section
Community		
Aspect B8: Community Investment		
B8	General Disclosure	Care for the Community — Lifetime Return
	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Care for the Community — Lifetime Return
B8.2	Resources contributed (e.g. money or time) to the focus area.	Care for the Community — Lifetime Return

CORPORATE GOVERNANCE REPORT

The board of directors of the Company (the "**Board**") is pleased to present this Corporate Governance Report in the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group has committed to achieving high corporate governance standards.

The Group believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

The Company has applied the principles as set out in the CG Code.

The Board is of the view that throughout the year ended 31 December 2020, the Company has complied with the code provisions as set out in the CG Code.

A. THE BOARD

1. RESPONSIBILITIES

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The directors of the Company (the "**Directors**") make decisions objectively in the interests of the Company.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

2. DELEGATION OF MANAGEMENT FUNCTION

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, significant transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to entering into any significant transactions by the abovementioned officers.

3. BOARD COMPOSITION

The Board comprises the following directors during the year ended 31 December 2020:

Executive Directors:	Mr. HUANG Yi *(Chairman)* Mr. LI Guoqiang *(President and Chief Executive Officer)* Mr. DU Qingshan Mr. ZHANG Zhicheng Mr. LI Guohui *(appointed on 10 June 2020)* Mr. TANG Xianfeng *(appointed on 10 June 2020)*
Non-executive Directors:	Mr. David Alexander NEWBIGGING Mr. HSU David *(appointed on 20 March 2020)*
Independent Non-executive Directors:	Mr. SHEN Jinjun Mr. YING Wei Mr. CHIN Siu Wa Alfred Mr. LI Yanwei

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 60 to 65 of the Annual Report for the year ended 31 December 2020.

None of the members of the Board is related to one another.

4. INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of their independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

5. NON-EXECUTIVE DIRECTORS AND RE-ELECTION OF DIRECTORS

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's articles of association (the "**Articles of Association**"). The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors of the Company has entered into a service contract with the Company for an initial term of three years with effect from their respective date of appointment unless terminated by not less than three months' written notice served by either the executive Directors or the Company. Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment. The appointments are subject to the provisions of retirement and rotation of directors under the Articles of Association.

In accordance with the Articles of Association, at each annual general meeting one-third of the Directors shall retire from office by rotation provided that every Director is subject to retirement by rotation at an annual general meeting at least once every three years and any new Director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Any director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

According to article 84 of the Articles of Association, Mr. Huang Yi, Mr. Yu Guangming, Mr. Si Wei and Mr. Ying Wei retired at the Annual General Meeting on 10 June 2020 whereas in accordance with article 83(3) of the Articles of Association, Mr. David Alexander Newbigging (who was appointed by the Board on 1 October 2019), Mr. Li Yanwei (who was appointed by the Board on 9 December 2019) and Mr. Hsu David (who was appointed by the Board on 20 March 2020) held office only until the Annual General Meeting. Mr. Huang Yi, Mr. David Alexander Newbigging, Mr. Hsu David, Mr. Ying Wei and Mr. Li Yanwei had offered themselves for re-election at the same Annual General Meeting. Meanwhile, the Directors to be retired from office by rotation at the forthcoming Annual General Meeting to be held on 18 June 2021 pursuant to the above article shall be eligible for re-election as directors at the same meeting.

6. CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors have kept abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and appropriate. Internally-facilitated briefings for directors will be arranged and reading materials on relevant topics will be circulated to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2020, the following Directors attended in-house briefing(s), seminar(s) and training session(s) arranged by the Company or the following professional institution(s)/professional firm(s):

			Directors' Attendance															
Topic	Date	Name of Organizer	Huang Yi	Li Guo-qiang	Du Qing-shan	Yu Guang-ming[1]	Si Wei[2]	Zhang Zhi-cheng	Li Guohui[3]	Cheah Kim Teck[4]	Tang Xianfeng[5]	David Alexander Newbigging	Hsu David[6]	Shen Jinjun	Ying Wei	Chin Siu Wa Alfred	Li Yanwei
Singapore Perspectives 2020 (Politics)	20 January 2020	Institute of Policy Studies Singapore								✓							
Top 100 China Automobile Dealers Group in 2020	28 May 2020	China Automobile Dealers Association															✓
Interpretation New Securities Law	July 2020	Dalian Commodity Exchange												✓			
Analysis of Refinance Policy	July 2020	Dalian Commodity Exchange												✓			
Disclosure of Information and Responsibilities of Directors and Supervisors	July 2020	Dalian Commodity Exchange												✓			
Organisational Design for Digital transformation	October–November 2020	MIT Sloan School of Management										✓					
ESG Training and Guidance of Reporting	2 November 2020	The Company	✓	✓	✓			✓	✓		✓		✓	✓	✓	✓	✓
China Automobile Dealers Association Annual Meeting	17 November 2020	China Automobile Dealers Association															✓

In addition, Mr. Hsu David, Mr. Li Guohui and Mr. Li Yanwei have studied various relevant materials including business journals and financial magazines during the year.

1 Retired on 10 June 2020
2 Retired on 10 June 2020
3 Appointed on 10 June 2020
4 Resigned on 20 March 2020
5 Appointed on 10 June 2020
6 Appointed on 20 March 2020

7. ATTENDANCE RECORDS OF DIRECTORS AND BOARD COMMITTEE MEMBERS

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended 31 December 2020 are set out in the table below:

	Attendance/Number of Meetings							
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Compliance Committee	Risk Committee	Environmental,[1] Social and Governance Committee	Annual General Meeting
Huang Yi	5/5	1/1			1/1	1/1		1/1
Li Guoqiang	5/5		1/1		1/1			1/1
Du Qingshan	5/5				1/1			1/1
Yu Guangming (Retired on 10 June 2020)	3/3							1/1
Si Wei (Retired on 10 June 2020)	3/3							1/1
Zhang Zhicheng	5/5							1/1
Li Guohui (Appointed on 10 June 2020)	2/2					1/1	0/0	N/A
Tang Xianfeng (Appointed on 10 June 2020)	2/2						0/0	N/A
Cheah Kim Teck (Resigned on 20 March 2020)	1/1							N/A
David Alexander Newbigging	5/5							1/1
Hsu David (Appointed on 20 March 2020)	4/4							1/1
Shen Jinjun	5/5	1/1	1/1	2/2				1/1
Ying Wei	5/5			2/2				1/1
Chin Siu Wa Alfred	5/5	1/1	1/1	2/2				1/1
Li Yanwei	5/5							1/1

Apart from regular Board meetings, the chairman also held one meeting with the independent non-executive Directors without the presence of other directors on 20 March 2020. All the relevant Directors attended this meeting.

B. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The chairman of the Board is Mr. Huang Yi, who provides leadership for the Board and is responsible for chairing the meetings, managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. He is also responsible for the strategic management of the Group and for formulating the Group's overall corporate direction and task. The chief executive officer is Mr. Li Guoqiang, who is responsible for the overall management and operations of the Group. He is also responsible for running the Company's businesses and implementing the Group's strategic plans and business goals.

To facilitate a timely discussion of all key and appropriate issues by the Board, the chairman co-ordinates with the senior management to provide adequate, complete and reliable information to all Directors for consideration and review.

[1] Established on 2 November 2020

C. BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee, the Compliance Committee and the Risk Committee to oversee particular aspects of the Company's affairs. On 2 November 2020, the Board established the Environmental, Social and Governance Committee. The six Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of Company and/or the Stock Exchange and are available to shareholders upon request.

The majority of the members of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

1. AUDIT COMMITTEE

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control and risk management systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2020, the Audit Committee held two meetings to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of internal control and risk management systems and internal audit function, appointment of external auditors and relevant scope of works and arrangements for employees to raise concerns about possible improprieties. The attendance records of the Audit Committee meetings are set out under "Attendance Records of Directors and Board Committee Members" on page 51.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

2. REMUNERATION COMMITTEE

The primary functions of the Remuneration Committee include establishing transparent procedures for developing remuneration policy and structure, ensuring that no director or any of his associates will participate in deciding his own remuneration, determining the remuneration policy and structure for all directors and senior management, assessing their performance and approving the terms of their service contracts, and making recommendations to the Board on the remuneration packages of individual executive directors and senior management.

Details of the amount of Directors' and chief executive officer's remuneration are set out in note 9 to the financial statements.

For the year ended 31 December 2020, the aggregate emoluments payable to members of senior management fell within the following band:

Band	Number of Individual
HK$59,500,001 to HK$60,000,000	1
HK$38,000,001 to HK$38,500,000	1
HK$8,500,001 to HK$9,000,000	1
HK$2,500,001 to HK$3,000,000	1

The Remuneration Committee met once during the year ended 31 December 2020 to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters. The attendance records of the Remuneration Committee meeting are set out under "Attendance Records of Directors and Board Committee Members" on page 51.

3. NOMINATION COMMITTEE

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met once during the year ended 31 December 2020 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, to consider the qualifications of the retiring Directors standing for election at the annual general meeting, and to consider and recommend to the Board on the appointment of Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained. The attendance records of the Nomination Committee meeting are set out under "Attendance Records of Directors and Board Committee Members" on page 51.

BOARD DIVERSITY POLICY

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

4. COMPLIANCE COMMITTEE

The primary function of the Compliance Committee is to determine the policy for the corporate governance of the Company so as to ensure compliance on regulatory matters and corporate governance.

The Compliance Committee met once during the year ended 31 December 2020 to review the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report. The attendance records of the Compliance Committee meeting are set out under "Attendance Records of Directors and Board Committee Members" on page 51.

To discharge our corporate governance duties, the inside information disclosure policy was adopted and a shareholders' communication policy was devised.

5. RISK COMMITTEE

The primary functions of the Risk Committee are to determine the risk management strategies, review the risk management system of the Group as well as to assess the Group's risk profile and risk management capabilities so as to improve the Group's risk management and internal control systems.

The Risk Committee met once during the year ended 31 December 2020 to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Company considers that it has effective and adequate risk management and internal control systems. The attendance records of the Risk Committee meeting are set out under "Attendance Records of Directors and Board Committee Members" on page 51.

6. ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The primary functions of the Environmental, Social and Governance Committee are to oversee the sustainability goals and strategies of the Company, including assessing the environmental, social and governance risks and reporting to the Board on the key domestic trend in relation to environmental, social and governance works, to develop the sustainability initiatives and monitor the performance and progress of the Company with reference to the key performance indicators and other relevant standards and to report and advise the Company regarding its performance on sustainability and reviewing the environmental, social and governance reports of the Company, so as to promote the development and implementation of the environmental, social and governance works of the Company and its subsidiaries.

D. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2020.

The Company's employees, who are likely to be in possession of unpublished inside information of the Group, are also subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was reported by the Company throughout the year ended 31 December 2020.

E. DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

F. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 80 to 84.

The external auditors of the Company attended the annual general meeting held on 10 June 2020 to answer questions about the conduct of the audit, the preparation and content of the auditors' report and auditor independence.

During the year, the remuneration paid or payable to the Company's external auditors in respect of audit services for the year ended 31 December 2020 amounted to RMB5,600,000.

The Audit Committee recommended to the Board that, subject to our shareholders' approval at the forthcoming annual general meeting (to be held on 18 June 2021), Ernst & Young be re-appointed as the external auditor of the Company.

G. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. Such systems are in place to provide reasonable, though not absolute, assurance against material misstatement or loss, and to manage rather than eliminate the risk of failure to achieve business objectives.

The Audit Committee and Risk Committee, assist the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

Risk management is our top priority. Our appraisal system further focuses on the effect of enhancement, while the continual improvement is the foundation, which ensures the implementation of internal control rectification. The Company's risk management and internal control features prevention beforehand rather than punishment afterwards, and the risk management is carried out in all aspects, pursuing the goal in overall efficiency maximisation. In addition, the Company's risk management and internal control procedures are as follows: (i) regional brand projects unit will organise dealerships to complete self-check before 10th of each month and complete review before 25th of each month, sharing excellent internal control experiences; and (ii) the Group will carry out risk reminder, self-check counseling and whole process monitoring from time to time.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

The management, in coordination with department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Risk Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board, the Audit Committee and Risk Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2020.

The Internal Audit Department of the Group is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department of the Group examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee and Risk Committee.

The Board, as supported by the Audit Committee and Risk Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2020, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries in order to prohibit any unauthorised access and use of inside information.

The Company would appoint independent consultancy firm to conduct a thorough review of risk management and internal control systems of the Company and its subsidiaries on regular intervals basis when necessary.

H. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings and regularly review this policy to ensure its effectiveness. The chairman of the Board, all other members of the Board including non-executive Directors, independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

The last shareholders' meeting was held on 10 June 2020 in Hong Kong, and the topics discussed included: the consideration of the financial statements and reports of the directors and of the auditors for the year ended 31 December 2019; approving the re-election of certain directors of the Company; approving the appointment of certain directors of the Company; approving the re-appointment of Ernst & Young as auditors and the declaration of dividend.

The forthcoming annual general meeting will be held on 18 June 2021.

During the year of 2020, the Company has not made any changes to the Articles of Association. A latest version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

To promote effective communication, the Company maintains a website at www.zs-group.com.cn, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

I. SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules, unless otherwise required by the Listing Rules and poll voting results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

(i) CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Pursuant to article 58 of the Articles of Association, an extraordinary general meeting (the "**EGM**") may be convened by the Board on requisition of one or more shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be held within 2 months after the deposit of such requisition. If the Board fails to proceed to convene such EGM within 21 days of the deposit of the requisition, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) concerned as a result of the failure of the Board shall be reimbursed to the requisitionist(s) concerned by the Company.

The requisitionist(s) must state the objects clearly in the requisition, sign the requisition and deposit the same to the Board or the company secretary or the primary contact persons of the Company.

(ii) PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2013 Revision) or the Articles of Association. However, shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out in paragraph (i) above.

As regards the procedures for shareholders to propose a person for election as a director, they are available on the Company's website at www.zs-group.com.cn.

(iii) PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, shareholders may send written enquires to the Company.

Note: The Company will not normally deal with verbal or anonymous enquires.

PRIMARY CONTACT PERSONS

Shareholders may send their requisitions, proposed resolutions or enquiries as mentioned in (i), (ii) and (iii) above to the primary contact person of the Company as set out below:

Name:	Ms. Yao Zhenchao
Address:	Room 1803–09, 18/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong
Fax:	(+852) 2803 5676
Email:	yaozhenchao@zs-group.com.cn

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

J. JOINT COMPANY SECRETARIES

Ms. Mak Sze Man of Tricor Services Limited, external service provider, has been engaged by the Company as its joint company secretary together with Ms. Yao Zhenchao, the chief legal officer of the Company. Both of them have satisfied the training requirement for the year of 2020 under Rule 3.29 of the Listing Rules.

The primary contact person of Ms. Mak Sze Man at the Company is Ms. Yao Zhenchao, the chief legal officer and joint company secretary of the Company.

K. GOING CONCERN

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

L. SUBSEQUENT EVENT

The Company issued the U.S.$450,000,000 aggregate principal amount of 3.0 per cent. Bonds due 2026 (the "**Bonds**") in 2021. The Bonds bear interest from 13 January 2021 at the rate of 3.0 per cent. per annum payable semi-annually in arrear in equal instalments on the interest payment dates falling on 13 July and 13 January in each year, commencing on 13 July 2021. Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 13 January 2026.

The Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the issuer and shall at all times rank pari passu and without any preference or priority among themselves. The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time prior to 13 December 2025, on giving not less than 30 nor more than 60 days' notice to the bondholders.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of members of the Board of our Company:

Name	Age	Position
HUANG Yi	58	Chairman and executive Director
LI Guoqiang	57	President, executive Director and Chief Executive Officer
DU Qingshan	58	Executive Director
LI Guohui	49	Executive Director
TANG Xianfeng	51	Executive Director
ZHANG Zhicheng	48	Executive Director
David Alexander NEWBIGGING	48	Non-executive Director
HSU David	62	Non-executive director
SHEN Jinjun	63	Independent non-executive Director
CHIN Siu Wa Alfred	64	Independent non-executive Director
YING Wei	54	Independent non-executive Director
LI Yanwei	46	Independent non-executive Director

EXECUTIVE DIRECTORS

HUANG Yi (黄毅), aged 58, is the Chairman and executive Director. Mr. Huang is one of the two founders, and has been chairman of the Group since its inception in 1998. He is responsible for the strategic management of the Group and for formulation our overall corporate direction and focus. Prior to founding our Group, Mr. Huang was a director and deputy general manager at China Resources Machinery Co., Ltd. ("**China Resources Machinery**"), a state-owned enterprise engaged in importing and exporting automobiles and other machinery. Mr. Huang held numerous management positions in business administration, product procurement and sales operations in China Resources Machinery during his tenure between 1984 and 1994. In 1994, Mr. Huang joined China Automobile Company Limited ("**China Automobile**") as a director, and was responsible for China Automobile's procurement and sales divisions. In 1996, Mr. Huang invested in, and became a shareholder of, China Automobile. China Automobile, currently known as Hokuryo Holdings Company Limited, is presently an indirect wholly-owned subsidiary of the Group. Mr. Huang has served as the president of the first and second session of Mercedes-Benz Dealer Association since November 2014, the president of the third and fourth session of Lexus China Dealer Advisory Council since 2013, as well as the president of the Advisory Council of GZ Toyota since 2012. Mr. Huang has substantial senior management experience and more than 32 years' of experience and in-depth knowledge of the PRC automobile industry. Mr. Huang received a Bachelor's degree in Economics from Xiamen University in 1983.

LI Guoqiang (李國強), aged 57, is the other founder of the Group, and has been serving as the Group's chief executive officer and president since 1998 and as an executive Director since 23 June 2008. He is also a director of the various companies in the Group. Mr. Li is responsible for the overall management and operations of the Group. Mr. Li has served as the deputy chairman for the China Automobile Dealers Association ("**CADA**") since December 2009. In 1995, Mr. Li founded Dalian Aotong Automobile Repair & Assembly Factory ("**Aotong Repair & Assembly**"), a company engaged in automobile repair and maintenance services. Mr. Li served as the factory director and legal representative of Aotong Repair & Assembly, and he was responsible for its overall management and operations. From 1996 to 1998, Mr. Li served as the vice chairman of Dalian Toyota Maintenance & Service Co., Ltd. and general manager of Dalian Bonded Zone Toyota Automobile Sales Co., Ltd., and was responsible for the decisions of procurement and sales of automobiles as well as the management of the national distribution networks during his tenure. In 1998, Mr. Li founded Dalian Aotong Industry Co., Ltd. ("**Aotong Industry**"), a company engaged in distribution of automobiles. Aotong Industry is the predecessor of Zhongsheng (Dalian) Group Co., Ltd., which is presently a wholly-owned subsidiary of the Group. Mr. Li has substantial senior management experience and more than 32 years of experience and in-depth knowledge of the PRC automobile industry. Mr. Li also received a Distinguished Lexus Dealer award in 2007 from Toyota Motor (China) Investment Co., Ltd., as part of the Lexus Certification Program.

DU Qingshan (杜青山), aged 58, has been serving as deputy general manager of the Group since 2007. Mr. Du has been an executive Director since 23 June 2008. He is responsible for the financial planning, strategy and management of the Group, and oversees all the financial matters of the Group. Prior to joining the Group in 2007, Mr. Du was appointed by the State-owned Assets Supervision and Administration Commission of Dalian Municipal Government to serve as the chief financial officer of a large-scale state-owned enterprise, Dalian DHI.DCW Group Co., Ltd. ("**Dalian DHI.DCW**") and was in charge of the general financial and accounting affairs of Dalian DHI.DCW. Mr. Du was primarily responsible for the financial operations of Dalian DHI.DCW, which contributed to his over 31 years of experience in the areas of accountancy and finance. Mr. Du received a Bachelor's degree in Economics from the Shanghai University of Finance and Economics in 1986 and a master's degree in Business Administration from Dongbei University of Finance and Economics in 2002.

LI Guohui (李國輝), aged 49, joined the Group in July 2019 and currently serves as an executive Director and joint chief financial officer of the Group. Mr. Li has served as senior manager in investment, merger and acquisition/financial analysis of International Maritime Carriers Group in Singapore and Hong Kong and accounting director of finance department of China Resources (Group) Co., Ltd.. Mr. Li has served as an executive director, the chief financial officer and the vice president of China Resources Pharmaceutical Group Limited (a company listed on the Stock Exchange, stock code: 03320), a non-executive director of Dong-E E-Jiao Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000423) and China Resources Double Crane Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600062) and a supervisor of Sanjiu Medical & Pharmaceutical Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000999). Mr. Li received a Master's degree in Financial Management from Nanyang Technological University in Singapore and a Master's degree in Business Administration from Wuhan University and obtained professional qualifications as a Chartered Financial Analyst qualified by the CFA Institute of Chartered Financial Analyst and a Certified Public Accountant (Singapore) qualified by the Singapore Institute of Chartered Accountants.

TANG Xianfeng (唐憲峰), aged 51, joined the Group in January 2014 and currently serves as an executive Director and vice-president of the Group, primarily responsible for construction and development. Prior to joining the Group, Mr. Tang served as the vice-president of Dalian Huarui Heavy Industry Group Co., Ltd. from January 2012 to December 2013. In addition, Mr. Tang also served as a designer in the research institute, office vice-director, assistant to the head of reducer factory, vice-director of labour and personnel department and head of port machinery factory of Dalian Daqi Group from 1999 to 2003. Mr. Tang joined Dalian DHI.DCW in June 2003 and served as the executive vice head and head of Second Business Division, assistant to the general manager and vice general manager of the Group. Mr. Tang obtained a Bachelor's degree in lifting transportation and mechanical engineering from Taiyuan Heavy Machinery Institute in 1991 and obtained a master's degree in mechanical engineering from Wuhan University of Technology in 2006. Mr. Tang obtained the senior professional manager qualification and was qualified as professor and researcher level senior engineer.

ZHANG Zhicheng (張志誠), aged 48, has been serving as vice-president of the Group since July 2008 and executive Director since 31 March 2014. Mr. Zhang joined the Group in 2003, and has held numerous management positions in several of the Group's key operating subsidiaries, including Fuzhou Zhongsheng Toyota Automobile Sales Co., Ltd., Dalian Zhongsheng Lexus Automobile Sales & Services Co., Ltd. and Dalian Zhongsheng Toyota Automobile Sales & Services Co., Ltd., primarily responsible for implementing the strategic decisions of the Group and liaising with the automakers regarding developing the brand automobile sales business of the Group. Mr. Zhang currently oversees the sales and management of the Group's brand automobile sales business. Mr. Zhang has over 18 years' relevant experience and in-depth expertise in the China's automobile industry. Mr. Zhang received a master's degree in Business Administration from Dongbei University of Finance and Economics in 2003. Mr. Zhang also received Peak Performance General Manager awards in both 2006 and 2007 from Toyota Motor (China) Investment Co., Ltd., as part of the Lexus Certification Program.

