新焦點汽車技術控股有限公司*

New Focus Auto Tech Holdings Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code: 360

ANNUAL REPORT 2021

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

Directors

Executive Director

Tong Fei

Non-executive Directors

Wang Zhenyu
Zhang Jianxing *(Acting Chairman)*

Independent Non-executive Directors

Hu Yuming
Lin Lei
Zhang Xiaoya

Chief Executive Officer

Zhao Yufeng

Chief Financial Officer

Chen Long

Company Secretary

Liu Xiaohua

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Certified Public Accountants
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Legal Advisers

CFN Lawyers
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Hong Kong

Principal Share Registrar and Transfer Office

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Branch Share Registrar and Transfer Office in Hong Kong

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Stock Code

360

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MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2021, New Focus Auto Tech Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") focused on the research and development, manufacturing and sales of automotive electronic products, as well as the construction and development of automobile dealership networks. The automotive electronic products that the Group produces mainly include inverters, chargers, multi-functional power packs and cooling and heating boxes, which are mainly sold to the markets of the People's Republic of China (the "**PRC**" or "**China**"), North America and Europe. The Group's automobile dealership and services business is operated mainly in Inner Mongolia Autonomous Region for automobile sales, automotive after-sales service, as well as the distribution of car insurance products and automobile financial products. The Group's wholesale service business was discontinued as at 31 December 2021.

Results Highlights

Revenue

During the year ended 31 December 2021 (the "**Year**"), the consolidated revenue from continuing operations of the Group amounted to approximately RMB728,142,000 (2020: RMB890,913,000), representing a decrease of approximately 18.27%.

The consolidated revenue from the manufacturing business of the Group was approximately RMB502,471,000 (2020: RMB536,837,000), representing a decrease of approximately 6.40%, which was mainly attributable to lower domestic sales revenue from the Group's manufacturing business due to a smaller sales volume of trucks in China in the second half of the Year and an optimized product structure.

The consolidated revenue from the Group's automobile dealership and services business amounted to approximately RMB225,671,000 (2020: RMB354,076,000), representing a decrease of approximately 36.26%, which was mainly because the Group's automobile dealership and services business had adjusted the structure of automobile brands.

Gross profit and gross profit margin

The consolidated gross profit from continuing operations for the Year was approximately RMB102,454,000 (2020: RMB100,436,000), representing an increase of approximately 2.01%; and the gross profit margin increased from 11.45% to 14.07%. The increase in gross profit and gross profit margin was primarily attributable to the optimization of customer structure and product structure, as well as fewer low-price promotions during the Year.

The gross profit of the Group's manufacturing business was approximately RMB84,477,000 (2020: RMB86,424,000), representing a decrease of approximately 2.25%; and the gross profit margin increased from approximately 16.10% to approximately 16.81%. The decrease in gross profit was mainly attributable to the decrease in revenue for the Year as compared with 2020. The increase in gross profit margin was primarily attributable to the optimization of customer structure and product structure during the Year, which reduced the proportion of sales revenue of low-margin products.

The gross profit of the Group's automobile dealership and services business was approximately RMB17,977,000 (2020: RMB14,012,000), representing an increase of approximately 28.30%; and the gross profit margin increased from approximately 3.96% to approximately 7.97%. The increase in gross profit and gross profit margin was mainly attributable to fewer low-price promotions and gradual product price increases during the Year.

Other revenue and gains and losses

Other losses from continuing operations for the Year was approximately RMB28,330,000 (2020: RMB31,872,000). The losses decreased mainly because the Group recorded gains of approximately RMB11,089,000 on the disposal of its equity interests in five subsidiaries in Inner Mongolia during the Year, as opposed to no such gains in 2020. For other details of the equity disposals, please refer to the section headed "Equity Disposal of Five Hulunbuir Companies" in this annual report.

Expenses

Net allowance for expected credit losses on trade receivables, deposits, prepayments and other receivables from continuing operations for the Year was approximately RMB1,864,000 (2020: RMB298,673,000). Such decline was mainly because the Company made considerable expected credit loss ("**ECL**") provisions for the trade, deposit, prepayment and other receivables (the "**Receivables**") of Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司) ("**Lifeng Dingsheng**") and its subsidiaries and associates (collectively, "**Lifeng Dingsheng Group**"), which were primarily engaged in the automobile dealership and services business in Inner Mongolia, in 2020. The case of Mr. Du Jinglei ("**Mr. Du**"), who was the former chairman and legal representative of Lifeng Dingsheng and the former executive director of the Company and chairman of the Board was heard by the court for the first time in 2020. In light of the poor operation of Lifeng Dingsheng, the Company made a considerable amount