NON-EXECUTIVE DIRECTORS

David Alexander NEWBIGGING (紐壁堅), aged 48, has been serving as a non-executive Director of since 1 October 2019. Mr. Newbigging is a director of Jardine Matheson Holdings Limited (a company which has a standard listing on the London Stock Exchange (the "**LSE**"), with secondary listings on the Bermuda Stock Exchange (the "**BSX**") and the Singapore Exchange (the "**SGX**") with stock codes JAR, JMHBD.BH and J36 respectively) since October 2017.

Mr. Newbigging was group managing director of Jardine Cycle & Carriage Limited (a company listed on SGX with stock code C07) from April 2012 to September 2019. He was also a vice chairman of Refrigeration Electrical Engineering Corporation (a company listed on the Ho Chi Minh City Stock Exchange with stock code REE) from March 2013 to May 2020, a director of Siam City Cement Public Company Limited (a company listed on The Stock Exchange of Thailand with stock code SCCC) from May 2015 to September 2019, a commissioner of PT Astra International Tbk (a company listed on the Indonesia Stock Exchange (the "**IDX**") with stock code ASII) from April 2012 to June 2020. and vice president commissioner of PT United Tractors Tbk (a company listed on IDX with stock code UNTR) from April 2013 to April 2017.

Mr. Newbigging graduated from the University of Edinburgh with a Master of Arts Degree in Mental Philosophy. He has also completed the General Management Programme at Harvard Business School and the Stanford Executive Programme at Stanford Graduate School of Business, as well as INSEAD's AVIRA programme.

HSU David (許立慶), aged 62, has been serving as a non-executive Director since 20 March 2019. Mr. Hsu joined the board of directors of Jardine Matheson Holdings Limited in 2016, having first joined the Jardine Matheson Group in 2011. He is chairman of Jardine Matheson (China) Limited, with responsibility for supporting the Jardine Matheson Group's business developments in Chinese mainland, Taiwan and Macau. Mr. Hsu is also a director of Jardine Matheson Limited.

Mr. Hsu is a director of Jardine Matheson Holdings Limited (which has a standard listing on the LSE, with secondary listings on the BSX and the SGX with stock codes JAR, JMHBD.BH and J36 respectively) since May 2016 and Jardine Strategic Holdings Limited (a company which has a standard listing on the LSE, with secondary listings on the BSX and the SGX with stock codes JDS, JSHBD.BH and J37 respectively) since January 2014.

Mr. Hsu was a non-executive director of Greatview Aseptic Packaging Company Limited (a listed company on the Stock Exchange, stock code: 00468) from August 2017 to March 2020.

He was previously chief executive of J.P. Morgan Asset Management in the Asia Pacific Region supervising the asset management operation in Greater China (Hong Kong, China and Taiwan), Japan, Korea, Singapore, Australia and India. Mr. Hsu was also a vice chairman of the China Committee of the Hong Kong General Chamber of Commerce, and chairman of the Advisory Committee of FTSE TWSE Taiwan Index Series. Mr. Hsu graduated from the National Chiao Tung University with a bachelor's degree (first class honours) in management in 1980 and obtained an MBA degree from the National Cheng Chih University in Taiwan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

SHEN Jinjun (沈進軍), aged 63, has been serving as an independent non-executive Director since 16 November 2009. Mr. Shen served as an independent non-executive director of Wuchan Zhongda Group Co., Ltd. (Stock code: 600704), a company listed on the Shanghai Stock Exchange, from August 2011 to April 2017 and Beijing Changjiu Logistics Corp. (stock code: 603569), a company listed on the Shanghai Stock Exchange, from August 2016 to December 2019, and has become an independent non-executive Director of China Grand Automotive Services Co., Ltd. (Stock code: 600297), a company listed on the Shanghai Stock Exchange, since July 2015. Mr. Shen has served as deputy chairman and secretary chief for CADA since 2005 and has served as the chairman for CADA since 5 November 2014. Mr. Shen has also worked as the deputy chief of the Transport and Mechanical Section of Mechanical and Electrical Equipment Division of the State Administration of Supplies, chief of Automobile Section of Mechanical and Electrical Equipment Circulation Division of Ministry of Internal Trade and the chief of the Electrical, Mechanical and Metallic section of Production Circulation Division of the State Administration of Domestic Commerce. During that time, Mr. Shen was mainly responsible for administering the automobile dealing industry and participated in the formulation of related regulations. Mr. Shen completed all the related courses of an associate degree majoring in electronics at the Beijing Open University in 1982 and obtained a graduation certificate.

CHIN Siu Wa Alfred (錢少華) (Former name: Qian Shaohua), aged 64, was appointed as an independent non-executive Director on 10 August 2018. Mr. Chin served as group vice president at Shangri-La Asia Limited ("**SA**", a company listed on the Stock Exchange with stock code 69) from February 2017 to December 2018 and served as the vice president of development at SA from February 2004 to September 2007. Mr. Chin also served as the non-executive director of the Kerry Logistics Network Limited (a company listed on the Stock Exchange with stock code 636) from November 2013 to May 2019. Mr. Chin served as a director of Kerry Properties Limited ("**KPL**", a company listed on the Stock Exchange with stock code 683) from September 2007 to January 2017 and was re-designated as an executive director of KPL from July 2009 to January 2017. He also served as a co-managing director of KPL from August 2013 to September 2015. Mr. Chin served as the chairman and general manager of Zhongshan City Tourism Group Company, a state-owned enterprise primarily engaged in the business of tourism development, from January 1996 to May 2002, where he was responsible for the day-to-day general management, asset management, and business development primarily for the PRC market. Mr. Chin graduated from South China Normal University in 1986 and completed an advanced management programme at Harvard Business School in 2002.

YING Wei (應偉), aged 54, was appointed as an independent non-executive Director on 19 December 2016. Mr. Ying served as an executive director and vice-president of China Resources Textiles (Holdings) Company Limited from 1989 to 2007. Mr. Ying served as a vice-president of China Water Affairs Group Limited (a company listed on the Stock Exchange, stock code: 855) from 2007 to 2009, an executive director and president of China Botanic Development Holdings Limited (renamed as China City Infrastructure Group Limited) (a company listed on the Stock Exchange, stock code: 2349) from 21 July 2008 to 30 July 2009 and an independent non-executive director of China Public Procurement Limited (a company listed on the Stock Exchange, stock code: 1094) from 28 December 2012 to 24 March 2014. Mr. Ying served as a non-executive director of New Focus Auto Tech Holdings Limited (a company listed on the Stock Exchange, stock code: 360) from 28 August 2013 to 29 March 2018 and a non-executive director of China Health Group Limited (a company listed on the Stock Exchange, stock code: 673) from 18 June 2016 to 7 May 2018. Currently, Mr. Ying is a director of Giant Network Group Co., Ltd (formerly Chongqing New Century Cruise Co., Ltd.) (a company listed on the Shenzhen Stock Exchange, stock code: 2558), an independent non-executive director of CHTC Fong's Industries Company Limited (a company listed on the Stock Exchange, stock code: 641) and Fountain Set (Holdings) Limited (a company listed on the Stock Exchange, stock code: 420). Mr. Ying is also a managing partner of CDH Shanghai Dinghui Bai Fu Wealth Management Co., Ltd. Mr. Ying is a non-practising member of The Chinese Institute of Certified Public Accountants and holds a master's degree in Business Administration from the University of San Francisco and a bachelor's degree in Economics from Zhejiang Gongshang University (formerly Hangzhou College of Commerce).

LI Yanwei (李顏偉), aged 46, has been serving as an independent non-executive Director since 9 December 2019. Mr Li joined Sina.com Technology (China) Co., Ltd. in 2003 and was engaged in the work relating to media in respect of the automobile industry. Mr. Li has been the founder of 秒車信息技術有限公司 Miaoche Information Technology Co., Ltd.* since 2014. Mr. Li has also been a member of the expert committee of CADA since 2015. For each year from 2016 to 2019, Mr. Li was honoured with the title of Outstanding Expert of CADA. Mr. Li obtained a bachelor's degree in law from Yanbian University.

* *for identification purposes only*

OTHER SENIOR MANAGEMENT

The table below shows certain information in respect of our senior management (excluding Directors who also hold executive positions):

Name	Age	Position
HAO Qing	45	Vice-president and Lexus brand general manager
SONG Lanlan	39	Vice-president and Mercedes-Benz brand general manager
Li Yuanhua	40	Vice-president and director of audit and supervision department
ZHOU Xin	41	Vice general manager and general manager of the operations management centre

HAO Qing (郝青), aged 45, joined the Group in July 1998 and currently serves as vice-president and Lexus brand general manager of the Group. Ms. Hao served as a sales manager in Dalian Free Trade Zone Nissan Automobile Sales and Service Co., Ltd. from July 1998 to August 2005. Ms. Hao joined Dalian Zhongsheng Lexus Automotive Sales & Service Co., Ltd. ("**Dalian Zhongsheng Lexus**") from August 2005 to January 2012 and served as a sales manager, the vice-president and general manager. In addition, Ms. Hao served as the brand operation director and store manager at the Lexus Brand Office and Dalian Zhongsheng Lexus from January 2012 to December 2013; the regional general manager in the Dalian Regional Office and the general manager and store manager in the Lexus Brand Office from December 2013 to July 2015; and the brand general manager and store manager in the Lexus Brand Office from July 2015 to April 2019. Ms. Hao received the honour of National Outstanding General Manager of Lexus China Distributor from 2010 to 2013. Ms. Hao obtained a Bachelor's degree in English from Liaoning Normal University.

SONG Lanlan (宋蘭蘭), aged 39, joined the Group in 2007 and currently serves as vice-president and Mercedes-Benz brand general manager. Ms. Song served as the sales consultant at Dalian Zhongsheng Lexus Automobile Sales & Service Co., Ltd. from May 2007 to August 2008; served as the sales director in Dalian Xinshengrong Automobile Sales Service Co., Ltd. from August 2008 to September 2009; served as the general manager at Dalian Zhongshengzhixing Automobile Sales Service Co., Ltd. from September 2009 to January 2012 and served as the Mercedes-Benz brand general manager of the Group from January 2012 to April 2019. Ms. Song obtained a diploma in international economics and trade from the Harbin Institute of Technology in 2002, a bachelor's degree in international economics and trade from Dongbei University of Finance and Economics in 2007 and a Master's degree in Business Administration from Peking University.

LI Yuanhua (李遠華), aged 40, joined the Group in October 2014 and currently serves as vice-president and director of audit and supervision department, primary responsible for duties in financial, pre-owned automobiles, audit and supervision. Prior to joining the Group, Ms. Li served in the finance and accounting department, securities department and branch office at Dalian Huarui Heavy Industry Group Co., Ltd. from July 2002 to November 2007 and served as the chief accountant at Dalian Huarui Heavy Industry Crane Company from December 2007 to January 2012, responsible for financing, salary management, bidding and operation management. In addition, Ms. Li served as the chief accountant at Dalian Huarui Heavy Industry Group Complete Company from January 2012 to September 2014, responsible for financing, procurement, engineering cost, risk control. Ms. Li served as a director of the audit and supervision department of the Group from October 2014 to July 2017, responsible for internal audit and served as a director of the financial management department and a director of the supervision department of the Group from August 2017 to November 2019. Ms. Li has been honoured the title of Model Worker several times from 2007 to 2013. In 2003, Ms. Li has been honoured the title of Dalian Model Worker. Ms. Li obtained a bachelor's degree in accounting from Harbin University of Science and Technology in 2002 and qualified as an associate member (AAIA) of The Association of International Accountants in 2012.

ZHOU Xin (周新), aged 41, joined the Group in 2004 and currently serves as vice general manager of the Group and general manager of the operations management centre of the Group, primarily responsible for the after-sales and accessories business and operations of the Group. Ms. Zhou served as front desk supervisor of Dalian Zhongsheng Nissan Automobile Sales & Services Co., Ltd. from October 2004 to May 2010, and subsequently served as after-sales service manager of Dalian Zhongsheng Botong Automobile Sales & Services Co., Ltd. from June 2010 to July 2012. Ms. Zhou served as vice general manager of Dalian Zhongsheng Nissan Sales & Services Co., Ltd. from August 2012 to January 2013. From January 2013 to December 2013, she served as senior finance and insurance manager of the Group, primarily responsible finance and insurance affairs. From January 2014 to January 2015, she served as regional director of after-sales services of the Group, leading the Group in promoting its automobile after-sale services. From January 2015 to February 2016, she served as general manager of Zhongsheng (Tian Jin) Insurance Sales & Co., Ltd., primarily responsible for handling insurance affairs of the company. From March 2016 to February 2017, she served as general manager of Dalian Zhongsheng Yingbin Toyota Sales & Services Co., Ltd. She served as executive director of Zhongsheng (Tian Jin) Insurance Sales & Co., Ltd. from December 2017 to November 2020. Ms. Zhou also served as general manager of the Volvo brand of the Group from January 2018 to February 2020 and head of the after-sale management department of the Group from February 2020 to October 2020. Ms. Zhou obtained a bachelor's degree in electronic commerce from Dongbei University of Finance and Economics in 2007, and was named an 'Outstanding Businessperson' among a group of businesspersons for her contribution to the development of the Binhai New District, Tianjin in 2019.

COMPANY SECRETARIES

MAK Sze Man (麥詩敏), aged 46, was appointed as joint company secretary of the Company on 1 July 2010. She is a senior manager of Corporate Services Division of Tricor Services Limited and an associate member of both The Chartered Governance Institute (formerly "The Institute of Chartered Secretaries and Administrators") and The Hong Kong Institute of Chartered Secretaries. Ms. Mak has over 24 years of experience in corporate secretarial area.

YAO Zhenchao (姚振超), aged 40, was appointed as joint company secretary of the Company on 1 April 2019. She joined the Group in July 2011 and currently serves as the chief legal officer of the Company. She is admitted as a registered attorney in the PRC and the State of New York, the United States of America.

REPORT OF THE DIRECTORS

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

The Group's operations are conducted in the PRC through its subsidiaries in the PRC. The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the sale and service of motor vehicles. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

We are a leading national automobile dealership group in the PRC. We have dealership agreements to operate our 4S dealerships for a diversified portfolio of automobile brands, consisting of luxury automobile brands including Mercedes-Benz, Lexus, Audi, Jaguar Land Rover, Porsche and Volvo, and mid-to-high end automobile brands including Toyota and Nissan. Through our "One-stop Automobile Shop" business model, we offer a comprehensive range of new automobiles and after-sales products and services in each of our 4S dealerships. In addition to our new automobile sales business, our after-sales businesses offer spare parts, automobile accessories, repair and maintenance services, detailing services, and other automobile-related products and services.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the Financial Statements on pages 85 to 183 of this annual report.

BUSINESS REVIEW

A review of the business of the Company and a discussion and analysis of the Company's performance during the year, and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis on pages 12 to 16. Main risks and uncertain factors faced by the Group and corresponding mitigation methods are set out in note 47 to the Financial Statements. An analysis of the Group's performance during the year using financial Key Performance Indicators is provided in the section headed "Management Discussion and Analysis — Financial Review" on pages 12 to 14 of this annual report. The future development of the Company's business is discussed throughout this annual report including in the Chief Executive Officer's Statement on pages 6 to 10 and Management Discussion and Analysis on pages 12 to 16. The Board recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure the Group's compliance to the prevailing environmental protection laws and regulations. Additional details regarding the Company's performance on environmental and social-related key performance indicators and policies are provided in the "Environmental Policies and Performance" of this Report of Directors on page 77.

Compliance with relevant laws and regulations which have a significant impact on the Company are provided in the "compliance with laws and regulations" of this Report of Directors; and an account of the Company's relationships with its employees, customers, suppliers, shareholders, etc. are disclosed, in "Relationship with Stakeholders" of this Report of Directors on page 78.

CAPITAL

Details of the capital of the Group during the year ended 31 December 2020 are set out in note 35 to the Financial Statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity and note 49 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company has distributable reserves of RMB3,130.4 million in total available for distribution, of which RMB1,108 million has been proposed as final dividend for the year.

DIVIDEND POLICY

The Board has adopted a dividend policy. The Company do not have any pre-determined dividend payout ratio. The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends: financial results; cash flow situation; business conditions and strategies; future operations and earnings; capital requirements and expenditure plans; interests of shareholders; any restrictions on payment of dividends; and any other factors that the Board may consider relevant.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 184 of this annual report.

DONATIONS

The Company made a donation of RMB15 million to various PRC charity projects or organisations for the year ended 31 December 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 13 to the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as at 31 December 2020 are set out in note 28 to the Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of our directors, the Company has maintained the amount of public float as approved by the Stock Exchange and as permitted under the Listing Rules as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The Directors of the Company during the year ended 31 December 2020 and up to the date of this annual report are:

EXECUTIVE DIRECTORS

Mr. Huang Yi *(Chairman)*
Mr. Li Guoqiang *(President and Chief Executive Officer)*
Mr. Du Qingshan
Mr. Li Guohui (appointed on 10 June 2020))
Mr. Si Wei (retired on 10 June 2020)
Mr. Tang Xianfeng (appointed on 10 June 2020))
Mr. Yu Guangming (retired on 10 June 2020)
Mr. Zhang Zhicheng

NON-EXECUTIVE DIRECTORS

Mr. David Alexander Newbigging
Mr. Hsu David (appointed on 20 March 2020)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shen Jinjun
Mr. Ying Wei
Mr. Chin Siu Wa Alfred
Mr. Li Yanwei

Pursuant to the Articles of Association, Mr. Li Guoqiang, Mr. Du Qingshan, Mr. Shen Jinjun and Mr. Chin Siu Wa Alfred shall retire from their office by rotation at the forthcoming annual general meeting. Mr. Li Guoqiang, Mr. Du Qingshan, Mr. Shen Jinjun and Mr. Chin Siu Wa Alfred, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out on pages 60 to 65 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from their respective date of appointment unless terminated by not less than three months' notice in writing served by either the executive Directors or the Company. Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment. The appointments are subject to the provisions of retirement and rotation of directors under the Articles of Association.

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Mr. Shen Jinjun, Mr. Ying Wei, Mr. Chin Siu Wa Alfred and Mr. Li Yanwei, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent from the date of their appointment to 31 December 2020 and remain so as at the date of this annual report.

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

As at 31 December 2020, the interests and short positions of our directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, were as follows:

INTERESTS AND SHORT POSITIONS IN THE COMPANY'S SHARES

Name of Director	Capacity/Nature of Interest	Total Number of Ordinary Shares	Approximate Percentage of Shareholding (%)
Mr. Huang Yi	Interest of controlled corporation, founder of a discretionary trust and agreement to acquire interests	1,312,035,876 (Long position)	57.50
		159,033,900 (Short position)	6.97
Mr. Li Guoqiang	Interest of controlled corporation, founder of a discretionary trust and agreement to acquire interests	1,312,035,876 (Long position)	57.50
		45,433,900 (Short position)	1.99
Mr. Du Qingshan	Beneficial owner	5,500,000 (Long position) (Note 1)	0.24
Mr. Zhang Zhicheng	Beneficial owner	5,500,000 (Long position) (Note 1)	0.24

Note:

1. These interests represent options granted to the Director as beneficial owner under the Share Option Scheme.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

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

As at 31 December 2020, the following are the persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholder	Capacity/Nature of Interest	Total Number of Ordinary Shares	Approximate Percentage of Shareholding (%)
Blue Natural Development Ltd. (Note 1)	Beneficial owner and agreement to acquire interests	1,312,035,876 (Long position)	57.50
		45,433,900 (Short position)	1.99
Light Yield Ltd. (Note 2)	Beneficial owner, interest of controlled corporation and agreement to acquire interests	1,312,035,876 (Long position)	57.50
		159,033,900 (Short position)	6.97
Vest Sun Ltd. (Note 3)	Interest of controlled corporation and agreement to acquire interests	1,312,035,876 (Long position)	57.50
		45,433,900 (Short position)	1.99
Mountain Bright Limited (Note 4)	Beneficial owner and agreement to acquire interests	1,312,035,876 (Long position)	57.50
UBS TC (Jersey) Ltd.	Trustee, interest of controlled corporation and agreement to acquire interests	1,312,035,876 (Long position)	57.50
Vintage Star Limited (Note 5)	Beneficial owner and agreement to acquire interests	1,312,035,876 (Long position)	57.50
Jardine Strategic Holdings Limited	Interest of controlled corporation	453,412,844 (Long position)	19.87
Jardine Matheson Holdings Limited	Interest of controlled corporation	453,412,844 (Long position)	19.87
JSH Investment Holdings Limited	Beneficial owner	453,412,844 (Long position)	19.87
JPMorgan Chase & Co. (Note 6)	Interest of controlled corporation, investment manager, person having a security interest in shares and approved lending agent	180,846,283 (Long position)	7.93
		133,892,716 (Short position)	5.87
		27,249,028 (Lending pool)	1.19

Notes:

1 Blue Natural Development Ltd. is owned by Light Yield Ltd. (62.3%) and Vest Sun Ltd. (37.7%). Mr. Huang Yi and Mr. Li Guoqiang are directors of Blue Natural Development Ltd..

2 Light Yield Ltd. is wholly-owned by Mr. Huang Yi, who is also the sole director of Light Yield Ltd..

3 Vest Sun Ltd. is wholly-owned by Mr. Li Guoqiang, who is also the sole director of Vest Sun Ltd..

4 Mountain Bright Limited is wholly owned by UBS TC (Jersey) Ltd. as trustee of a trust settlement for Mr. Huang Yi (the settler of the trust) and his family.

5 Vintage Star Limited is wholly owned by UBS TC (Jersey) Ltd. as trustee of a trust settlement for Mr. Li Guoqiang (the settler of the trust) and his family.

6 JPMorgan Chase & Co. held 180,846,283 shares (long position), 133,892,716 shares (short position) and 27,249,028 shares (lending pool) of the Company through its controlled entities, and was deemed to have interests in the shares of the Company held by such entities.

Save as disclosed above, as at 31 December 2020, the Directors and chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

For the year ended 31 December 2020, the Company did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

CONVERTIBLE BONDS

CONVERTIBLE BONDS

2023 CONVERTIBLE BONDS

On 4 May 2018, the Company and J.P. Morgan Securities plc (the “**2023 Convertible Bond Manager**”) entered into a bond subscription agreement, according to which (i) the Company agreed to issue, and the 2023 Convertible Bond Manager agreed to subscribe and pay for (or procure subscribers to subscribe and pay for) zero coupon convertible bonds due 2023 of an aggregate principal amount of HK$3,925 million (the “**Original 2023 Convertible Bonds**”); and (ii) the Company agreed to grant the 2023 Convertible Bond Manager an option to subscribe for up to an additional HK$775 million in principal amount of the 2023 Convertible Bonds (the “**Option Bonds**”, together with the Original 2023 Convertible Bonds, the “**2023 Convertible Bonds**”). On 14 May 2018, the 2023 Convertible Bond Manager exercised in full the option granted by the Company, pursuant to which the Company was required to issue the Option Bonds in the aggregate principal amount of HK$775 million.

The 2023 Convertible Bonds are convertible into fully-paid ordinary shares of the Company (the “**Shares**”) at the initial conversion price of HK$30.0132 per Share at the option of the holder thereof, at any time on or after the 41st day after the issue date up to the close of business on the tenth day prior to the maturity date, being a date falling on or about 23 May 2023. The closing price per Share was HK$23.5398 as quoted on the Stock Exchange on 4 May 2018 (being the date on which the terms of the subscription of the 2023 Convertible Bonds were fixed). The net price of each conversion Share was approximately HK$29.63. The issue of 2023 Convertible Bonds in the aggregate amount of HK$4,700 million was completed on 23 May 2018. To the best of the Directors’ knowledge, the 2023 Convertible Bonds were offered and sold by the 2023 Convertible Bond Manager to no less than six independent placees (who are independent individuals, corporate and/or institutional investors).

The Directors considered that the issue of the 2023 Convertible Bonds represented an opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company and to obtain immediate funding for further business expansion.

The total net proceeds (after deduction of commission and expenses) from the issue of the 2023 Convertible Bonds amounted to approximately HK$4,640 million, of which approximately HK$3,880 million was derived from the issue of the 2023 Convertible Bonds and approximately HK$760 million was derived from the issue of the Option Bonds.

The Company partially repurchased and cancelled the 2023 Convertible Bonds in the aggregate amount of HK$3,315 million on 22 May 2020. Additionally, the Company has partially converted the 2023 Convertible Bonds, with the aggregate outstanding principal amount of the 2023 Convertible Bonds reduced to HK$107 million (the "**Outstanding 2023 Convertible Bonds**") as at 16 April 2021, being the latest practicable date prior to the printing of this annual report.

Upon full conversion of the Outstanding 2023 Convertible Bonds at the initial conversion price of HK$30.0132 per Share, the Company would issue 3,565,098 Shares, with an aggregate nominal value of approximately HK$356, increasing the total issued Shares to 2,317,183,801 Shares (calculated as at 16 April 2021, being the latest practicable date prior to the printing of this annual report, and assuming no conversion of the 2025 Convertible Bonds (as defined below) at all), which represent approximately 0.15% of the issued share capital of the Company (calculated as at 16 April 2021, being the latest practicable date prior to the printing of this annual report), and approximately 0.15% of the issued share capital of the Company as enlarged by the issue of the Shares upon full conversion of the Outstanding 2023 Convertible Bonds (assuming no conversion of the 2025 Conversion Bonds at all). Upon full conversion of the Outstanding 2023 Convertible Bonds, the shareholdings of Mr. Huang Yi, Mr. Li Guoqiang and UBS TC (Jersey) Ltd., the substantial shareholders of the Company, will be diluted from 56.74%, 56.74% and 56.74%, respectively, to 56.66%, 56.66% and 56.66%, respectively, of the issued share capital of the Company as enlarged by the issue of the Shares upon the full conversion of the Outstanding 2023 Convertible Bonds (assuming no conversion of the 2025 Conversion Bonds at all). Based on the profit for the year ended 31 December 2020 attributable to ordinary equity holders of the parent of approximately RMB5,539.8 million, the basic and diluted earnings per Share attributable to the owners of the Company were RMB2.39 and RMB2.39 respectively.

Details of the 2023 Convertible Bonds are set out in note 29 to the Financial Statements.

Please refer to the announcements of the Company dated 4, 6, 15 and 23 May 2018 and 12, 13, 14, 22, 25 May and 20 and 27 November 2020, respectively, for further details on the 2023 Convertible Bonds.

2025 CONVERTIBLE BONDS

On 12 May 2020, the Company, Merrill Lynch (Asia Pacific) Limited and Morgan Stanley & Co. International plc (the "**2025 Convertible Bond Managers**") entered into a bond subscription agreement, according to which the Company agreed to issue, and the 2025 Convertible Bond Managers agreed to subscribe and pay for (or procure subscribers to subscribe and pay for) zero coupon convertible bonds due 2025 of an aggregate principal amount of HK$4,560 million (the "**2025 Convertible Bonds**").

The 2025 Convertible Bonds are convertible into Shares at the initial conversion price of HK$45.61 per Share at the option of the holder thereof, at any time on or after 1 July 2020 up to the close of business on the tenth day prior to the maturity date, being a date falling on or about 21 May 2025. The closing price per Share was HK$34.800 as quoted on the Stock Exchange on 12 May 2020 (being the date on which the terms of the subscription of the 2025 Convertible Bonds were fixed). The net price of each Share was approximately HK$45.20. The issue of the 2025 Convertible Bonds in the aggregate amount of HK$4,560 million was completed on 21 May 2020. To the best of the Directors' knowledge, the 2025 Convertible Bonds were offered and sold by the 2025 Convertible Bond Managers to no less than six independent placees (who are independent individuals, corporate and/or institutional investors).

The Directors considered that the issue of the 2025 Convertible Bonds allowed the Company to refinance its existing debt and to extend its debt maturity profile.

The total net proceeds (after deduction of commission and expenses) from the issue of the 2025 Convertible Bonds amounted to approximately HK$4,519 million.

There has been no conversion of the 2025 Convertible Bonds as at 16 April 2021, being the latest practicable date prior to the printing of this annual report. Upon full conversion of the outstanding 2025 Convertible Bonds at the initial conversion price of HK$45.61 per Share, the Company may issue 99,978,074 Shares, with an aggregate nominal value of approximately HK$9,997.81, increasing the total issued Shares to 2,413,596,777 Shares (calculated as at 16 April 2021, being the latest practicable date prior to the printing of this annual report, and assuming no conversion of the Outstanding 2023 Convertible Bonds at all), which represent approximately 4.32% of the existing share capital of the Company (calculated as at 16 April 2021, being the latest practicable date prior to the printing of this annual report), and approximately 4.14% of the issued share capital of the Company as enlarged by the issue of the Shares upon full conversion of all the 2025 Convertible Bonds (assuming no conversion of the Outstanding 2023 Conversion Bonds at all). Upon full conversion of the outstanding 2025 Convertible Bonds, the shareholdings of Mr. Huang Yi, Mr. Li Guoqiang and UBS TC (Jersey) Ltd., the substantial shareholders of the Company, will be diluted from 56.74%, 56.74% and 56.74%, respectively, to 54.39%, 54.39% and 54.39%, respectively, of the issued share capital of the Company as enlarged by the issue of the Shares upon full conversion of the outstanding 2025 Convertible Bonds (assuming no conversion of the Outstanding 2023 Conversion Bonds at all). Based on the profit for the year ended 31 December 2020 attributable to ordinary equity holders of the parent of approximately RMB5,539.8 million, the basic and diluted earnings per Share attributable to the owners of the Company were RMB2.39 and RMB2.30, respectively.

Details of the 2025 Convertible Bonds are set out in note 29 to the Financial Statements.

Please refer to the announcements of the Company dated 12, 13, 14, 21, 22 and 25 May 2020, respectively, for further details on the 2025 Convertible Bonds.

During the year ended 31 December 2020, profit attributable to owners of the parent of the Group is approximately RMB5,539.8 million. As at 31 December 2020, the Group had consolidated reserves of RMB26,462.7 million and net current assets of RMB5,376.7 million. The Company will redeem each Outstanding 2023 Convertible Bond and outstanding 2025 Convertible Bond (collectively, the "**Convertible Bonds**") on the maturity date at its principal amount together with accrued and unpaid interest thereon. Based on the financial position of the Group, to the best knowledge of the Company, the Company expects that it will be able to meet its redemption obligations under the Convertible Bonds issued by the Company. As the Convertible Bonds bear no interest on the principal amount, it would be equally financially advantageous for the bondholders to convert or redeem the Convertible Bonds (and therefore the bondholders would be indifferent as to whether the Convertible Bonds are converted or redeemed) in the event that the price of each Share traded on the Stock Exchange equals the then adjusted conversion price of the Convertible Bonds. Conversion price of all the Convertible Bonds will be subject to adjustment for consolidation or subdivision, capitalisation of profits or reserves, capital distribution, right issues, debt equity swap and other dilutive events, as the case may be, which may have impacts on the rights of the holders of the Convertible Bonds.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year ended 31 December 2020 was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2020 and up to the date of this annual report, none of the Directors and controlling shareholders (i.e. Mr. Huang Yi, Mr. Li Guoqiang, Light Yield Ltd., Vest Sun Ltd., Blue Natural Development Ltd., Mountain Bright Limited, UBS TC (Jersey) Ltd. and Vintage Star Limited) of the Company was interested in any business which competes or is likely to compete with the businesses of our Group.

We have received an annual written confirmation from our controlling shareholders, including Mr. Huang Yi and Mr. Li Guoqiang, in respect of the compliance by and with the provisions of the non-competition deed entered into between the Company and our controlling shareholders (the "**Non-competition Deed**").

Our independent non-executive Directors have reviewed the compliance with the Non-competition Deed during the year ended 31 December 2020 and up to the date of this annual report based on information and confirmation provided by or obtained from our controlling shareholders, and were satisfied that our controlling shareholders, including Mr. Huang Yi and Mr. Li Guoqiang, have duly complied with the Non-competition Deed.

CONNECTED TRANSACTIONS

There was no connected transaction entered into by the Group during the year ended 31 December 2020 that is required to be disclosed under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

No director or any entity connected with any Director had a material interest, either directly or indirectly, in any transactions, arrangement or contract of significance to the business of our Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2020 and up to the date of this annual report.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of our Group.

Details of the Directors' remuneration during the year ended 31 December 2020 are set out in note 9 to the Financial Statements.

RETIREMENT SCHEMES

Details of the retirement benefits plans of our Group are set out in note 33 to the Financial Statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020 and up to the date of this annual report.

MATERIAL CONTRACTS

Save as disclosed in this annual report, at no time during the year had the Company or any of its subsidiaries entered into any material contracts with the controlling shareholder or any of its subsidiaries, nor had any material contracts been entered into for the services provided by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

SHARE OPTION SCHEME

The Share Option Scheme (as defined in the Company's prospectus dated 16 March 2010) was conditionally approved by a resolution of the shareholders of the Company on 9 February 2010 and adopted by a resolution of the Board on the same day. The Share Option Scheme expired on 25 March 2020. No further options can be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to exercise any subsisting options granted prior to the expiry of the Share Option Scheme or otherwise as handled in accordance with the provisions of the Share Option Scheme.

The purpose of the Share Option Scheme was to attract and retain skilled and experienced personnel, to incentivise them to remain with the Group and to give effect to the customer-focused corporate culture of the Group, and to motivate them to strive for the future development and expansion of the Group, by providing them with the opportunity to acquire equity interests in the Company.

Details of the outstanding options to subscribe for Shares pursuant to the Share Option Scheme and the movement during the year ended 31 December 2020 are set out below:

			Number of Share Options				
Name of Grantees	Date of grant	Exercise price per Share	Outstanding as at 31 December 2019	Granted during the Period	Exercised during the period	Lapsed/ Cancelled during the period	Outstanding as at 31 December 2020
Mr. Du Qingshan – Executive Director	26 April 2018	HK$22.60	5,500,000[1]	–	–	–	5,500,000
Mr. Zhang Zhicheng – Executive Director	26 April 2018	HK$22.60	5,500,000[1]	–	–	–	5,500,000
Total							11,000,000

Note:

(1) On 26 April 2018, the Company offered to grant share options (the "**Share Options**") to Mr. Du Qingshan and Mr. Zhang Zhicheng under the Share Option Scheme, which will entitle them to subscribe for an aggregate of 11,000,000 new Shares. The Share Options were fully vested from 26 April 2019. The Share Options are exercisable from 26 April 2019 to 25 April 2028 (both dates inclusive) at a price of HK$22.60 per Share. The closing price of the Shares immediately before 26 April 2018 is HK$22.35 per Share.

Further details of the Share Options are set out in note 37 to the Financial Statements. The Binomial Option Pricing Model is one of the commonly used models to estimate the fair value of an option which can be exercised before the expiry of the option period. The value of an option varies with different variables of certain subjective assumptions.

Any change in variables so adopted may materially affect the estimation of the fair value of an option.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits. During the year ended 31 December 2020, no other options had been granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme. As at 31 December 2020, the total number of Shares that may be issued under the Share Option Scheme was 11,000,000 Shares, representing approximately 0.48% of the issued share capital of the Company as at 16 April 2021, being the latest practicable date prior to the printing of this annual report.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in the Director's information subsequent to the date of 2020 interim report of the Company is as follow:

1. Mr. Shen Jinjun, being an independent non-executive Director, has resigned as the independent non-executive director of Beijing Changjiu Logistics Corp. (a company listed on the Shanghai Stock Exchange with stock code: 603569) in December 2019.

Save as disclosed in this annual report, no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DEBENTURES IN ISSUE

Save as disclosed in this annual report, the Company did not have any debentures in issue during the year ended 31 December 2020.

EQUITY-LINKED AGREEMENT

Save for the Convertible Bonds and the Share Option Scheme, the Company did not enter into any equity-linked agreement during the year ended 31 December 2020.

PERMITTED INDEMNITY PROVISION

The Company has purchased appropriate liability insurance for its Directors and senior management. The permitted indemnity provisions are set out in such liability insurance. Save as disclosed above, no permitted indemnity provision was made by the Company for the year ended 31 December 2020 and no permitted indemnity provision was in force as at the date of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, the percentage of the aggregate sales attributable to the Group's five largest customers was less than 30% of the Group's total sales. The respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 26.9% and 70.9%. These suppliers are relatively large and reputable corporations with long-standing relationships with the Group.

None of the Directors or any of their associates or any shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest customers and suppliers.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company.

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

In January 2021, as the Board was of the view that share buy-backs and the subsequent cancellation of the bought Shares could enhance the value of the Shares thereby improving returns to the Shareholders, the Board determined to exercise its powers under the general mandate to buy back Shares granted by the Shareholders at the general meeting held on 10 June 2020 to buy back a total of 660,500 Shares at the highest and lowest prices of HK$49.50 and HK$47.65 per Share, respectively. The aggregate purchase price paid (excluding commissions and other expenses) for the bought Shares was HK$32,300,000. The Board believes that the share buy-backs could reflect the Board's confidence in the Company's long-term business prospects. All of the bought Shares have been cancelled as at the date of this annual report.

Save as disclosed above, neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities throughout the year ended 31 December 2020 and up to the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

On 6 January 2021, the Company and Merrill Lynch (Asia Pacific) Limited, Mizuho Securities Asia Limited, CCB International Capital Limited, MUFG Securities Asia Limited and Morgan Stanley & Co. International plc (the "**2026 Bond Managers**") entered into a bond subscription agreement, according to which the 2026 Bond Managers have conditionally agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the 3.00 per cent coupon rate. bonds to be issued by the Company in an aggregate principal amount of USD450 million (the "**2026 Bonds**"). The maturity date of the 2026 Bonds is 13 January 2026, on which the Company is scheduled to redeem each 2026 Bond at its principal amount. Please refer to the announcements of the Company dated 4, 7, 13 and 14 January 2021, respectively, for further details on the 2026 Bonds.

Save as disclosed above, there have not been any significant events affecting the Group after 31 December 2020.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations. Adhering to the concept of green environmental protection, the Group has also promoted green operations and advocated the concept of green office. Environmental protection, energy conservation and emissions reduction and reasonable and efficient utilisation of resources have been consistently implemented in the daily operation activities of the Group. The Group has also been working on reducing its energy use, consumption and wastage by actively promoting recycling concept, using less paper and saving electric power and use of water. Going forward, the Group will continue to develop sustainable policies and designs to reduce its environmental impact not only internally within its offices but also externally in the regions it operates in.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licences. The Company has been allocating system and staff resources to ensure on-going compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. During the year ended 31 December 2020, the Company has complied, to the best of the knowledge of the Directors, with all relevant rules and regulations that have a significant impact on the Company.

RELATIONSHIP WITH STAKEHOLDERS

The Company recognises that our employees, customers and business associates are key to our sustainability development. We strive to achieve corporate sustainability through engaging our employees, providing quality services for our customers, collaborating with business partners and supporting the community and social welfare.

The Company places significant emphasis on human capital. The Company provides a fair workplace, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance. Furthermore, we have established and will continue to promote our KPI-driven corporate culture with a clear career and promotion system to motivate our employees. Our employees are provided with rotation opportunities both cross-stores and cross-functions to develop their skills and their own career path with us.

We promote a customer-oriented culture within the Company. Our corporate motto is "Zhongsheng Group — Lifetime Partner", and it is central to our corporate culture. The Company values the feedback from customers by daily communication and other means. The Company has also established the mechanism about customer service and support. The Company treats providing customer support as an opportunity to improve our relationship with the customer, addressing customer's concern in a timely manner and in accordance with international standards.

We have strong and established working relationships with leading global automakers and their PRC joint venture corporations. We believe that our suppliers are equally important in our development into a first-class automobile dealer enterprise. Therefore, we proactively collaborate with our business partners to deliver quality sustainable services.

With the goal of developing into a preeminent international enterprise and a trustworthy public company, the Company actively fulfill its social responsibility. The Group, with high quality products and services, is committed to creating good internal and external corporate relationships, and build a harmonious enterprise to undertake its responsibilities for employees, customers, suppliers and the shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Throughout the year ended 31 December 2020 and up to the date of this annual report, the Company has been in compliance with the code provisions set out in the CG Code.

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. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2020 and up to the date of this annual report.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2020 have been audited by Ernst & Young, certified public accountants. Ernst & Young retired and a resolution to re-appoint Ernst & Young as the auditors of the Company in the following year will be proposed at the Company's forthcoming annual general meeting. The Company did not change its auditor during the preceding three years.

PROPOSED DISTRIBUTION OF FINAL DIVIDEND

The Board resolved to propose to the Shareholders at the forthcoming annual general meeting on 18 June 2021 (the "**AGM**") for the distribution of a final dividend of HK$0.58 per Share for the year ended 31 December 2020 payable to the Shareholders whose names are listed in the register of the Company on 28 June 2021, in an aggregate amount of HK$1,316.4 million (equivalent to approximately RMB1,108 million). It is expected that the final dividend will be paid on 12 July 2021. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining who is entitled to attend the AGM, the register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, unregistered holders of Shares shall lodge share transfer documents, together with relevant share certificates, with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Friday, 11 June 2021.

In addition, the Company's register of members will be closed from Thursday, 24 June 2021 to Monday, 28 June 2021 (both days inclusive) for the purpose of determining the Shareholder's entitlement to the proposed final dividend of the Company. In order to qualify for the proposed final dividend (subject to the approval by Shareholders at the AGM), unregistered holders of Shares shall lodge share transfer documents, together with relevant share certificates, with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above-mentioned address for registration before 4:30 p.m. on Wednesday, 23 June 2021.

By order of the Board
Zhongsheng Group Holdings Limited
Huang Yi
Chairman

Hong Kong, 19 March 2021

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Zhongsheng Group Holdings Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

OPINION

We have audited the consolidated financial statements of Zhongsheng Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 85 to 183, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

KEY AUDIT MATTER

ACQUISITIONS

During the year ended 31 December 2020, the Group completed acquisitions of certain car dealerships at a total consideration of approximately RMB1,299,309,000. The accounting for these acquisitions involved significant judgement of management for the purchase price allocation mainly in relation to the valuation of property, plant and equipment, land use rights, intangible assets which include dealership agreements, customer relationships and the remaining goodwill balance. The Group engaged an external independent appraiser to perform the valuation.

Information about the acquisitions was disclosed in note 2.4 *Summary of significant accounting policies — business combinations and goodwill* and note 38 *Business combination* to the financial statements.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We evaluated the competency, capabilities and objectivity of the external independent appraiser engaged by the Group to perform the valuation and involved our internal valuation specialists to review the valuation methodologies adopted by the appraiser, and the assumptions used in the valuation of the assets acquired and liabilities by reference to the historical experience and the market practices. We have reviewed the identification of the acquired assets and liabilities, and tested the prospective financial information assumptions used in the calculation of the fair value allocated to the acquired assets. We also checked the related disclosures.

KEY AUDIT MATTER

IMPAIRMENT ASSESSMENT OF GOODWILL AND INTANGIBLE ASSETS

The carrying values of goodwill and intangible assets amounted to approximately RMB4,972,459,000 and RMB6,620,175,000 as at 31 December 2020, respectively. Under HKFRSs, the Group is required to perform an impairment test for goodwill annually and the intangible assets with definite useful lives are reviewed whether there is any indication of impairment at each reporting period end. An impairment test itself for intangible assets with definite useful lives only has to be carried out if there are such indications. The impairment test is based on the recoverable value of each of the cash-generating units ("CGU") or group of CGUs to which the goodwill and the intangible assets are assigned to.

Management's assessment process was complex and significant judgement was involved, including the degree of subjectivity of expected future cash flow forecasts, associated growth rates and the discount rate applied.

Information about the goodwill and intangible assets was disclosed in note 2.4 *Summary of significant accounting policies — Impairment of non-financial assets*, note 3 *Significant accounting judgement and estimates — Estimation uncertainty*, note 18 *Goodwill* and note 17 *Intangible assets* to the financial statements.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We have involved our internal valuation specialists to assist us in evaluating the models and certain assumptions used by the Group in the impairment test of goodwill and intangible assets. We paid attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance of the respective CGU or group of CGUs. We have also reviewed the Group's assessment of whether there had been any indicators of impairment of the intangible assets with definite useful lives for the year. We also checked the related disclosures.

KEY AUDIT MATTERS (continued)

KEY AUDIT MATTER (continued)

VENDER REBATE RECEIVABLES

The Group recognised volume-related vendor rebates on an accrual basis based on the terms of the suppliers' contracts. As at 31 December 2020, the rebate receivables recognised in the consolidated statement of financial position amounted to approximately RMB5,981,702,000. The balance of rebate receivables was significant and the process of calculating the accrual was complex.

Information about the rebate receivables was disclosed in note 2.4 *Summary of significant accounting policies — vendor rebates* and note 23 *Prepayments, other receivables and other assets* to the financial statements.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER (continued)

We understood and tested management's key internal controls in relation to the recognition of vendor rebates. We checked the rebate policies adopted against the terms of the relevant supplier contracts and checked the calculation of the rebate receivables based on the rebate policies and underlying inputs, including sales and purchase volume, rebate rates and other criteria as set out in the rebate policies. We also checked subsequent settlement of the rebates against the accrued balance.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong

19 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5(a)	**148,348,067**	124,042,520
Cost of sales and services provided	6(b)	**(134,866,359)**	(112,554,874)
Gross profit		**13,481,708**	11,487,646
Other income and gains, net	5(b)	**3,423,881**	3,109,521
Selling and distribution expenses		**(5,729,655)**	(4,938,772)
Administrative expenses		**(2,239,263)**	(1,940,062)
Profit from operations		**8,936,671**	7,718,333
Finance costs	7	**(1,259,872)**	(1,390,554)
Share of profits/(losses) of joint ventures	19	**3,523**	(1,208)
Share of loss of an associate	20	**(1,513)**	—
Profit before tax	6	**7,678,809**	6,326,571
Income tax expense	8	**(2,097,980)**	(1,807,055)
Profit for the year		**5,580,829**	4,519,516
Attributable to:			
Owners of the parent		**5,539,799**	4,501,673
Non-controlling interests		**41,030**	17,843
		5,580,829	4,519,516
Earnings per share attributable to ordinary equity holders of the parent			
Basic			
— For profit for the year (RMB)	12	**2.44**	1.98
Diluted			
— For profit for the year (RMB)	12	**2.36**	1.92

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Profit for the year	**5,580,829**	4,519,516
Other comprehensive income/(loss)		
Exchange differences on translation of foreign operations	**511,747**	(182,061)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**511,747**	(182,061)
Other comprehensive income/(loss) for the year, net of tax	**511,747**	(182,061)
Total comprehensive income for the year	**6,092,576**	4,337,455
Attributable to:		
Owners of the parent	**6,051,546**	4,319,612
Non-controlling interests	**41,030**	17,843
	6,092,576	4,337,455

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**14,373,357**	12,361,556
Right-of-use assets	15	**4,413,846**	4,195,225
Land use rights	14	**2,930,356**	2,931,884
Prepayments	16	**1,081,311**	731,332
Intangible assets	17	**6,620,175**	6,217,559
Goodwill	18	**4,972,459**	4,640,137
Investments in joint ventures	19	**47,785**	44,262
Investment in an associate	20	**1,487**	3,000
Deferred tax assets	34(b)	**209,492**	257,580
Total non-current assets		**34,650,268**	31,382,535
CURRENT ASSETS			
Inventories	21	**9,090,091**	9,828,486
Trade receivables	22	**1,429,528**	1,462,767
Prepayments, other receivables and other assets	23	**13,363,026**	11,645,669
Amounts due from related parties	45(b)(i)	**1,168**	727
Financial assets at fair value through profit or loss	24	**150,415**	997,908
Pledged bank deposits	25	**1,425,880**	1,341,025
Cash in transit	26	**180,280**	263,989
Cash and cash equivalents	27	**8,210,363**	6,101,176
Total current assets		**33,850,751**	31,641,747
CURRENT LIABILITIES			
Bank loans and other borrowings	28	**16,980,126**	17,089,711
Lease liabilities	15	**277,658**	236,636
Trade and bills payables	30	**4,980,288**	4,875,067
Other payables and accruals	31	**4,215,624**	3,223,610
Other liabilities	32	**245,000**	245,000
Amounts due to related parties	45(b)(ii)	**1,345**	436
Income tax payable	34(a)	**1,774,032**	1,476,360
Dividends payable		**9**	9
Total current liabilities		**28,474,082**	27,146,829
NET CURRENT ASSETS		**5,376,669**	4,494,918
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,026,937**	35,877,453

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	34(b)	**2,119,632**	1,917,525
Bank loans and other borrowings	28	**2,351,234**	3,924,341
Lease liabilities	15	**3,847,101**	3,564,989
Convertible bonds	29	**4,827,223**	4,293,929
Total non-current liabilities		**13,145,190**	13,700,784
Net assets		**26,881,747**	22,176,669
EQUITY			
Equity attributable to owners of the parent			
Share capital	35	**198**	197
Reserves	36	**26,462,702**	21,758,356
		26,462,900	21,758,553
Non-controlling interests		**418,847**	418,116
Total equity		**26,881,747**	22,176,669

Huang Yi
Director

Li Guoqiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 December 2020

	Attributable to owners of the parent												
	Share capital RMB'000	Share premium* RMB'000	Equity component of convertible bonds* RMB'000	Share option reserve* RMB'000	Discretionary reserve fund* RMB'000	Statutory reserve* RMB'000	Merger reserve* RMB'000	Other reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	197	6,212,816	113,139	33,367	37,110	1,911,052	(1,386,176)	(1,551,247)	(554,290)	13,423,647	18,239,615	796,608	19,036,223
Profit for the year	–	–	–	–	–	–	–	–	–	4,501,673	4,501,673	17,843	4,519,516
Other comprehensive loss for the year:													
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(182,061)	–	(182,061)	–	(182,061)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(182,061)	4,501,673	4,319,612	17,843	4,337,455
Acquisition of non-controlling interests	–	–	–	–	–	–	–	(78,000)	–	–	(78,000)	(10,000)	(88,000)
Non-controlling interests arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	36,872	36,872
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	20,144	20,144
Transfer from retained profits	–	–	–	–	–	463,594	–	–	–	(463,594)	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(443,351)	(443,351)
Equity-settled share-based transactions	–	–	–	16,024	–	–	–	–	–	–	16,024	–	16,024
Final 2018 dividend declared	–	(738,698)	–	–	–	–	–	–	–	–	(738,698)	–	(738,698)
At 31 December 2019	197	5,474,118	113,139	49,391	37,110	2,374,646	(1,386,176)	(1,629,247)	(736,351)	17,461,726	21,758,553	418,116	22,176,669
At 1 January 2020	197	5,474,118	113,139	49,391	37,110	2,374,646	(1,386,176)	(1,629,247)	(736,351)	17,461,726	21,758,553	418,116	22,176,669
Profit for the year	–	–	–	–	–	–	–	–	–	5,539,799	5,539,799	41,030	5,580,829
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	511,747	–	511,747	–	511,747
Total comprehensive income for the year	–	–	–	–	–	–	–	–	511,747	5,539,799	6,051,546	41,030	6,092,576
Acquisition of non-controlling interests	–	–	–	–	–	–	–	(957)	–	–	(957)	(7,343)	(8,300)
Capital contribution from non-controlling shareholders of subsidiary	–	–	–	–	–	–	–	–	–	–	–	25,000	25,000
Transfer from retained profits	–	–	–	–	–	928,220	–	–	–	(928,220)	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(57,956)	(57,956)
Early conversion of convertible bonds	1	293,334	(8,264)	–	–	–	–	–	–	–	285,071	–	285,071
Transfer of equity component of convertible bonds upon the redemption of convertible bonds	–	–	(79,799)	–	–	–	–	(649,397)	–	–	(729,196)	–	(729,196)
Issue of 2020 convertible bonds	–	–	30,484	–	–	–	–	–	–	–	30,484	–	30,484
Final 2019 dividend declared	–	(932,601)	–	–	–	–	–	–	–	–	(932,601)	–	(932,601)
At 31 December 2020	198	4,834,851	55,560	49,391	37,110	3,302,866	(1,386,176)	(2,279,601)	(224,604)	22,073,305	26,462,900	418,847	26,881,747

* These reserve accounts comprise the consolidated reserves of RMB26,462,702,000 (2019: RMB21,758,356,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**7,678,809**	6,326,571
Adjustments for:			
Share of losses/(profits) of joint ventures and an associate	19(b)	**(2,010)**	1,208
Depreciation and impairment of property, plant and equipment	13	**1,114,378**	1,002,150
Depreciation of right-of-use assets	15	**455,392**	394,173
Amortisation of land use rights	14	**94,106**	83,734
Amortisation of intangible assets	17	**275,725**	258,297
Impairment of goodwill	18	**—**	4,742
Impairment of trade receivables	22	**5,380**	6,401
Covid-19-related rent concessions from lessors		**(18,986)**	—
Write-down of inventories to net realisable value	6(c)	**1,353**	2,352
Interest income	5(b)	**(80,933)**	(59,975)
Net (gains)/loss on disposal of items of property, plant and equipment	5(b)	**(12,898)**	30,879
Finance costs	7	**1,259,872**	1,390,554
Net loss on disposal of subsidiaries		**—**	—
Fair value (gains)/losses, net:			
— Listed equity investments held for trading	5(b)	**(2,440)**	(12,809)
— Financial products	5(b)	**1,901**	(1,776)
Investment income from financial assets at fair value through profit or loss	5(b)	**(28,330)**	(37,137)
Dividend income from listed equity investment	5(b)	**(1,836)**	(1,816)
Expense on redemption of convertible bonds		**8,039**	—
Equity-settled share option expense	37	**—**	16,024
		10,747,522	9,403,572
Decrease in cash in transit		**87,816**	167,205
Decrease/(increase) in trade receivables		**47,764**	(123,759)
Increase in prepayments, other receivables and other assets		**(1,187,772)**	(1,267,018)
Decrease in inventories		**1,002,954**	1,246,639
Increase in trade payables		**1,882**	16,534
Increase in other payables and accruals		**368,611**	165,092
(Increase)/decrease in amounts due from related parties — trade related		**(441)**	123
Increase/(decrease) in amounts due to related parties — trade related		**909**	(683)
Cash generated from operations		**11,069,245**	9,607,705
Tax paid		**(1,744,880)**	(1,808,254)
Net cash generated from operating activities		**9,324,365**	7,799,451

	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	(3,232,242)	(2,667,534)
Proceeds from disposal of items of property, plant and equipment	788,739	875,164
Purchase of land use rights	(40,470)	(91,011)
Proceeds from disposal of land use rights	—	34,425
Purchase of intangible assets	(11,083)	(8,091)
Purchase of financial assets at fair value through profit or loss, net	—	(838,550)
Prepayments for the potential acquisitions of equity interests from third parties	(635,980)	(300,820)
Acquisitions of subsidiaries	(892,302)	(55,572)
Increase in prepayments, other receivables and other assets	(166,600)	(187,008)
Proceedes from disposal of financial assets at fair value through profit or loss	843,550	—
Dividends received from listed equity investments	1,836	1,816
Investment income received from financial assets at fair value through profit or loss	28,330	37,137
Investment in an associate	—	(3,000)
Proceeds on disposal of subsidiaries, net of cash	1,159	4,000
Interest received	80,933	59,975
Net cash used in investing activities	(3,234,130)	(3,139,069)

	2020 RMB'000	2019 RMB'000
FINANCING ACTIVITIES		
Proceeds from issue of convertible bonds	**4,132,148**	—
Proceeds from bank loans and other borrowings	**110,746,535**	90,790,338
Repayments of bank loans and other borrowings	**(112,310,997)**	(92,572,160)
Increase in pledged bank deposits	**(84,837)**	(26,946)
Capital contribution from non-controlling shareholders of subsidiaries	**25,000**	15,000
(Decrease)/increase in notes payable	**(28,941)**	8,925
Acquisition of non-controlling interests	**(86,300)**	(10,000)
Lease payments	**(587,186)**	(640,988)
Interest paid for bank loans and other borrowings	**(881,754)**	(1,077,726)
Redemption of convertible bonds	**(3,882,709)**	—
Increase in deposits to entities controlled by suppliers for borrowings	**(14,007)**	(15,872)
Dividends paid to non-controlling shareholders	**(57,956)**	(443,351)
Dividends paid	**(932,601)**	(738,698)
Net cash used in financing activities	**(3,963,605)**	(4,711,478)
Net increase/(decrease) in cash and cash equivalents	**2,126,630**	(51,096)
Cash and cash equivalents at beginning of year	**6,101,176**	6,142,664
Effect of foreign exchange rate changes, net	**(17,443)**	9,608
Cash and cash equivalents at end of year	**8,210,363**	6,101,176

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The Company has established a principal place of business in Hong Kong which is located at Room 1803-09, 18th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 26 March 2010.

During the year, the Group was principally engaged in the sale and service of motor vehicles.

In the opinion of the directors of the Company (the "Directors"), the ultimate controlling shareholders of the Company are Mr. Huang Yi and Mr. Li Guoqiang.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PRESENTATION (continued)

BASIS OF CONSOLIDATION (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1, and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB18,986,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3,6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3,5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

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

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

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

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in RMB based on the Loan Prime Rate ("LPR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

FAIR VALUE MEASUREMENT

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and residual values of property, plant and equipment are as follows:

Category	Estimated useful life	Estimated residual value
Buildings	10–30 years	5%
Leasehold improvements	5 years	—
Plant and machinery	5–10 years	5%
Furniture and fixtures	5 years	5%
Motor vehicles	5–10 years	5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or pending installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Software	3–5 years
Dealership agreements	20–40 years
Customer relationships	15 years
Others	5–44 years

LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

GROUP AS A LESSEE

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(A) RIGHT-OF-USE ASSETS

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings and lands	2 to 30 years
Motor vehicles	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

GROUP AS A LESSEE (continued)

(B) LEASE LIABILITIES

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(C) SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Group applies the short-term lease recognition exemption to its short-term leases of land and buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

GROUP AS A LESSOR

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

LAND USE RIGHTS

All land in Mainland China is state-owned and no individual land ownership rights exist. The Group acquires the right to use certain land and the amount paid for such a right is recorded as land use rights, which are amortised over the lease terms of 16 to 61 years using the straight-line method.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS

INITIAL RECOGNITION AND MEASUREMENT

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

SUBSEQUENT MEASUREMENT

The subsequent measurement of financial assets depends on their classification as follows:

FINANCIAL ASSETS AT AMORTISED COST (DEBT INSTRUMENTS)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (DEBT INSTRUMENTS)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (EQUITY INVESTMENTS)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates, if and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

GENERAL APPROACH

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

GENERAL APPROACH (continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	—	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	—	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	—	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

SIMPLIFIED APPROACH

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

FINANCIAL LIABILITIES

INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to related parties, bank loans and other borrowings, and convertible bonds.

SUBSEQUENT MEASUREMENT

The subsequent measurement of financial liabilities depends on their classification as follows:

FINANCIAL LIABILITIES AT AMORTISED COST (LOANS AND BORROWINGS)

After initial recognition, banks loans and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES (continued)

FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

CONVERTIBLE BONDS

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

PUT OPTION OVER NON-CONTROLLING INTEREST

During the process of acquiring the majority equity interests of a subsidiary, the Group provided the non-controlling shareholder the right to dispose of its equity interests to the Group. The equity interests in the subsidiary held by the non-controlling shareholder shall be recognised as non-controlling interests in the consolidated financial statements of the Group. At the same time, for the put option, the Group shall assume the obligations to redeem in cash the equity interests in the subsidiary held by the non-controlling shareholder. The present value of the amount payable at the time of redemption of such put option shall be deducted from equity (other than non-controlling interests) and is recognised as the financial liability of the Group. Such financial liability shall be re-measured at the present value of the amount payable upon redemption in the subsequent period, with changes recognised in the consolidated statement of profit or loss.

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on specific identification basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling price in the ordinary course of business less the estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

REVENUE RECOGNITION

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) SALE OF GOODS

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(b) RENDERING OF SERVICES

For the rendering of services, the control is transferred overtime and therefore, the performance obligation is satisfied and revenue is recognised over time, if one of the following criteria is met:

(i) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(ii) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(iii) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

REVENUE FROM OTHER RESOURCES

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

OTHER INCOME

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

CONTRACT ASSETS

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

CONTRACT LIABILITIES

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

VENDOR REBATES

Volume-related vendor rebates are recognised as a deduction from cost of sales on an accrual basis based on the expected entitlement earned up to the reporting date for each relevant supplier contract.

Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SHARE-BASED PAYMENTS

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 37 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OTHER EMPLOYEE BENEFITS

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate of 6.0% has been applied to the expenditure on the individual assets.

DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using their respective functional currencies. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and certain overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

DEFERRED TAX ASSETS

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets recognised was RMB209,492,000 (2019: RMB257,580,000) as at 31 December 2020. More details are given in note 34(b).

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

IMPAIRMENT OF GOODWILL

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimation of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2020 was RMB4,972,459,000 (2019: RMB4,640,137,000). Further details are given in note 18.

IMPAIRMENT OF NON-FINANCIAL ASSETS (OTHER THAN GOODWILL)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

USEFUL LIVES OF INTANGIBLE ASSETS

The intangible assets are depreciated on the straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives periodically to determine the related amortisation charges for its intangible assets. The estimation is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition. Management will increase the amortisation charges when useful lives become shorter than previously estimated.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore the depreciation charge in the future periods.

LEASES — ESTIMATING THE INCREMENTAL BORROWING RATE

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

The Group's principal business is the sale and service of motor vehicles. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the sale of motor vehicles and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

INFORMATION ABOUT GEOGRAPHICAL AREA

Since over 90% of the Group's revenue and operating profit were generated from the sale and service of motor vehicles in Mainland China and over 90% of the Group's non-current assets other than deferred tax assets were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 *Operating Segments*.

INFORMATION ABOUT MAJOR CUSTOMERS

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year, no major customer information is presented in accordance with HKFRS 8 *Operating Segments*.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income and gains is as follows:

(a) Revenue:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers		
Disaggregated revenue information		
Type of goods or service		
Revenue from sales of motor vehicles	**128,102,934**	106,199,132
Revenue from after-sales service	**20,245,133**	17,843,388
Total revenue from contracts with customers	**148,348,067**	124,042,520
Timing of revenue recognition		
At a point in time	**148,348,067**	124,042,520

(b) Other income and gains, net:

	2020 RMB'000	2019 RMB'000
Commission income	**3,149,631**	2,885,199
Rental income	**26,009**	21,842
Interest income	**80,933**	59,975
Government grants	**46,465**	43,319
Net gains/(losses) on disposal of items of property, plant and equipment	**12,898**	(30,879)
Fair value gains/(losses), net:		
Financial assets at fair value through profit or loss		
— listed equity investments	**2,440**	12,809
— financial products	**(1,901)**	1,776
Investment income from financial assets at fair value through profit or loss	**28,330**	37,137
Dividend income from listed equity investments	**1,836**	1,816
Others	**77,240**	76,527
	3,423,881	3,109,521

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2020 RMB'000	2019 RMB'000
(a) Employee benefit expense (including directors' and chief executive officer's remuneration (note 9))		
Wages and salaries	**3,887,087**	3,366,356
Pension scheme contributions	**398,713**	486,423
Other welfare	**218,668**	240,075
Equity-settled share option expense	**—**	16,024
	4,504,468	4,108,878
(b) Cost of sales and services provided:		
Cost of sales of motor vehicles	**124,196,476**	103,311,643
Others	**10,669,883**	9,243,231
	134,866,359	112,554,874
(c) Other items:		
Depreciation and impairment of property, plant and equipment	**1,114,378**	1,002,150
Depreciation of right-of-use assets	**455,392**	394,173
Amortisation of land use rights	**94,106**	83,734
Amortisation of intangible assets	**275,725**	258,297
Auditor's remuneration	**5,600**	5,800
Lease expenses	**2,566**	53,125
Promotion and advertisement	**1,008,450**	943,388
Office expenses	**328,619**	316,180
Logistics expenses	**151,479**	127,237
Impairment of trade receivables	**5,380**	6,401
Write-down of inventories to net realisable value	**1,353**	2,352
Net (gains)/losses on disposal of items of property, plant and equipment	**(12,898)**	30,879
Fair value (gains)/losses, net:		
Financial assets at fair value through profit or loss		
— listed equity investments	**(2,440)**	(12,809)
— financial products	**1,901**	(1,776)
Investment income from financial assets at fair value through profit or loss	**(28,330)**	(37,137)
Dividend income from listed equity investments	**(1,836)**	(1,816)
Impairment of goodwill	**—**	4,742

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest expense on bank borrowings	**791,395**	976,679
Interest expense on convertible bonds	**188,195**	155,064
Interest expense on other borrowings	**94,339**	102,203
Interest expense on lease liabilities	**255,293**	229,899
Interest capitalised	**(69,350)**	(73,291)
	1,259,872	1,390,554

8. INCOME TAX EXPENSE

(a) Tax in the consolidated statement of profit or loss represents:

	2020 RMB'000	2019 RMB'000
Current Mainland China corporate income tax	**2,040,819**	1,812,577
Deferred tax (note 34(b))	**57,161**	(5,522)
	2,097,980	1,807,055

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gain or appreciation shall apply to the Company or its operations.

The subsidiaries incorporated in the BVI are not subject to income tax as such subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

No Hong Kong tax has been provided as the Group had no assessable profits arising in Hong Kong during the year (2019: Nil).

According to the Corporate Income Tax Law ("CIT") of the People's Republic of China, the income tax rates for both domestic and foreign investment enterprises in Mainland China are unified at 25% effective from 1 January 2008.

Certain subsidiaries of the Group enjoyed preferential CIT rates which were lower than 25% during the reporting period as approved by the relevant tax authorities or operated in designated areas with preferential CIT policies in the PRC.

8. INCOME TAX EXPENSE (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

A reconciliation of the tax expense applicable to profit before tax using the applicable rate for the regions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	**7,678,809**	6,326,571
Tax at the statutory tax rate (25%)	**1,919,702**	1,581,643
Tax effect of non-deductible expenses	**162,105**	124,203
Income not subject to tax	**(7,575)**	(3,216)
Profits and losses attributable to jointly-controlled entities	**(503)**	302
Lower tax rates for specific provinces or enacted by local authority	**(110,724)**	27,569
Adjustments in respect of current tax of previous periods	**16,149**	15,811
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**21,053**	—
Tax losses not recognised	**97,773**	60,743
Tax charge	**2,097,980**	1,807,055

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2020 RMB'000	2019 RMB'000
Fees	**1,216**	1,195
Other emoluments:		
Salaries, allowances and other benefits	**33,026**	23,065
Discretionary bonuses	**72,737**	35,440
Contributions to defined contribution retirement schemes	**178**	347
Equity-settled share option expense	**—**	16,024
	105,941	74,876
	107,157	76,071

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 37 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid to independent non-executive directors during the year were as follows:

	2020 RMB'000	2019 RMB'000
— Mr. Shen Jinjun	304	310
— Mr. Ying Wei	304	310
— Mr. Chin Siu Wa Alfred	304	310
— Mr. Li Yanwei	304	20
— Mr. Lin Yong	—	245
	1,216	1,195

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

Mr. Lin Yong has resigned as an independent non-executive director of the Company with effect from 16 October 2019.

(b) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS AND THE CHIEF EXECUTIVE

	Fees RMB'000	Salaries allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution retirement schemes RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2020						
Executive directors:						
— Mr. Huang Yi	–	2,259	35,500	16	–	37,775
— Mr. Du Qingshan	–	7,523	–	44	–	7,567
— Mr. Zhang Zhicheng	–	8,250	–	44	–	8,294
— Mr. Tang Xianfeng	–	7,523	–	44	–	7,567
— Mr. Li Guohui	–	5,212	1,737	16	–	6,965
Executive director and chief executive:						
— Mr. Li Guoqiang	–	2,258	35,500	15	–	37,773
Non-executive directors:						
— Mr. David Alexander Newbigging	–	–	–	–	–	–
— Mr. Hsu David	–	–	–	–	–	–
	–	33,025	72,737	179	–	105,941

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS AND THE CHIEF EXECUTIVE (continued)

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution retirement schemes RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2019						
Executive directors:						
– Mr. Huang Yi	–	2,304	17,720	16	–	20,040
– Mr. Yu Guangming	–	4,000	–	–	–	4,000
– Mr. Du Qingshan	–	5,757	–	77	8,012	13,846
– Mr. Si Wei	–	600	–	124	–	724
– Mr. Zhang Zhicheng	–	5,757	–	77	8,012	13,846
Executive director and chief executive:						
– Mr. Li Guoqiang	–	4,647	17,720	53	–	22,420
Non-executive directors:						
– Mr. Cheah Kim Teck	–	–	–	–	–	–
– Mr. David Alexander Newbigging	–	–	–	–	–	–
– Mr. Pang Yiu Kai	–	–	–	–	–	–
	–	23,065	35,440	347	16,024	74,876

Mr. Hsu David has been appointed as a non-executive director of the Company with effect from 20 March 2020.

Mr. Pang Yiu Kai has resigned as a non-executive director of the Company and Mr. David Alexander Newbigging has been appointed as a non-executive director of the Company, in both cases with effect from 1 October 2019.

Mr. Tang Xianfeng has been appointed as an executive director of the Company upon the conclusion of the Annual General Meeting, with effect from 10 June 2020.

Mr. Li Guohui has been appointed as an executive director of the Company upon the conclusion of the Annual General Meeting, with effect from 10 June 2020.

Mr. Yu Guangming has retired by rotation as an executive director of the Company upon the conclusion of the Annual General Meeting, with effect from 10 June 2020.

Mr. Si Wei has retired as an executive director of the Company upon the conclusion of the Annual General Meeting, with effect from 10 June 2020.

Mr. Cheah Kim Teck has resigned as a non-executive director of the Company with effect from 20 March 2020.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included three directors and the chief executive (2019: three directors and the chief executive), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2019: two) non-director, highest paid employees for the year are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, bonuses, allowances and benefits in kind	**13,900**	4,900
Discretionary bonuses	**71,450**	41,537
Pension scheme contributions	**87**	90
	85,437	46,527

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
HK$50,000,001 to HK$60,000,000	**1**	—
HK$30,000,001 to HK$40,000,000	**1**	—
HK$25,000,001 to HK$30,000,000	**—**	1
HK$20,000,001 to HK$25,000,000	**—**	1
	2	2

11. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Proposed final — HK$0.58 (approximately RMB0.49) (2019: HK$0.45) per ordinary share	**1,107,960**	900,335

The calculation of the proposed final dividend for the year ended 31 December 2020 is based on the proposed final dividend per ordinary share, and the total number of ordinary shares as at 19 March 2021.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year ended 31 December 2020, a final dividend of HK$0.45 per ordinary share in respect of the year ended 31 December 2019 was declared and paid to the ordinary equity holders of the Company. The aggregate amount of the final dividend declared and paid in the year ended 31 December 2020 was HK$1,022,264,000 (equivalent to RMB932,601,000).

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,272,669,021 (2019: 2,271,697,955) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

EARNINGS

	2020 **RMB'000**	2019 RMB'000
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**5,539,799**	4,501,673
Interest on convertible bonds	**188,195**	155,064
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**5,727,994**	4,656,737

SHARES

	Number of shares	
	2020	2019
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,272,669,021**	2,271,697,955
Effect of dilution — weighted average number of ordinary shares:		
Share option	**5,113,843**	—
Convertible bonds	**150,187,858**	156,597,763
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**2,427,970,722**	2,428,295,718

EARNINGS PER SHARE

	2020 **RMB**	2019 RMB
Basic	**2.44**	1.98
Diluted	**2.36**	1.92

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2020	10,935,240	945,832	919,682	786,998	1,898,008	632,468	16,118,228
Exchange realignment	–	(64)	–	(5)	(284)	–	(353)
Additions	427,348	364,331	144,159	156,059	1,505,611	759,040	3,356,548
Acquisition of subsidiaries (note 38)	237,900	78,529	38,356	26,527	61,790	102,750	545,852
Transfer	597,387	83,138	11,555	11,045	–	(703,125)	–
Disposals	(3,291)	(33,515)	(117,921)	(47,577)	(990,942)	–	(1,193,246)
At 31 December 2020	12,194,584	1,438,251	995,831	933,047	2,474,183	791,133	18,827,029
Accumulated depreciation and impairment:							
At 1 January 2020	2,273,121	328,845	415,501	501,714	237,491	–	3,756,672
Exchange realignment	–	(45)	–	(4)	(105)	–	(154)
Depreciation and impairment provided during the year	453,335	89,861	97,747	105,500	367,935	–	1,114,378
Disposals	(17,173)	(9,481)	(65,896)	(41,862)	(282,812)	–	(417,224)
At 31 December 2020	2,709,283	409,180	447,352	565,348	322,509	–	4,453,672
Net book amount:							
At 31 December 2020	9,485,301	1,029,071	548,479	367,699	2,151,674	791,133	14,373,357
Cost:							
At 31 December 2018	10,117,494	654,879	818,377	699,557	1,811,209	564,762	14,666,278
Effect of adoption of HKFRS 16	–	–	–	–	(8,825)	–	(8,825)
At 1 January 2019	10,117,494	654,879	818,377	699,557	1,802,384	564,762	14,657,453
Exchange realignment	–	23	–	2	142	–	167
Additions	371,036	201,418	110,419	110,715	1,279,174	652,072	2,724,834
Acquisition of subsidiaries	14,657	1,128	4,006	869	11,712	791	33,163
Transfer	483,754	92,655	7,011	1,737	–	(585,157)	–
Disposals	(51,701)	(4,271)	(20,131)	(25,882)	(1,195,404)	–	(1,297,389)
At 31 December 2019	10,935,240	945,832	919,682	786,998	1,898,008	632,468	16,118,228
Accumulated depreciation and impairment:							
At 31 December 2018	1,861,097	255,047	345,692	436,806	260,707	–	3,159,349
Effect of adoption of HKFRS 16	–	–	–	–	(2,434)	–	(2,434)
At 1 January 2019	1,861,097	255,047	345,692	436,806	258,273	–	3,156,915
Exchange realignment	–	13	–	1	74	–	88
Depreciation and impairment provided during the year	437,155	77,060	83,040	85,904	318,991	–	1,002,150
Disposals	(25,131)	(3,275)	(13,231)	(20,997)	(339,847)	–	(402,481)
At 31 December 2019	2,273,121	328,845	415,501	501,714	237,491	–	3,756,672
Net book amount:							
At 31 December 2019	8,662,119	616,987	504,181	285,284	1,660,517	632,468	12,361,556

As at 31 December 2020, the application for the property ownership certificates of certain buildings with a net book amount of approximately RMB5,808,851,000 (2019: RMB5,622,785,000) was still in progress. Notwithstanding this, the Directors are of the opinion that the Group owned the beneficial titles to these buildings as at 31 December 2020 and 2019.

As at 31 December 2020, certain of the Group's buildings with an aggregate net book amount of approximately RMB68,396,000 (2019: RMB224,192,000) were pledged as security for the Group's bank loans (note 28(a)(ii)).

14. LAND USE RIGHTS

	2020 RMB'000	2019 RMB'000
Cost:		
At the beginning of the year	**3,368,194**	3,329,994
Additions	**7,918**	38,200
Acquisition of subsidiaries (note 38)	**84,660**	—
At the end of the year	**3,460,772**	3,368,194
Amortisation:		
At the beginning of the year	**436,310**	352,576
Charge for the year	**94,106**	83,734
At the end of the year	**530,416**	436,310
Net book value:		
At the end of the year	**2,930,356**	2,931,884

The lease prepayments of the Group represent the cost of the Group's land use rights in respect of land located in Mainland China. The remaining periods of the land use rights of the Group are from 15 to 60 years.

As at 31 December 2020, certain of the Group's land use rights with an aggregate net book value of approximately RMB60,690,000 (2019: RMB165,047,000) were pledged as security for the Group's bank loans (Note 28(a)(i)).

As at 31 December 2020, the Group had yet to obtain the legal title of certain land use rights in Mainland China subject to certain administrative procedures to be completed by the Group and the local government authorities. The net book value of these land use rights as at 31 December 2020 amounted to RMB286,125,000 (2019: RMB293,353,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial titles to these land use rights as at 31 December 2020 and 2019, respectively.

15. LEASES

THE GROUP AS A LESSEE

The Group has lease contracts for various items of land and buildings and motor vehicles used in its operations. Leases of land and buildings generally have lease terms between 2 and 30 years, while others generally have lease terms between 2 and 5 years. The rest of the leases have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) RIGHT-OF-USE ASSETS

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings and lands RMB'000	Land use rights RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2020	4,192,268	2,931,884	2,957	7,127,109
Additions	573,840	7,918	1,887	583,645
Additions as a result of acquisition of subsidiaries (note 38)	98,286	84,660	—	182,946
Depreciation charge	(452,360)	(94,106)	(3,032)	(549,498)
At 31 December 2020	4,412,034	2,930,356	1,812	7,344,202

Land use rights have been disclosed separately in the consolidated statement of financial position and in note 14.

15. LEASES (continued)

THE GROUP AS A LESSEE (continued)

(b) LEASE LIABILITIES

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 Lease liabilities RMB'000	2019 Lease liabilities RMB'000
Carrying amount at 1 January	**3,801,625**	3,035,854
New leases	**570,664**	977,448
Additions as a result of acquisition of subsidiaries	**98,286**	86,405
Accretion of interest recognised during the year	**255,293**	229,899
Covid-19-related rent concessions from lessors	**(18,986)**	—
Payments	**(582,123)**	(527,981)
Carrying amount at 31 December	**4,124,759**	3,801,625
Analysed into:		
Current portion	**277,658**	236,636
Non-current portion	**3,847,101**	3,564,989

The maturity analysis of lease liabilities is disclosed in note 47 to the financial statements.

As disclosed in note 2.2. to the financial statements, the Group has early adopted the amendment to HKFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

15. LEASES (continued)

THE GROUP AS A LESSEE (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000
Interest on lease liabilities	255,293
Depreciation charge of right-of-use assets	455,392
Expense relating to leases of short-term or low-value assets (included in administrative expenses)	2,566
Covid-19-related rent concessions from lessors	(18,986)
Total amount recognised in profit or loss	694,265

16. PREPAYMENTS

	2020 RMB'000	2019 RMB'000
Prepayment for land use rights	280,517	314,340
Prepayments for potential acquisitions	800,794	416,992
	1,081,311	731,332

17. INTANGIBLE ASSETS

	Software RMB'000	Dealership agreements RMB'000	Customer relationships RMB'000	Others RMB'000	Total RMB'000
Cost:					
At 1 January 2020	**82,114**	**6,513,670**	**905,994**	**110,540**	**7,612,318**
Exchange realignment	**—**	**—**	**—**	**(603)**	**(603)**
Additions	**10,219**	**—**	**—**	**863**	**11,082**
Acquisition of subsidiaries (note 38)	**94**	**614,200**	**51,830**	**1,603**	**667,727**
Disposals	**—**	**—**	**—**	**—**	**—**
At 31 December 2020	**92,427**	**7,127,870**	**957,824**	**112,403**	**8,290,524**
Accumulated amortisation and impairment:					
At 1 January 2020	**56,689**	**911,640**	**382,371**	**44,059**	**1,394,759**
Exchange realignment	**—**	**—**	**—**	**(135)**	**(135)**
Amortisation provided during the year	**7,408**	**184,552**	**63,900**	**19,865**	**275,725**
Acquisition of subsidiaries	**—**	**—**	**—**	**—**	**—**
Disposals	**—**	**—**	**—**	**—**	**—**
At 31 December 2020	**64,097**	**1,096,192**	**446,271**	**63,789**	**1,670,349**
Net book value:					
At 31 December 2020	**28,330**	**6,031,678**	**511,553**	**48,614**	**6,620,175**
Cost:					
At 1 January 2019	77,600	6,416,870	888,294	85,803	7,468,567
Exchange realignment	—	—	—	160	160
Additions	4,916	—	—	3,175	8,091
Acquisition of subsidiaries	277	96,800	17,700	22,000	136,777
Disposals	(679)	—	—	(598)	(1,277)
At 31 December 2019	82,114	6,513,670	905,994	110,540	7,612,318
Accumulated amortisation and impairment:					
At 1 January 2019	50,927	725,998	320,473	40,297	1,137,695
Exchange realignment	—	—	—	44	44
Amortisation provided during the year	6,441	185,642	61,898	4,316	258,297
Disposals	(679)	—	—	(598)	(1,277)
At 31 December 2019	56,689	911,640	382,371	44,059	1,394,759
Net book value:					
At 31 December 2019	25,425	5,602,030	523,623	66,481	6,217,559

The Group's principal identifiable intangible assets represent dealership agreements in Mainland China with various vehicle manufacturers and customer relationships acquired from third parties. The dealership agreements do not include a specified contract period or termination arrangement.

18. GOODWILL

	RMB'000
At 1 January 2019:	
Cost	4,714,153
Accumulated impairment	(150,467)
Net carrying amount	4,563,686
Cost at 1 January 2019, net of accumulated impairment	4,563,686
Acquisition of subsidiaries	81,193
Impairment during the year	(4,742)
Cost and net carrying amount at 31 December 2019	4,640,137
At 31 December 2019:	
Cost	4,795,346
Accumulated impairment	(155,209)
Net carrying amount	4,640,137
Cost at 1 January 2020, net of accumulated impairment	**4,640,137**
Acquisition of subsidiaries (note 38)	**332,322**
Impairment during the year	**–**
Cost and net carrying amount at 31 December 2020	**4,972,459**
At 31 December 2020:	
Cost	**5,127,668**
Accumulated impairment	**(155,209)**
Net carrying amount	**4,972,459**

IMPAIRMENT TESTING OF GOODWILL

The goodwill comprises the fair value of expected business synergies arising from the acquisitions, which is not separately recognised.

Goodwill acquired through business combinations has been allocated to the relevant 4S dealership business (or group of 4S dealership businesses) from which the goodwill was resulted. These individual 4S dealership businesses are treated as individual cash-generating unit for impairment testing.

18. GOODWILL (continued)

IMPAIRMENT TESTING OF GOODWILL (continued)

The carrying amount of goodwill allocated to each cash-generating unit (or group of cash-generating units) of the operation of 4S dealership businesses is:

	2020 RMB'000	2019 RMB'000
4S dealership businesses	**4,972,459**	4,640,137

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

KEY ASSUMPTIONS USED IN THE VALUE IN USE CALCULATION

The following describes the key assumptions of the cash flow projections.

Revenue from the sale and service of motor vehicles — the bases used to determine the future earnings of the sale and service of motor vehicles are the historical sales and the growth rates which are reference to the industry growth forecast. The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period from the end of the reporting period is 3% (2019:3%).

Operating expenses — the bases used to determine the values assigned are cost of inventories, staff costs, depreciation, amortisation and other operating expenses. The values assigned to the key assumptions reflect past experience and management's commitment to maintain its operating expenses at an acceptable level.

Discount rate — The discount rate applied to the cash flow projections beyond the one-year period is 15% (2019: 15%). The discount rate used is before tax and reflects specific risk relating to the relevant units.

19. INVESTMENTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Share of net assets	**47,785**	44,262

廈門中升豐田汽車銷售服務有限公司 (Xiamen Zhongsheng Toyota Automobile Sales & Service Co., Ltd.) ("Xiamen Zhongsheng"), 中昇泰克提汽車服務(大連)有限公司 (Zhongsheng Tacti Automobile Service (Dalian) Co., Ltd.) ("Zhongsheng Tacti") and 提愛希汽車用品商貿(上海)有限公司 (TAC Automobile Accessories Trading (Shanghai) Co., Ltd.) ("TAC") are joint ventures of the Group and are considered to be related parties of the Group.

19. INVESTMENTS IN JOINT VENTURES (continued)

(a) PARTICULARS OF THE JOINT VENTURES

Joint ventures	Place and date of registration	Authorised registered/ paid-in/issued capital	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Xiamen Zhongsheng	Xiamen, the PRC, 1998	RMB12,000,000	50%	50%	50%	Sale and service of motor vehicles
Zhongsheng Tacti	Dalian, the PRC, 2009	USD3,000,000	50%	50%	50%	Sale and service of accessories
TAC	Shanghai, the PRC, 2011	RMB4,000,000	50%	50%	50%	Sale and service of accessories

All the above investments in joint ventures are held through a wholly-owned subsidiary of the Company.

(b) None of the joint ventures are considered individually material, and the aggregate financial information of all the joint ventures is as follows:

Share of the joint ventures' assets and liabilities:

	2020 RMB'000	2019 RMB'000
Non-current assets	**1,982**	2,343
Current assets	**51,906**	49,362
Current liabilities	**(6,103)**	(7,443)
Net assets	**47,785**	44,262

Share of the joint ventures' results:

	2020 RMB'000	2019 RMB'000
Income	**151,888**	173,634
Expenses	**(147,035)**	(175,215)
Tax	**(1,330)**	373
Profit/(loss) for the year	**3,523**	(1,208)

20. INVESTMENT IN AN ASSOCIATE

	2020 RMB'000	2019 RMB'000
Share of net assets	**1,487**	3,000

豐田海南出行有限公司 (Toyota Mobility Services (Hainan) Corporation) is an associate of the Group and is considered to be a related party of the Group.

(a) PARTICULARS OF THE ASSOCIATE

			Percentage of			
Associate name	Place and date of registration	Authorised registered/ paid-in/issued capital	Ownership interest	Voting power	Profit sharing	Principal activities
Toyota Mobility Services (Hainan) Corporation	Hainan, the PRC, 2019	RMB10,000,000	30%	30%	30%	Rental of motor vehicles

The Group's shareholding in the associate is held through a wholly-owned subsidiary of the Company.

(b) The associate is considered individually immaterial, and the aggregate financial information of the associate is as follows:

	2020 RMB'000	2019 RMB'000
Non-current assets	**6,664**	—
Current assets	**649**	3,000
Non-current liabilities	**(4,970)**	—
Current liabilities	**(856)**	—
Net assets	**1,487**	3,000

21. INVENTORIES

Inventories in the consolidated statement of financial position represent:

	2020 RMB'000	2019 RMB'000
Motor vehicles	**8,266,956**	9,035,201
Spare parts and others	**834,070**	802,867
	9,101,026	9,838,068
Less: Provision for inventories	**10,935**	9,582
	9,090,091	9,828,486

As at 31 December 2020, certain of the Group's inventories with a carrying amount of approximately RMB3,299,825,000 (2019: RMB3,291,010,000 were pledged as security for the Group's bank loans and other borrowings (notes 28(a)(iii) and 28(b)).

As at 31 December 2020, certain of the Group's inventories with a carrying amount of approximately RMB1,008,000,000 (2019: RMB939,814,000) were pledged as security for the Group's bills payable.

22. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**1,445,113**	1,474,447
Impairment	**(15,585)**	(11,680)
	1,429,528	1,462,767

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

22. TRADE RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Within 3 months	1,348,423	1,410,924
More than 3 months but less than 1 year	75,013	41,107
Over 1 year	6,092	10,736
	1,429,528	1,462,767

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	11,680	5,279
Amount written off as uncollectible	(1,475)	—
Impairment losses, net (note 6)	5,380	6,401
At end of year	15,585	11,680

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The information about the credit risk exposure on the Group's trade receivables using a provision matrix was disclosed in note 47 to the financial statements.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Prepayments and deposits to suppliers	4,106,624	3,196,655
Deposits paid for acquisition of land use rights	888,974	870,619
Advances to certain companies to be acquired	379,377	321,784
Rebate receivables	5,981,702	5,568,717
VAT recoverable (i)	406,308	454,116
Receivables on disposal of subsidiaries	4,929	6,088
Receivables on disposal of items of property, plant and equipment	874	693
Receivables from original shareholders of subsidiaries acquired	109,181	79,925
Prepaid finance costs	16,918	39,884
Others	1,468,139	1,107,188
	13,363,026	11,645,669

Note:

(i) The Group's sales of motor vehicles are subject to Mainland China Value Added Tax ("VAT"). Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

	2020 RMB'000	2019 RMB'000
Prepayments, other receivables and other assets	7,944,202	7,084,395

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2020 RMB'000	2019 RMB'000
Listed equity investments, at fair value	(i)	**78,153**	76,626
Financial products	(ii)	**72,262**	81,282
Other investments	(iii)	**—**	840,000
		150,415	997,908

(i) The listed equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

(ii) The financial products as at 31 December 2020 were issued by financial institutions. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(iii) Other investments were certain investment portfolios, being managed by Ping An Trust Co., Ltd. The return of the investments is determined by reference to the performance of the underlying debt instruments and the expected return rate as stated in the contracts. All of the investment has been redeemed by the end of year 2020.

25. PLEDGED BANK DEPOSITS

	2020 RMB'000	2019 RMB'000
Deposits pledged with banks as collateral against credit facilities granted by the banks	**1,425,880**	1,341,025

Pledged bank deposits earn interest at interest rates stipulated by the respective financial institutions.

26. CASH IN TRANSIT

	2020 RMB'000	2019 RMB'000
Cash in transit	**180,280**	263,989

Cash in transit represents the sales proceeds settled by credit cards, which have yet to be credited to the Group by the banks.

27. CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash and bank balances	**8,204,403**	6,080,774
Short term deposits	**5,960**	20,402
Cash and cash equivalents	**8,210,363**	6,101,176

As at 31 December 2020, the cash and bank balances and short term deposits of the Group denominated in a currency other than RMB amounted to RMB322,514,000 (2019: RMB206,637,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and short-term deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

28. BANK LOANS AND OTHER BORROWINGS

		2020			2019		
	Notes	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loans							
— secured	(a)	1-5	2021	1,879,022	3-5	2020	2,761,245
— unsecured		1-5	2021	6,995,175	1-6	2020	7,275,091
Other borrowings							
— secured	(b)	1-6	2021	2,191,569	2-6	2020	2,194,604
— unsecured		1-5	2021	2,734,747	2-6	2020	2,254,029
Current portion of long term bank loans							
— secured	(a)	5	2021	277,000	5	2020	482,720
— unsecured		2-5	2021	965,321	4-5	2020	843,702
Syndicated term loans							
— secured	(c)	2-3	2021	1,937,292	4	2020	258,320
— unsecured		—		—	5	2020	1,020,000
				16,980,126			17,089,711
Non-current							
Bank loans							
— secured	(a)	4-5	2022-2023	459,940	4-5	2021-2022	594,870
— unsecured		2-5	2022-2023	1,891,294	4-5	2021-2022	1,004,584
Syndicated term loans							
— secured	(c)	—	—	—	4	2021	2,324,887
				2,351,234			3,924,341
				19,331,360			21,014,052

28. BANK LOANS AND OTHER BORROWINGS (continued)

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**10,116,518**	11,362,757
In the second year	**1,114,838**	988,274
In the third year	**1,236,396**	611,181
	12,467,752	12,962,212
Other borrowings repayable:		
Within one year	**4,926,316**	4,448,633
Syndicated term loans:		
Within one year	**1,937,292**	1,278,320
In the second year	**–**	2,324,887
	1,937,292	3,603,207
	19,331,360	21,014,052

Notes:

(a) Certain of the Group's bank loans were secured by:

(i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying amount of approximately RMB60,690,000 (2019: RMB165,047,000) as at 31 December 2020;

(ii) mortgages over the Group's buildings, which had an aggregate carrying amount of approximately RMB68,396,000 (2019: RMB224,192,000) as at 31 December 2020;

(iii) mortgages over the Group's inventories, which had an aggregate carrying amount of approximately RMB567,706,000 (2019: RMB1,105,916,000) as at 31 December 2020; and

(iv) mortgages over the entire shares of certain subsidiaries of the Company.

(b) Certain of the Group's other borrowings were secured by mortgages over the Group's inventories, which had an aggregate carrying amount of approximately RMB2,732,119,000 (2019: RMB2,185,094,000) as at 31 December 2020.

(c) Certain of the Group's syndicated term loans were secured by mortgages over the entire shares of Billion Great Corporation Limited (wholly owned by Well Snape Holdings Limited (BVI)) and Loong Wah Motors Limited (wholly owned by Loong Wah Motors (Cayman) Co., Ltd.).

(d) All bank loans and other borrowings were denominated in RMB, except for certain bank loans which were denominated in Hong Kong dollars, United States dollars and Japanese Yen amounting to RMB2,200,384,000, RMB2,401,209,000 and RMB65,839,000, respectively. (2019: Hong Kong dollars amounting to RMB2,815,437,000, United States dollars amounting to RMB2,146,826,000, and Japanese Yen amounting to RMB68,066,000).

29. CONVERTIBLE BONDS

On 23 May 2018, the Company issued zero coupon convertible bonds due 2023 with a nominal value of HK$4,700,000,000 (the "2023 convertible bonds"). The bonds were convertible at the option of the bondholders into ordinary shares at any time on or after 3 July 2018 until and including 12 May 2023 at a conversion price of HK$30.0132 per share. Any convertible bonds not converted will be redeemed on 23 May 2023 at 114.63% of their principal amount. During the year ended 31 December 2020, the Company has redeemed principal amounts of HK$3,315,000,000 of the bonds. The remaining bonds with principal amounts of HK$323,000,000 were converted by the bondholders into 10,162,191 shares of the Company of HK$0.0001 each at a conversion price of HK$30.0132 per ordinary share during the year.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during 2018 have been split into the liability and equity components as follows:

	2020 **RMB'000**	2019 RMB'000
Nominal value of New convertible bonds	**3,818,374**	3,818,374
Equity component	**(114,324)**	(114,324)
Direct transaction costs attributable to the liability component	**(38,377)**	(38,377)
Liability component at the issuance date	**3,665,673**	3,665,673
Interest expense	**340,473**	246,190
Converted to shares of the Company	**(285,071)**	—
Redemption of convertible bonds	**(3,135,457)**	—
Exchange realignment	**376,294**	382,066
Liability component at the end of the year	**961,912**	4,293,929
Less: Portion classified as current liabilities	**—**	—
Long-term portion	**961,912**	4,293,929

On 21 May 2020, the Company issued zero coupon convertible bonds with a nominal value of HK$4,560,000,000 (the "2025 convertible bonds"). There was no movement in the number of these convertible bonds during the period. The bonds are convertible at the option of the bondholders into ordinary shares at any time on or after 1 June 2020 until and including 21 May 2025 at a conversion price of HK$45.61 per share. Any convertible bonds not converted will be redeemed on 21 May 2025 at 117.49% of their principal amount. There was no conversion of the 2025 Convertible Bonds during the period.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

29. CONVERTIBLE BONDS (continued)

The convertible bonds issued during 2020 have been split into the liability and equity components as follows:

	2020 RMB'000	2019 RMB'000
Nominal value of convertible bonds issued during year 2020	4,169,664	–
Equity component	(30,760)	–
Direct transaction costs attributable to the liability component	(37,239)	–
Liability component at the issuance date	4,101,665	–
Interest expense	93,912	–
Exchange realignment	(330,266)	–
Liability component at the end of the year	3,865,311	–
Less: Portion classified as current liabilities	–	–
Long-term portion	3,865,311	–

30. TRADE AND BILLS PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	1,793,518	1,659,356
Bills payable	3,186,770	3,215,711
Trade and bills payables	4,980,288	4,875,067

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Within 3 months	4,378,013	4,568,395
3 to 6 months	517,792	285,097
6 to 12 months	18,723	15,452
Over 12 months	65,760	6,123
	4,980,288	4,875,067

The trade and bills payables are non-interest-bearing.

31. OTHER PAYABLES AND ACCRUALS

	Note	2020 RMB'000	2019 RMB'000
Payables for purchase of items of property, plant and equipment and land use rights		127,239	144,775
Advances and deposits from distributors		51,203	44,658
Contract liabilities	(a)	3,273,730	2,368,984
Payables for purchase of equity interests from third parties		234,420	128,335
Staff payroll and welfare payables		85,938	14,009
Others		443,094	522,849
		4,215,624	3,223,610

(a) Details of contract liabilities as at 31 December 2020 and 2019 are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Short-term advances received from customers		
Sale of goods	3,273,730	2,368,984
	3,273,730	2,368,984

Contract liabilities include short-term advances received to deliver new automobiles. The increase in contract liabilities in 2020 and 2019 was mainly due to the increase in short-term advances received from customers in relation to the sales of new automobiles at the end of the year.

32. OTHER LIABILITIES

Included in other liabilities are a put option over non-controlling interests of RMB245,000,000 (2019: RMB245,000,000) arising from the acquisition of Hainan Jiahua Weiye Investment Co., Ltd. and its subsidiaries in 2016.

33. EMPLOYEE RETIREMENT BENEFITS

In compliance with the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), the Company has participated in an MPF scheme, which is a defined contribution scheme managed by an independent trustee, to provide retirement benefits to its Hong Kong employees. Contributions to the MPF scheme are made in accordance with the statutory limits prescribed by the MPF Ordinance.

As stipulated by the People's Republic of China (the "PRC") state regulations, the subsidiaries in Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 10% to 22% (2019: 10% to 22%) of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 7% to 18% (2019: 7% to 18%) of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group, except for these contributions to the accommodation fund.

As at 31 December 2020, the Group had no significant obligations apart from the contributions as stated above.

34. INCOME TAX PAYABLE AND DEFERRED TAX

(a) The movements in income tax payable during the year are as follows:

	2020 RMB'000	2019 RMB'000
At the beginning of the year	**1,476,360**	1,470,353
Provision for current tax for the year	**2,040,819**	1,812,577
Income tax payable arising from acquisition of subsidiaries	**1,733**	1,684
Current tax paid	**(1,744,880)**	(1,808,254)
At the end of the year	**1,774,032**	1,476,360

34. INCOME TAX PAYABLE AND DEFERRED TAX (continued)

(b) DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

DEFERRED TAX ASSETS:

	Losses available for offsetting against future taxable profits RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	**225,244**	**32,336**	**257,580**
Unrealised gross profit from internal transactions	**1,234**	**—**	**1,234**
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 8(a))	**(46,663)**	**(2,659)**	**(49,322)**
At 31 December 2020	**179,815**	**29,677**	**209,492**
At 1 January 2019	249,272	20,025	269,297
Deferred tax arising from acquisition of subsidiaries	3,861	—	3,861
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 8(a))	(27,889)	12,311	(15,578)
At 31 December 2019	225,244	32,336	257,580

The Group has tax losses arising in Hong Kong of RMB496,711,000 (2019: RMB349,579,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of RMB416,911,000 (2019: RMB393,087,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

34. INCOME TAX PAYABLE AND DEFERRED TAX (continued)

(b) DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED (continued)

DEFERRED TAX LIABILITIES:

	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Capitalisation of interest expenses and others RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2020	**1,579,579**	**304,275**	**33,671**	**1,917,525**
Deferred tax arising from acquisition of subsidiaries (note 38)	**194,268**	**—**	**—**	**194,268**
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 8(a))	**(67,191)**	**75,030**	**—**	**7,839**
At 31 December 2020	**1,706,656**	**379,305**	**33,671**	**2,119,632**
At 1 January 2019	1,613,118	262,493	33,671	1,909,282
Deferred tax arising from acquisition of subsidiaries	29,343	—	—	29,343
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 8(a))	(62,882)	41,782	—	(21,100)
At 31 December 2019	1,579,579	304,275	33,671	1,917,525

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained profits as at 31 December 2007 are exempted from the withholding tax.

In the opinion of the directors, it is not probable that the Group's subsidiaries established in Mainland China will, in the foreseeable future, distribute earnings with temporary differences aggregating approximately RMB21,840,862,000 (2019: RMB21,028,595,000) associated with investments in these subsidiaries for which deferred tax liabilities have not been recognised as at 31 December 2020.

35. SHARE CAPITAL

Shares	2020 HK$'000	2019 HK$'000
Issued and fully paid:		
2,281,860,146 (2019: 2,271,697,955) ordinary shares	**228**	227
Equivalent to RMB'000	**198**	197

During the years ended 31 December 2020 and 2019, the movements in the Company's share capital were as follows:

	Number of shares in issue	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2019	2,271,697,955	197	6,212,816	6,213,013
Final 2018 dividend declared	—	—	(738,698)	(738,698)
At 31 December 2019 and 1 January 2020	2,271,697,955	197	5,474,118	5,474,315
Early conversion of convertible bonds	10,162,191	1	293,334	293,335
Final 2019 dividend declared	—	—	(932,601)	(932,601)
At 31 December 2020	**2,281,860,146**	**198**	**4,834,851**	**4,835,049**

36. RESERVES

(I) DISCRETIONARY RESERVE FUND

Pursuant to the articles of association of certain subsidiaries of the Group registered in the PRC, these subsidiaries are required to transfer part of their profits after taxation to the discretionary reserve fund. The amounts allocated to this reserve are determined by the respective boards of directors.

For the PRC subsidiaries, in accordance with the Company Law of the People's Republic of China, the discretionary reserve fund can be used to offset previous years' losses, if any, and may be converted into capital in proportion to the equity holders' existing equity holdings, provided that the balance after the conversion is not less than 25% of the registered capital.

(II) STATUTORY RESERVE

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(III) EXCHANGE FLUCTUATION RESERVE

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

(IV) MERGER RESERVE

The merger reserve of the Group represents the capital contributions from the equity holders of the Company.

(V) OTHER RESERVE

The other reserve of the Group represents the excess of the carrying amount of the non-controlling interests acquired over the consideration and the present value of the amount payable at the time of redemption of a put option over non-controlling interests.

37. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the employee, management member or director of the Company, or any of the Company's subsidiaries and third-party service providers. The Scheme was conditionally approved by a resolution of the shareholders on 9 February 2010 and adopted by a resolution of the Board on the same day. Unless otherwise terminated, the Scheme will remain in force for 10 years from the date on which it becomes unconditional.

The maximum number of shares in respect of which options may be granted under the Scheme shall not in aggregate exceed 10% of the shares in issue as at the date of approval of the Scheme. No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any twelve-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time, unless the approval of the Company's shareholders is obtained.

Share options granted to a connected person are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, if the shares issued and to be issued upon exercise of all options granted and proposed to be granted to him are in excess of 0.1% of the shares of the Company then in issue or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within the twelve-month period up to and including the proposed date of such grant, are subject to shareholders' approval in advance in a general meeting.

The last day for accepting an option and the Company to receive the nominal consideration of HK$1 for the option shall be determined by the Board and shall be set out on the offer letter for granting such option. The period during which a granted option may be exercised in accordance with the terms of the Scheme shall be the period of time to be notified by the Board to each grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the offer date.

The amount payable for each share to be subscribed for under an option upon exercise shall be determined by the Board and notified to a proposed beneficiary at the time of offer of the option and shall be not less than the higher of: (a) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares.

The share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

37. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the year:

	2020		2019	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	22.60	11,000	22.60	11,000
Granted during the year	—	—	—	—
At 31 December	22.60	11,000	22.60	11,000

The exercise prices and exercise periods of the share options outstanding as at the end of 2020 and 2019 are as follows:

Number of options '000	Exercise price HK$ per share	Exercise period
11,000	22.60	26 April 2019 to 25 April 2028 (both dates inclusive)

The fair value of the share options granted was HK$58,135,000 (HK$5.29 each). No share option expense is recognised during the year ended 31 December 2020.

The fair value of these share options granted determined using the Binomial Option Pricing Model. The significant inputs into the model were the exercise price of HK$22.60 at the grant date, volatility of 33.94%, dividend yield of 3.00% and an annual risk-free interest rate of 2.22%.

The validity period of the options is 10 years. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected dividend yield is based on historical dividend payment record of the Company.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 11,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 11,000,000 additional ordinary shares of the Company and additional share capital of HK$1,100 (before issue expenses).

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits.

38. BUSINESS COMBINATION

(a) As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 100% of the equity interests of the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from certain third parties on 1 January 2020 at a total consideration of RMB149,309,000. The purchase consideration for the acquisition was in the form of cash, with RMB149,309,000 paid by the end of the year of 2020.

Company name	Acquired equity interests %
北京寶晉行汽車銷售服務有限公司 (Beijing Baojinhang Automobile Sales and Services Co., Ltd.)	100%
深圳寶晉汽車銷售服務有限公司 (Shenzhen Baojin Automobile Sales and Services Co. Ltd.)	100%
三亞盛迪汽車銷售服務有限公司 (Sanya Shengdi Automobile Sales and Services Co., Ltd.)	100%

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Notes	Recognised fair values on acquisition date RMB'000
Property, plant and equipment	13	105,352
Intangible assets	17	132,572
Right-of-use assets	15(a)	98,286
Inventories		72,230
Trade receivables		9,620
Prepayments, other receivables and other assets		128,089
Cash in transit		539
Cash and cash equivalents		38,861
Trade and bills payables		(44,783)
Other payables and accruals		(299,052)
Bank borrowings		(50,077)
Deferred tax liabilities	34(b)	(32,725)
Lease liabilities	15(b)	(98,286)
Total identifiable net assets at fair value		60,626
Goodwill on acquisition		88,683
Total purchase consideration		149,309

The goodwill recognised is primarily attributed to the expected business synergies arising from the acquisition, which is not separately recognised. The goodwill is not deductible for income tax purposes.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB9,620,000 and RMB128,089,000, respectively, which are equal to the gross contractual amounts.

38. BUSINESS COMBINATION (continued)

(a) (continued)

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Cash consideration paid	(149,309)
Cash and cash equivalents	38,861
Net cash outflow	(110,448)

Since the acquisition, the acquired business contributed RMB1,141,216,000 to the Group's revenue and RMB54,743,000 of loss to the consolidated profit for the year ended 31 December 2020.

(b) As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 100% of the equity interests in Chengdu Baohan Automobile Sales & Service Co., Ltd. (成都寶涵汽車銷售服務有限公司), which are engaged in the motor vehicle sales and service business in Mainland China, from certain third parties on 1 July 2020 at a total consideration of RMB220,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB149,426,000 paid by the end of the year of 2020.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Notes	**Recognised fair values on acquisition date** RMB'000
Property, plant and equipment	13	131,991
Intangible assets	17	58,125
Inventories		15,216
Trade receivables		64
Prepayments, other receivables and other assets		24,785
Cash in transit		48
Cash and cash equivalents		1,682
Trade and bills payables		(6,640)
Other payables and accruals		(50,022)
Income tax payable		(16)
Deferred tax liabilities	34(b)	(20,100)
Total identifiable net assets at fair value		155,133
Non-controlling interests arising from a business combination		
Goodwill on acquisition		64,867
Total purchase consideration		220,000

38. BUSINESS COMBINATION (continued)

(b) (continued)

The goodwill recognised is primarily attributed to the expected business synergies arising from the acquisition, which is not separately recognised. The goodwill is not deductible for income tax purposes.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB64,000 and RMB24,785,000, respectively, which are equal to the gross contractual amounts.

An analysis of the cash flows in respect of the acquisition of these subsidiaries is as follows:

	RMB'000
Cash consideration paid	(149,426)
Cash and cash equivalents acquired	1,682
Net cash outflow	(147,744)

Since the acquisition, the acquired business contributed RMB248,524,000 to the Group's revenue and RMB322,000 to the consolidated profit for the year ended 31 December 2020.

(c) As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 100% of the equity interests of the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from certain third parties on 1 July 2020 at a total consideration of RMB720,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB708,000,000 paid by the end of the year of 2020.

Company name	Acquired equity interests %
武漢寶利德汽車有限公司 (Wuhan Baolide Automobile Co., Ltd.)	100%
孝感星寶行汽車有限公司 (Xiaogan Xingbaohang Automobile Co., Ltd.)	100%
景德鎮寶利德汽車有限公司 (Jingdezhen Baolide Automobile Co., Ltd.)	100%
寧德寶利德汽車有限公司 (Ningde Baolide Automobile Co., Ltd.)	100%
紅河寶利德汽車銷售服務有限公司 (Honghe Baolide Automobile Sales & Service Co., Ltd.)	100%
宜興路德行汽車有限公司 (Yixing Ludehang Automobile Co., Ltd.)	100%
景德鎮路德行汽車有限公司 (Jingdezhen Ludehang Automobile Co., Ltd.)	100%
景德鎮寶利德汽車有限公司撫州分公司 (Jingdezhen Baolide Automobile Co., Ltd. Fuzhou Branch)	100%

38. BUSINESS COMBINATION (continued)

(c) (continued)

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Notes	Recognised fair values on acquisition date RMB'000
Property, plant and equipment	13	257,830
Land use rights	14	63,880
Intangible assets	17	373,430
Deferred income tax assets		1,234
Inventories		145,903
Trade receivables		9,929
Prepayments, other receivables and other assets		336,419
Cash in transit		2,483
Cash and cash equivalents		40,580
Trade and bills payables		(76,300)
Other payables and accruals		(378,808)
Bank loans and other borrowings		(52,036)
Current income tax liabilities		(1,717)
Deferred tax liabilities	34(b)	(114,347)
Total identifiable net assets at fair value		608,480
Goodwill on acquisition		111,520
Total purchase consideration		720,000

The goodwill recognised is primarily attributed to the expected business synergies arising from the acquisition, which is not separately recognised. The goodwill is not deductible for income tax purposes.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB9,929,000 and RMB336,419,000, respectively, which are equal to the gross contractual amounts.

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Cash consideration paid	(708,000)
Cash and cash equivalents	40,580
Net cash outflow	(667,420)

Since the acquisition, the acquired business contributed RMB1,100,011,000 to the Group's revenue and RMB50,007,000 of the loss to the consolidated profit for the year ended 31 December 2020.

38. BUSINESS COMBINATION (continued)

(d) As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 100% of the equity interests in Huaian Star Automobile Sales & Service Co., Ltd. (淮安之星汽車銷售服務有限公司), which are engaged in the motor vehicle sales and service business in Mainland China, from certain third parties on 1 October 2020 at a total consideration of RMB210,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB105,000,000 paid by the end of the year of 2020.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Notes	Recognised fair values on acquisition date RMB'000
Property, plant and equipment	13	50,679
Intangible assets	17	103,600
Land use rights		20,780
Inventories		32,563
Trade receivables		292
Prepayments, other receivables and other assets		10,794
Cash in transit		1,037
Cash and cash equivalents		16,029
Trade and bills payables		(4,556)
Other payables and accruals		(61,374)
Deferred tax liabilities	34(b)	(27,096)
Total identifiable net assets at fair value		142,748
Non-controlling interests arising from a business combination		
Goodwill on acquisition		67,252
Total purchase consideration		210,000

The goodwill recognised is primarily attributed to the expected business synergies arising from the acquisition, which is not separately recognised. The goodwill is not deductible for income tax purposes.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB292,000 and RMB10,794,000, respectively, which are equal to the gross contractual amounts.

38. BUSINESS COMBINATION (continued)

(d) (continued)

An analysis of the cash flows in respect of the acquisition of these subsidiaries is as follows:

	RMB'000
Cash consideration paid	(105,000)
Cash and cash equivalents acquired	16,029
Net cash outflow	(88,971)

Since the acquisition, the acquired business contributed RMB121,028,000 to the Group's revenue and RMB9,122,000 of the loss to the consolidated profit for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB148,994,311,000 and RMB5,571,885,000, respectively.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) MAJOR NON-CASH TRANSACTIONS

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB570,664,000 and RMB570,664,000, respectively, in respect of lease arrangements for land and buildings (2019: RMB977,448,000 and RMB977,448,000).

(b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2020

	Bank loans and other borrowings RMB'000	Bills payable RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Dividends payable RMB'000
At 1 January 2020	21,014,052	3,215,711	3,801,625	4,293,929	9
Changes from financing cash flows	(1,564,462)	(28,941)	(601,109)	956,190	(990,557)
Exchange realignment	(220,343)	–	–	(326,019)	–
New leases	–	–	570,664	–	–
Increase arising from acquisition of subsidiaries	102,113	–	98,286	–	–
Interest expense	–	–	255,293	188,195	–
Early conversion of convertible bonds	–	–	–	(285,072)	–
Final 2019 dividend declared	–	–	–	–	932,601
Dividends paid to the non-controlling shareholders	–	–	–	–	57,956
At 31 December 2020	19,331,360	3,186,770	4,124,759	4,827,223	9

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

2019

	Bank loans and other borrowings RMB'000	Bills payable RMB'000	Finance lease payables/ Lease liabilities RMB'000	Convertible bonds RMB'000	Dividends payable RMB'000
At 1 January 2019	22,641,778	3,206,786	6,391	4,046,722	9
Effect of adoption of HKFRS 16	—	—	3,029,463	—	—
At 1 January 2019 (restated)	22,641,778	3,206,786	3,035,854	4,046,722	9
Changes from financing cash flows	(1,781,822)	8,925	(527,981)	—	(1,182,049)
Exchange realignment	101,145	—	—	92,143	—
New leases	—	—	977,448	—	—
Increase arising from acquisition of subsidiaries	52,951	—	86,405	—	—
Interest expense	—	—	229,899	155,064	—
Final 2018 dividend declared	—	—	—	—	738,698
Dividends paid to the non-controlling shareholders	—	—	—	—	443,351
At 31 December 2019	21,014,052	3,215,711	3,801,625	4,293,929	9

(c) TOTAL CASH OUTFLOW FOR LEASES

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000
Within operating activities	2,566
Within financing activities	587,186
	589,752

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	150,415	–	150,415
Trade receivables	–	1,429,528	1,429,528
Financial assets included in prepayments, other receivables and other assets	–	7,944,202	7,944,202
Amounts due from related parties	–	1,168	1,168
Pledged bank deposits	–	1,425,880	1,425,880
Cash in transit	–	180,280	180,280
Cash and cash equivalents	–	8,210,363	8,210,363
	150,415	19,191,421	19,341,836

FINANCIAL LIABILITIES

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	4,980,288
Financial liabilities included in other payables and accruals	890,691
Amounts due to related parties	1,345
Bank loans and other borrowings	19,331,360
Lease liabilities	4,124,759
Convertible bonds	4,827,223
Other liabilities	245,000
	34,400,666

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2019

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	997,908	—	997,908
Trade receivables	—	1,462,767	1,462,767
Financial assets included in prepayments, other receivables and other assets	—	7,084,395	7,084,395
Amounts due from related parties	—	727	727
Pledged bank deposits	—	1,341,025	1,341,025
Cash in transit	—	263,989	263,989
Cash and cash equivalents	—	6,101,176	6,101,176
	997,908	16,254,079	17,251,987

FINANCIAL LIABILITIES

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	4,875,067
Financial liabilities included in other payables and accruals	809,968
Amounts due to related parties	436
Bank loans and other borrowings	21,014,052
Lease liabilities	3,801,625
Convertible bonds	4,293,929
Other liabilities	245,000
	35,040,077

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

GROUP

	Carrying amounts		Fair values	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Financial assets at fair value through profit or loss	**150,415**	997,908	**150,415**	997,908

FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

ASSETS MEASURED AT FAIR VALUE:

As at 31 December 2020

		Fair value measurement using			
	Notes	**Quoted prices in active markets (Level 1) RMB'000**	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss:					
Listed equity investments, at fair value	(i)	**78,153**	**—**	**—**	**78,153**
Financial products	(i)	**72,262**	**—**	**—**	**72,262**
		150,415	**—**	**—**	**150,415**

As at 31 December 2019

		Fair value measurement using			
	Notes	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss:					
Listed equity investments, at fair value	(i)	76,626	—	—	76,626
Financial products	(i)	81,282	—	—	81,282
Other investments	(ii)	—	—	840,000	840,000
		157,908	—	840,000	997,908

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

GROUP (continued)

LIABILITIES MEASURED AT FAIR VALUE:

The Group did not have any financial liabilities measured at fair value as at 31 December 2020 and 2019, respectively.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

Notes:

(i) The fair values of listed equity investments and the financial products issued by financial institutions are based on quoted market prices.

(ii) Valuation techniques and inputs used in Level 3 fair value measurements:

The fair value of other investments has been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows from future proceeds when the investments mature. The directors believe that the estimated fair values resulting from the valuation technique are reasonable, and that they were the most appropriate values at the end of reporting period.

Below is a summary of significant unobservable inputs to the valuation of the investment portfolio together with a quantitative sensitivity analysis at the end of reporting period:

31 December 2019

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Other investments	Discounted cash flow method	Discount rate	6%-7.5%	0.5% increase in discount rate would result in decrease in fair value by RMB1,782,000, 0.5% decrease in discount rate would result in increase in fair value by RMB1,794,000

The movements during the year in the balance of these Level 3 fair value measurements was as follows:

	2020 RMB'000	2019 RMB'000
Other investments at 1 January	**840,000**	—
Purchase	**—**	840,000
Disposal	**(840,000)**	—
At 31 December	**—**	840,000

42. CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no significant contingent liabilities.

43. COMMITMENTS

(a) CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
Buildings	103,613	167,283
Contracted, but not provided for potential acquisitions	283,924	298,500
	387,537	465,783

44. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and other borrowings, which are secured by the assets of the Group, are included in note 13, note 14, note 21 and note 25, to the consolidated financial statements.

45. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. Li Guoqiang and Mr. Huang Yi are collectively the Controlling Shareholders of the Group. They are also considered to be related parties of the Group.

(a) TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties during the year:

	2020 RMB'000	2019 RMB'000
(i) Sales of goods to a joint venture:		
— Xiamen Zhongsheng	7,944	8,589
(ii) Purchase of goods or services from joint ventures:		
— Xiamen Zhongsheng	6,476	3,327
— TAC	4,093	3,477
	10,569	6,804

The terms of sales and purchases were mutually agreed between the parties with reference to the ordinary course of business.

45. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) BALANCES WITH RELATED PARTIES

The Group had the following significant balances with its related parties during the year:

	2020 RMB'000	2019 RMB'000
(i) Due from a related party:		
Trade related		
Joint venture		
— Xiamen Zhongsheng	**1,168**	727
	1,168	727
(ii) Due to related parties:		
Trade related		
Joint ventures		
— Zhongsheng Tacti	**80**	—
— Xiamen Zhongsheng	**63**	436
— TAC	**1,202**	—
	1,345	436

(c) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP:

	2020 RMB'000	2019 RMB'000
Short term employee benefits	**105,762**	58,505
Post-employee benefits	**179**	347
Equity-settled share option expense	**—**	16,024
Total compensation paid to key management personnel	**105,941**	74,876

Further details of directors' and the chief executive officer's emoluments are included in note 9 to the financial statements.

The above related party transactions do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

46. SUBSIDIARIES

The following is a list of the Group's principal subsidiaries, all of which are unlisted, at 31 December 2020:

Company name	Place and date of incorporation/ operation	Authorised/registered/paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
中升(大連)集團有限公司* (Zhongsheng (Dalian) Group Co., Ltd.)	Dalian, the PRC 1998	Registered and paid-in capital of RMB1,900,000,000	–	100%	Investment holding
大連中升匯迪汽車銷售服務有限公司** (Dalian Zhongsheng Huidi Automobile Sales & Service Co., Ltd.)	Dalian, the PRC 1999	Registered and paid-in capital of RMB16,550,000	–	100%	Sale and service of motor vehicles
昆明中升汽車銷售服務有限公司** (Kunming Zhongsheng Automobile Sales & Service Co., Ltd.)	Kunming, the PRC 2005	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
昆明中升豐田汽車銷售服務有限公司** (Kunming Zhongsheng Toyota Automobile Sales & Service Co., Ltd.)	Kunming, the PRC 2002	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
大連中升之星汽車銷售服務有限公司** (Dalian Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Dalian, the PRC 2005	Registered and paid-in capital of RMB90,000,000	–	100%	Sale and service of motor vehicles
廣州中升凌志汽車銷售服務有限公司** (Guangzhou Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Guangzhou, the PRC 2002	Registered and paid-in capital of USD10,000,000	–	100%	Sale and service of motor vehicles
大連中升凌志汽車銷售服務有限公司** (Dalian Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Dalian, the PRC 2004	Registered and paid-in capital of USD17,500,000	–	100%	Sale and service of motor vehicles
雲南中升雷克薩斯汽車銷售服務有限公司** (Yunnan Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Kunming, the PRC 2006	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
Zhongsheng Holdings Co., Ltd.	Hong Kong 1996	Registered and paid-in capital of HK$32,000,000	–	100%	Investment holding
HOKURYO (Hong Kong) Co., Ltd.	Hong Kong 1997	Registered and paid-in capital of HK$10,000	–	100%	Investment holding
東莞中升雷克薩斯汽車銷售服務有限公司* (Dongguan Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Dongguan, the PRC 2008	Registered and paid-in capital of USD10,000,000	–	100%	Sale and service of motor vehicles
Super Charm Limited	Hong Kong 2007	Registered and paid-in capital of HK$1	–	100%	Investment holding
Billion Great Co., Ltd.	Hong Kong 2007	Registered and paid-in capital of HK$1	–	100%	Investment holding
Olympia Well Ltd.	Hong Kong 2007	Registered and paid-in capital of HK$1	–	100%	Investment holding
佛山中升之星汽車銷售服務有限公司** (Foshan Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Foshan, the PRC 2009	Registered and paid-in capital of RMB100,000,000	–	100%	Sale and service of motor vehicles
南京中升之星汽車銷售服務有限公司** (Nanjing Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Nanjing, the PRC 2009	Registered and paid-in capital of RMB140,000,000	–	100%	Sale and service of motor vehicles
常熟中升之星汽車銷售服務有限公司** (Changshu Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Changshu, the PRC 2008	Registered and paid-in capital of RMB80,000,000	–	100%	Sale and service of motor vehicles
瀋陽中升豐田汽車銷售服務有限公司* (Shenyang Zhongsheng Toyota Automobile Sales & Service Co., Ltd.)	Shenyang, the PRC 2009	Registered and paid-in capital of USD6,000,000	–	100%	Sale and service of motor vehicles

46. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
遼寧中升捷通汽車銷售服務有限公司** (Liaoning Zhongsheng Jietong Automobile Sales & Service Co., Ltd.)	Shenyang, the PRC 2007	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
無錫中升之星汽車銷售服務有限公司** (Wuxi Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Wuxi, the PRC 2009	Registered and paid-in capital of RMB100,000,000	–	100%	Sale and service of motor vehicles
Noble Villa Investments Ltd.	BVI 2008	Registered and paid-in capital of USD1	–	100%	Investment holding
中升(中國)企業管理有限公司* (Zhongsheng (China) Business Management Co., Ltd.)	Beijing, the PRC 2009	Registered and paid-in capital of USD40,000,000	–	100%	Investment holding
成都中升之星汽車銷售服務有限公司** (Chengdu Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Chengdu, the PRC 2010	Registered and paid-in capital of RMB100,000,000	–	100%	Sale and service of motor vehicles
重慶中升雷克薩斯汽車銷售服務有限公司** (Chongqing Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Chongqing, the PRC 2010	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
上海中升之星汽車銷售服務有限公司** (Shanghai Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Shanghai, the PRC 2010	Registered and paid-in capital of RMB200,000,000	–	100%	Sale and service of motor vehicles
南京中升恒岳汽車銷售服務有限公司** (Nanjing Zhongsheng Hengyue Automobile Sales & Service Co., Ltd.)	Nanjing, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
無錫中升雷克薩斯汽車銷售服務有限公司** (Wuxi Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Wuxi, the PRC 2012	Registered and paid-in capital of RMB80,000,000	–	100%	Sale and service of motor vehicles
太倉中升之星汽車銷售服務有限公司** (Taicang Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Wuxi, the PRC 2011	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
東莞中升之星汽車銷售服務有限公司** (Dongguan Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Dongguan, the PRC 2008	Registered and paid-in capital of RMB60,000,000	–	100%	Sale and service of motor vehicles
成都中升仕豪汽車銷售服務有限公司** (Chengdu Zhongsheng Shihao Automobile Sales & Service Co., Ltd.)	Chengdu, the PRC 2012	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
樂清中升星輝汽車銷售服務有限公司** (Yueqing Zhongsheng Xinghui Automobile Sales & Service Co., Ltd.)	Yueqing, the PRC 2011	Registered and paid-in capital of RMB80,000,000	–	100%	Sale and service of motor vehicles
深圳中升星輝汽車銷售服務有限公司** (Shenzhen Zhongsheng Xinghui Automobile Sales & Service Co., Ltd.)	Shenzhen, the PRC 2013	Registered and paid-in capital of RMB80,000,000	–	100%	Sale and service of motor vehicles
中升(天津)保險銷售有限公司** (Zhongsheng (Tian Jin) Insurance Sales Co., Ltd.)	Tianjin, the PRC 2013	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of automobile insurance
上海中升雷克薩斯汽車銷售服務有限公司** (Shanghai Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Shanghai, the PRC 2013	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
無錫中升星輝汽車銷售服務有限公司** (Wuxi Zhongsheng Xinghui Automobile Sales & Service Co., Ltd.)	Wuxi, the PRC 2012	Registered and paid-in capital of RMB60,000,000	–	100%	Sale and service of motor vehicles
武漢中升聚星汽車銷售服務有限公司** (Wuhan Zhongsheng Juxing Automobile Sales & Service Co., Ltd.)	Wuhan, the PRC 2014	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles

46. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
合肥中升匯迪汽車銷售服務有限公司** (Hefei Zhongsheng Huidi Automobile Sales & Service Co., Ltd)	Hefei, the PRC 2012	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
鄭州中升匯迪汽車銷售服務有限公司** (Zhengzhou Zhongsheng Huidi Automobile Sales & Service Co., Ltd.)	Zhengzhou, the PRC 2010	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
濟南中升仕豪汽車銷售服務有限公司** (Jinan Zhongsheng Shihao Automobile Sales & Service Co., Ltd.)	Jinan, the PRC 2001	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
青島中升杰豪汽車銷售服務有限公司** (Qingdao Zhongsheng Jiehao Automobile Sales & Service Co., Ltd.)	Qingdao, the PRC 2009	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
深圳觀瀾中升雷克薩斯汽車銷售服務有限公司** (Shenzhen Guanlan Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Shenzhen, the PRC 2014	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
北京中升之星汽車銷售服務有限公司** (Beijing Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Beijing, the PRC 2007	Registered and paid-in capital of RMB50,000,000	–	75%	Sale and service of motor vehicles
杭州中升星宏汽车服務有限公司** (Zhejiang Zhongsheng Xinghong Automobile Sales & Service Co., Ltd.)	Hangzhou, the PRC 2006	Registered and paid-in capital of USD20,067,700	–	100%	Sale and service of motor vehicles
黑龍江中升之星汽車銷售服務有限公司** (Heilongjiang Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Harbin, the PRC 2014	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
雲南中升遠安昆星汽車銷售服務有限公司* (Yunnan Zhongsheng Yuanan Kunxing Automobile Sales & Service Co., Ltd)	Kunming, the PRC 2004	Registered and paid-in capital of USD8,000,000	–	100%	Sale and service of motor vehicles
上海中升奉星汽車銷售服務有限公司** (Shanghai Zhongsheng Fengxing Automobile Sales & Service Co., Ltd.)	Shanghai, the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
雲南中升之星汽車銷售服務有限公司** (Yunnan Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Kunming, the PRC 2016	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
深圳中升之星汽車銷售服務有限公司** (Shenzhen Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Shenzhen, the PRC 2016	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
上海中升星宏汽車銷售服務有限公司** (Shanghai Zhongsheng Xinghong Automobile Sales & Service Co., Ltd.)	Shanghai, the PRC 2015	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
蘇州海星汽車銷售服務有限公司** (Suzhou Haixing Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2005	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles

46. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
蘇州海星高新汽車銷售服務有限公司** (Suzhou Haixing Gaoxin Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2012	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
張家港海星汽車銷售服務有限公司** (Zhangjiagang Haixing Automobile Sales & Services Co., Ltd.)	Zhangjiagang, the PRC, 2010	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
長沙中升之寶汽車銷售服務有限公司** (Changsha Zhongsheng Zhibao Automobile Sales & Services Co., Ltd.)	Changsha, the PRC, 2017	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
長春中升之星汽車銷售服務有限公司** (Changchun Zhongsheng Star Automobile Sales & Services Co., Ltd.)	Changchun, the PRC, 2012	Registered and paid-in capital of RMB70,000,000	–	100%	Sale and service of motor vehicles
西安中升之寶汽車銷售服務有限公司** (Xi'an Zhongsheng Zhibao Automobile Sales & Services Co., Ltd.)	Xian, the PRC, 2009	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
西安中升匯寶汽車銷售服務有限公司** (Xi'an Zhongsheng Huibao Automobile Sales & Services Co., Ltd.)	Xian, the PRC, 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
深圳中升匯寶汽車銷售服務有限公司** (Shenzhen Zhongsheng Huibao Automobile Sales & Services Co., Ltd.)	Shenzhen, the PRC, 2010	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
重慶市寶馴汽車銷售服務有限公司** (Chongqing Baoxun Automobile Sales & Services Co., Ltd)	Chongqing, the PRC 2010	Registered and paid-in capital of RMB100,000,000	–	100%	Sale and service of motor vehicles
杭州中升星旗汽車銷售服務有限公司** (Hangzhou Zhongsheng Xingqi Automobile Sales & Services Co., Ltd)	Hangzhou, the PRC 2017	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
上海中升沃茂汽車銷售服務有限公司** (Shanghai Zhongsheng Womao Automobile Sales & Services Co., Ltd)	Shanghai, the PRC 2005	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
天津中升汽車用品有限公司** (Tianjin Zhongsheng Automobile Accessories Co., Ltd)	Tianjin, the PRC 2018	Registered and paid-in capital of RMB100,000,000	–	100%	Sale of automobile accessories
天津中升匯迪汽車銷售有限公司** (Tianjing Zhongsheng Huidi Automobile Sales Co., Ltd)	Tianjin, the PRC 2007	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
成都中升匯迪汽車銷售服務有限公司** (Chengdu Zhongsheng Huidi Automobile Sales & Service Co., Ltd.)	Chengdu, the PRC 2010	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles

46. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
杭州中升之星汽車銷售服務有限公司** (Hangzhou Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Hangzhou, the PRC 2010	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
浙江中升裕迪汽車銷售服務有限公司** (Zhejiang Zhongsheng Yudi Automobile Sales & Service Co., Ltd.)	Hangzhou, the PRC 2010	Registered and paid-in capital of USD10,000,000	–	100%	Sale and service of motor vehicles
深圳中升雷克薩斯汽車有限公司** (Shenzhen Zhongsheng Lexus Automobile Co., Ltd.)	Shenzhen, the PRC 2003	Registered and paid-in capital of HK$30,000,000	–	100%	Sale and service of motor vehicles
寧波中升雷克薩斯汽車服務有限公司** (Ningbo Zhongsheng Lexus Automobile Services Co., Ltd)	Ningbo, the PRC 2006	Registered and paid-in capital of USD10,000,000	–	100%	Sale and service of motor vehicles
海口中升捷豐汽車銷售服務有限公司** (Haikou Zhongsheng Jiefeng Automobile Sales & Service Co., Ltd.)	Haikou, the PRC 2005	Registered and paid-in capital of RMB12,000,000	–	65%	Sale and service of motor vehicles
海口中升宏達汽車銷售服務有限公司** ((Haikou Zhongsheng Hongda Automobile Sales & Service Co., Ltd.)	Haikou, the PRC 2000	Registered and paid-in capital of RMB10,000,000	–	65%	Sale and service of motor vehicles
海南中升之星汽車銷售服務有限公司** (Hainan Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Haikou, the PRC 2013	Registered and paid-in capital of RMB25,000,000	–	65%	Sale and service of motor vehicles
Loong Wah Motors Ltd.	Hong Kong 1978	Registered and paid-in capital of HK$10,000,000	–	100%	Investment holding
大連中升之寶汽車銷售服務有限公司** (Dalian Zhongsheng Zhibao Automobile Sales & Service Co., Ltd.)	Dalian, the PRC 2008	Registered and paid-in capital of RMB100,000,000	–	100%	Sale and service of motor vehicles
南京中升之寶汽車銷售服務有限公司** (Nanjing Zhongsheng Zhibao Automobile Sales & Service Co., Ltd.)	Nanjing, the PRC 2008	Registered and paid-in capital of RMB80,000,000	–	100%	Sale and service of motor vehicles
合肥中升之寶汽車銷售服務有限公司** (Hefei Zhongsheng Zhibao Automobile Sales & Service Co., Ltd.)	Hefei, the PRC 2009	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
福建中升之寶汽車銷售服務有限公司** (Fujian Zhongsheng Zhibao Automobile Sales & Service Co., Ltd.)	Fuzhou, the PRC 2010	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
蘇州中升雷克薩斯汽車銷售服務有限公司** (Suzhou Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Suzhou, the PRC 2008	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
溫州濱海中升雷克薩斯汽車銷售服務有限公司** (Wenzhou Binhai Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Wenzhou, the PRC 2006	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles

46. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/paid-in/share capital	Proportion of ownership interest Held by the Company %	Proportion of ownership interest Held by a subsidiary %	Principal activities
天津中升沃茂汽車銷售服務有限公司** (Tianjin Zhongsheng Womao Automobile Sales & Service Co., Ltd.)	Tianjin, the PRC 2010	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
上海中升沃豪汽車銷售服務有限公司** (Shanghai Zhongsheng Wohao Automobile Sales & Service Co., Ltd.)	Shanghai, the PRC 2010	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
蘇州中升沃茂汽車銷售服務有限公司** (Suzhou Zhongsheng Womao Automobile Sales & Service Co., Ltd.)	Suzhou, the PRC 2009	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
寧波廣達汽車銷售服務有限公司** (Ningbo Guangda Automobile Sales & Service Co., Ltd.)	Ningbo, the PRC 2006	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
無錫中升仕豪汽車銷售服務有限公司** (Wuxi Zhongsheng Shihao Automobile Sales & Service Co., Ltd.)	Wuxi, the PRC 2010	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
溫州萊曼汽車快修有限公司** (Wenzhou Laiman Automobile Service Co., Ltd.)	Wenzhou, the PRC 2012	Registered and paid-in capital of RMB1,000,000	–	100%	Service of motor vehicles
洛陽中升匯寶汽車銷售服務有限公司** (Luoyang Zhongsheng Huibao Automobile Sales & Service Co., Ltd.)	Luoyang, the PRC 2016	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
新鄭市中升匯寶汽車銷售服務有限公司** (Xinzheng Zhongsheng Huibao Automobile Sales & Service Co., Ltd.)	Xinzheng, the PRC 2014	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
鄭州中升之寶汽車銷售服務有限公司** (Zhengzhou Zhongsheng Zhibao Automobile Sales & Service Co., Ltd.)	Zhengzhou, the PRC 2016	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
山東龐大興業汽車銷售服務有限公司** (Shandong Pangda Xingye Automobile Sales & Service Co., Ltd.)	Jinan, the PRC 2017	Registered and paid-in capital of RMB264,000,000	–	100%	Sale and service of motor vehicles
濟南龐大龍豐汽車銷售有限公司** (Jinan Pangda Longfeng Automobile Sales Co., Ltd.)	Jinan, the PRC 2011	Registered and paid-in capital of RMB2,000,000	–	100%	Sale and service of motor vehicles

46. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
濟南龐大一眾汽車銷售服務有限公司** (Jinan Pangda Faw-Volkswagen Automobile Sales & Service Co., Ltd.)	Jinan, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
石家莊中升捷豐汽車銷售服務有限公司** (Shijiazhuang Zhongsheng Jiefeng Automobile Sales & Service Co., Ltd.)	Shijiazhuang, the PRC 2008	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
瀋陽中升汽車銷售服務有限公司** (Shenyang Zhongsheng Automobile Sales & Service Co., Ltd.)	Shenyang, the PRC 2011	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
石家莊中升豐悦汽車銷售服務有限公司** (Shijiazhuang Zhongsheng Fengyue Automobile Sales & Service Co., Ltd.)	Shijiazhuang, the PRC 2011	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
石家莊華欣中升雷克薩斯汽車銷售服務有限公司** (Shijiazhuang Huaxin Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Shijiazhuang, the PRC 2018	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
唐山中升雷克薩斯汽車銷售服務有限公司** (Tangshan Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Tangshan, the PRC 2018	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
濟南中升瑞星汽車銷售服務有限公司** (Jinan Zhongsheng Ruixing Automobile Sales & Service Co., Ltd.)	Jinan, the PRC 2018	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
大慶中升雷克薩斯汽車銷售服務有限公司** (Daqing Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Daqing, the PRC 2018	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
北京中升雷克薩斯汽車銷售服務有限公司** (Beijing Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Beijing, the PRC 2011	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
廣州新鉅豐田汽車銷售服務有限公司** (Guangzhou Xinju Toyota Automobile Sales & Service Co., Ltd.)	Guangzhou, the PRC 2002	Registered and paid-in capital of RMB10,100,000	–	100%	Sale and service of motor vehicles
南京中升豐田汽車服務有限公司** (Nanjing Zhongsheng Toyota Automobile Sales & Service Co., Ltd.)	Nanjing, the PRC 2003	Registered and paid-in capital of HKD13,860,000	–	60%	Sale and service of motor vehicles
成都中升雷克薩斯汽車銷售服務有限公司** (Chengdu Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Chengdu, the PRC 2012	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
成都中升智星汽車銷售服務有限公司** (Chengdu Zhongsheng Zhixing Automobile Sales & Service Co., Ltd.)	Chengdu, the PRC 2015	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
重慶中升之寶汽車銷售服務有限公司** (Chongqing Zhongsheng Zhibao Automobile Sales & Service Co., Ltd.)	Chongqing, the PRC 2010	Registered and paid-in capital of RMB100,000,000	–	100%	Sale and service of motor vehicles

46. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
深圳中升悅晟雷克薩斯汽車銷售服務有限公司** (Shenzhen Zhongsheng Yuesheng Lexus Automobile Sales & Service Co., Ltd.)	Shenzhen, the PRC 2017	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
深圳寶安區中升雷克薩斯汽車銷售服務有限公司** (Shenzhen Baoan Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Shenzhen, the PRC 2017	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
鄭州中升之星汽車銷售服務有限公司** (Zhengzhou Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Zhengzhou, the PRC 2015	Registered and paid-in capital of RMB60,000,000	–	100%	Sale and service of motor vehicles
成都中升沃茂汽車銷售服務有限公司** (Chengdu Zhongsheng Womao Automobile Sales & Service Co., Ltd.)	Chengdu, the PRC 2009	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
易惠(天津)信息技術有限公司** (Yihui (Tianjin) Information Technology Co., Ltd.)	Tianjin, the PRC 2018	Registered and paid-in capital of RMB20,000,000	–	100%	Other services
惠州中升雷克薩斯汽車服務有限公司** (Huizhou Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Huizhou, the PRC 2008	Registered and paid-in capital of HKD30,000,000	–	100%	Sale and service of motor vehicles
佛山市順德區中升雷克薩斯汽車銷售服務有限公司** (Foshan Shunde Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Foshan, the PRC 2008	Registered and paid-in capital of HKD30,000,000	–	100%	Sale and service of motor vehicles
南通中升之星汽車銷售服務有限公司** (Namtong Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Nantong, the PRC 2002	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
浙江九華汽車有限公司** (Zhejiang Jiuhua Automobile Co., Ltd.)	Hangzhou, the PRC 2007	Registered and paid-in capital of RMB26,000,000	–	80%	Sale and service of motor vehicles
寧波九華汽車有限公司** (Ningbo Jiuhua Automobile Co., Ltd.)	Ningbo, the PRC 2009	Registered and paid-in capital of RMB18,000,000	–	80%	Sale and service of motor vehicles
嘉興九華汽車有限公司** (Jiaxing Jiuhua Automobile Co., Ltd.)	Jiaxing, the PRC 2009	Registered and paid-in capital of RMB12,000,000	–	80%	Sale and service of motor vehicles
金華九華汽車有限公司** (Jinhua Jiuhua Automobile Co., Ltd.)	Jinhua, the PRC 2009	Registered and paid-in capital of RMB12,000,000	–	80%	Sale and service of motor vehicles
紹興九華汽車有限公司** (Shaoxing Jiuhua Automobile Co., Ltd.)	Shaoxing, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	80%	Sale and service of motor vehicles
湖州九和汽車有限公司** (Huzhou Jiuhe Automobile Co., Ltd.)	Huzhou, the PRC 2011	Registered and paid-in capital of RMB5,000,000	–	80%	Sale and service of motor vehicles
浙江康橋通源汽車銷售服務有限公司** (Zhejiang Kangqiao Tongyuan Automobile Sales & Service Co., Ltd.)	Hangzhou, the PRC 2013	Registered and paid-in capital of RMB44,000,000	–	80%	Sale and service of motor vehicles
佛山市三水豐田汽車銷售服務有限公司** (Foshan Sanshui Toyota Automobile Sales & Service Co., Ltd.)	Foshan, the PRC 2007	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
杭州九華汽車有限公司** (Hangzhou Jiuhua Automobile Co., Ltd.)	Hongzhou, the PRC 2009	Registered and paid-in capital of RMB12,000,000	–	80%	Sale and service of motor vehicles

46. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
三亞中升匯迪汽車銷售服務有限公司** (Sanya Zhongsheng Huidi Automobile Sales & Service Co., Ltd.)	Sanya, the PRC 2015	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
北京寶晉行汽車銷售服務有限公司** (Beijing Baojinhang Automobile Sales & Service Co., Ltd.)	Beijing, the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
深圳中升寶晉汽車銷售服務有限公司** (Shenzhen Zhongsheng Baojin Automobile Sales & Service Co., Ltd.)	Shenzhen, the PRC 2015	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
成都中升之寶汽車銷售服務有限公司** (Chengdu Zhongsheng Zhibao Automobile Sales & Service Co., Ltd.)	Chengdu, the PRC 2019	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
武漢中升之星汽車銷售服務有限公司** (Wuhan Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Wuhan, the PRC 2013	Registered and paid-in capital of RMB60,000,000	–	100%	Sale and service of motor vehicles
孝感中升之星汽車銷售服務有限公司** (Xiaogan Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Xiaogan, the PRC 2017	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
景德鎮中升之星汽車銷售服務有限公司** (Jingdezhen Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Jingdezhen, the PRC 2012	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
寧德中升之星汽車銷售服務有限公司** (Ningde Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Ningde, the PRC 2013	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
紅河中升之星汽車銷售服務有限公司** (Honghe Zhongsheng Star Automobile Sales & Service Co., Ltd.)	Mengzi, the PRC 2016	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
宜興路德行汽車有限公司** (Yixing Ludehang Automobile Co., Ltd.)	Yixing, the PRC 2013	Registered and paid-in capital of RMB110,000,000	–	100%	Sale and service of motor vehicles
景德鎮路德行汽車有限公司** (Jingdezhen Ludehang Automobile Co., Ltd.)	Jingdezhen, the PRC 2014	Registered and paid-in capital of RMB110,000,000	–	100%	Sale and service of motor vehicles
淮安之星汽車銷售服務有限公司** (Huaian Star Automobile Sales & Service Co., Ltd.)	Huaian, the PRC 2012	Registered and paid-in capital of RMB68,750,000	–	100%	Sale and service of motor vehicles
煙臺中升之寶汽車銷售服務有限公司** (Yantai Zhongsheng Zhibao Automobile) Sales & Service Co., Ltd.)	Yantai, the PRC 2019	Registered and paid-in capital of RMB24,000,000	–	100%	Sale and service of motor vehicles
成都中升羊西雷克薩斯汽車銷售服務有限公司** (Chengdu Zhongsheng Yangxi Lexus Automobile Sales & Service Co., Ltd.)	Chengdu, the PRC 2019	Registered and paid-in capital of RMB300,000,000	–	100%	Sale and service of motor vehicles

46. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operation	Authorised/registered/paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
浩升(深圳)供應鏈管理服務有限公司** (Haosheng (Shenzhen) Supply Chain Management Service Co., Ltd.)	Shenzhen, the PRC 2019	Registered and paid-in capital of RMB5,000,000	–	100%	Other services
長沙中升豐田汽車銷售服務有限公司** (Changsha Zhongsheng Toyota Automobile Sales & Service Co., Ltd.)	Changsha, the PRC 2020	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
三亞中升雷克薩斯汽車銷售服務有限公司** (Sanya Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Sanya, the PRC 2020	Registered and paid-in capital of RMB10,000,000	–	65%	Sale and service of motor vehicles
惠州中升惠南雷克薩斯汽車銷售服務有限公司** (Huizhou Zhongsheng Huinan Lexus Automobile Sales & Service Co., Ltd.)	Huizhou, the PRC 2020	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
中山中升雷克薩斯汽車銷售服務有限公司** (Zhongshan Zhongsheng Lexus Automobile Sales & Service Co., Ltd.)	Zhongshan, the PRC 2020	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
青島中升沃泰汽車銷售服務有限公司** (Qingdao Zhongsheng Wotai Automobile Sales & Service Co., Ltd.)	Qingdao, the PRC 2020	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles

* These companies are registered as wholly-foreign-owned enterprises under PRC law.

** These companies are registered as limited liability companies under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and other borrowings, finance leases, convertible bonds and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

INTEREST RATE RISK

The Group has no significant interest-bearing assets other than pledged bank deposits (note 25) and cash and cash equivalents (note 27).

The Group's interest rate risk arises from its borrowings, details of which are set out in note 28. Borrowings at variable rates expose the Group to the risk of changes on market interest rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2020		
RMB	**15**	**(11,860)**
RMB	**(15)**	**11,860**
2019		
RMB	15	(17,310)
RMB	(15)	17,310

FOREIGN CURRENCY RISK

Most of the Group's assets and liabilities were denominated in RMB, except for certain cash and cash equivalents, bank loans and other borrowings and the liability component of convertible bonds denominated in Hong Kong dollars, United States dollars and Japanese Yen as disclosed in note 27, note 28 and note 29, respectively.

The Group's assets and liabilities denominated in Hong Kong dollars, United States dollars and Japanese Yen were mainly held by certain subsidiaries incorporated outside Mainland China who used the Hong Kong dollar as their functional currencies, and the Group did not have material foreign currency transactions in Mainland China during the year. Therefore, the Group had immaterial foreign currency risk.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK

The Group has no significant concentrations of credit risk. The carrying amounts of bank deposits, cash and cash equivalents, trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

MAXIMUM EXPOSURE AND YEAR-END STAGING AS AT 31 DECEMBER 2020

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2020. The amounts presented are gross carrying amounts for financial assets.

31 December 2020

	12-months ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified Approach RMB'000	Total RMB'000
Trade receivables	—	1,429,528	1,429,528
Financial assets included in prepayments, other receivables and other assets	7,944,202	—	7,944,202
	7,944,202	1,429,528	9,373,730

31 December 2019

	12-months ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified Approach RMB'000	Total RMB'000
Trade receivables	—	1,462,767	1,462,767
Financial assets included in prepayments, other receivables and other assets	7,084,395	—	7,084,395
	7,084,395	1,462,767	8,547,162

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

MAXIMUM EXPOSURE AND YEAR-END STAGING AS AT 31 DECEMBER 2020 (continued)

For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix at 31 December 2020.and 2019 was set out below:

31 December 2020

	Ageing		
	Within 3 months	**3 months to 1 year**	**over 1 year**
Expected credit loss rate	**0%**	**8%**	**54%**
Gross carrying amount (RMB'000)	**1,348,436**	**81,653**	**16,500**
Expected credit losses (RMB'000)	**–**	**6,640**	**8,945**

31 December 2019

	12-months ECLs		
	Within 3 months	3 months to 1 year	over 1 year
Expected credit loss rate	0%	6%	44%
Gross carrying amount (RMB'000)	1,411,385	43,827	19,235
Expected credit losses (RMB'000)	461	2,720	8,499

For the financial assets included in prepayments, other receivables and other assets to which the Group applies the general approach for impairment, there was no recent history of default. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. No loss allowance was provided because management estimated that the expected credit losses as at 31 December 2020 were not significant.

As at 31 December 2020, all pledged bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

LIQUIDITY RISK

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

2020

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	–	5,268,993	12,098,431	2,441,011	–	19,808,435
Lease liabilities	–	147,920	384,515	2,059,906	3,327,926	5,920,267
Other liabilities	245,000	–	–	–	–	245,000
Trade and bills payables	–	4,378,014	536,515	65,759	–	4,980,288
Other payables	–	515,975	374,716	–	–	890,691
Amounts due to related parties	1,345	–	–	–	–	1,345
Convertible bonds	–	–	–	5,551,077	–	5,551,077
	246,345	10,310,902	13,394,177	10,117,753	3,327,926	37,397,103

2019

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	–	2,906,031	14,932,257	4,070,259	–	21,908,547
Lease liabilities	–	145,724	318,081	1,799,602	3,285,673	5,549,080
Other liabilities	245,000	–	–	–	–	245,000
Trade and bills payables	–	4,568,395	300,549	6,123	–	4,875,067
Other payables	–	523,800	286,168	–	–	809,968
Amounts due to related parties	436	–	–	–	–	436
Convertible bonds	–	–	–	4,826,113	–	4,826,113
	245,436	8,143,950	15,837,055	10,702,097	3,285,673	38,214,211

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes bank loans and other borrowings, other liabilities, convertible bonds, amounts due to related parties, trade, bills and other payables and accruals, less cash and cash equivalents, cash in transit and pledged bank deposits. The gearing ratios as at the reporting dates were as follows:

	2020 **RMB'000**	2019 RMB'000
Bank loans and other borrowings	**19,331,360**	21,014,052
Lease liabilities	**4,124,759**	3,801,625
Other liabilities	**245,000**	245,000
Convertible bonds	**4,827,223**	4,293,929
Trade and bills payables	**4,980,288**	4,875,067
Other payables and accruals	**4,215,624**	3,223,610
Amounts due to related parties	**1,345**	436
Less: Cash and cash equivalents	**(8,210,363)**	(6,101,176)
Cash in transit	**(180,280)**	(263,989)
Pledged bank deposits	**(1,425,880)**	(1,341,025)
Net debt	**27,909,076**	29,747,529
Total equity	**26,881,747**	22,176,669
Total equity and net debt	**54,790,823**	51,924,198
Gearing ratio	**50.9%**	57.3%

48. EVENTS AFTER THE REPORTING PERIOD

The Company issued the U.S.$450,000,000 aggregate principal amount of 3.0 per cent. Bonds due 2026 (the "Bonds") in 2021. The Bonds bear interest from 13 January 2021 at the rate of 3.0 per cent. per annum payable semi-annually in arrear in equal instalments on the interest payment dates falling on 13 July and 13 January in each year, commencing on 13 July 2021. Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 13 January 2026.

The Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the issuer and shall at all times rank pari passu and without any preference or priority among themselves. The Bonds may be redeemed at the option of the company in whole, but not in part, at any time prior to 13 December 2025, on giving not less than 30 nor more than 60 days' notice to the bondholders.

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**2,102,569**	2,232,660
Amounts due from subsidiaries	**7,989,868**	8,543,752
Total non-current assets	**10,092,437**	10,776,412
CURRENT ASSETS		
Prepayments, other receivables and other assets	**7,756**	19,305
Cash and cash equivalents	**323,039**	497,561
Total current assets	**330,795**	516,866
CURRENT LIABILITIES		
Bank loans and other borrowings	**2,883,421**	258,321
Other payables and accruals	**8,426**	11,027
Total current liabilities	**2,891,847**	269,348
NET CURRENT ASSETS	**(2,561,052)**	247,518
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,531,385**	11,023,930
NON-CURRENT LIABILITIES		
Convertible bonds	**4,827,223**	4,293,929
Bank loans and other borrowings	**489,377**	2,743,521
Total non-current liabilities	**5,316,600**	7,037,450
NET ASSETS	**2,214,785**	3,986,480
EQUITY		
Share capital	**198**	197
Reserves	**2,214,587**	3,986,283
Total equity	**2,214,785**	3,986,480

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share option reserve RMB'000	Equity component of convertible bonds RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Other reserve RMB'000	Total RMB'000
As at 1 January 2019	6,212,816	33,367	113,139	(178,968)	(1,052,128)	(148,267)	4,979,959
Total comprehensive loss for the year	–	–	–	78,997	(349,999)	–	(271,002)
Equity-settled share-based transaction	–	16,024	–	–	–	–	16,024
Final 2018 dividend declared	(738,698)	–	–	–	–	–	(738,698)
As at 31 December 2019	**5,474,118**	**49,391**	**113,139**	**(99,971)**	**(1,402,127)**	**(148,267)**	**3,986,283**
Total comprehensive loss for the year	**–**	**–**	**–**	**(123,155)**	**(302,300)**	**–**	**(425,455)**
Early conversion of convertible bonds	**293,334**	**–**	**(8,264)**	**–**	**–**	**–**	**285,070**
Transfer of equity component of convertible bonds upon the redemption of convertible bonds	**–**	**–**	**(79,799)**	**–**	**–**	**(649,395)**	**(729,194)**
Issue of convertible bonds	**–**	**–**	**30,484**	**–**	**–**	**–**	**30,484**
Final 2019 dividend declared	**(932,601)**	**–**	**–**	**–**	**–**	**–**	**(932,601)**
As at 31 December 2020	**4,834,851**	**49,391**	**55,560**	**(223,126)**	**(1,704,427)**	**(797,662)**	**2,214,587**

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 March 2021.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial information and financial statements is set out below.

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	**148,348,067**	124,042,520	107,735,655	86,290,288	71,599,221
Cost of sales and services provided	**(134,866,359)**	(112,554,874)	(97,812,525)	(77,606,286)	(65,046,942)
Gross profit	**13,481,708**	11,487,646	9,923,130	8,684,002	6,552,279
Other income and gains, net	**3,423,881**	3,109,521	2,561,221	1,842,863	1,325,514
Selling and distribution expenses	**(5,729,655)**	(4,938,772)	(4,310,827)	(3,294,302)	(2,806,807)
Administrative expenses	**(2,239,263)**	(1,940,062)	(1,745,100)	(1,347,069)	(1,178,687)
Profit from operations	**8,936,671**	7,718,333	6,428,424	5,885,494	3,892,299
Finance costs	**(1,259,872)**	(1,390,554)	(1,230,522)	(1,076,712)	(1,018,020)
Share of profits/ (losses) of joint ventures	**3,523**	(1,208)	2,856	4,595	4,148
Share of loss of an associate	**(1,513)**	—	—	—	—
Profit before tax	**7,678,809**	6,326,571	5,200,758	4,813,377	2,878,427
Income tax expense	**(2,097,980)**	(1,807,055)	(1,505,440)	(1,337,523)	(836,689)
Profit for the year	**5,580,829**	4,519,516	3,695,318	3,475,854	2,041,738
Attributable to:					
Owners of the parent	**5,539,799**	4,501,673	3,636,636	3,350,413	1,860,228
Non-controlling interests	**41,030**	17,843	58,682	125,441	181,510
	5,580,829	4,519,516	3,695,318	3,475,854	2,041,738

	31 December					
	2020	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS						
TOTAL ASSETS	**68,501,019**	63,024,282	57,168,187	47,580,792	39,645,059	38,725,315
TOTAL LIABILITIES	**(41,619,272)**	(40,847,613)	(38,131,964)	(30,911,629)	(26,546,100)	(26,109,320)
NON-CONTROLLING INTERESTS	**(418,847)**	(418,116)	(796,608)	(756,172)	(880,631)	(1,347,484)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**26,462,900**	21,758,553	18,239,615	15,912,991	12,218,328	11,268,511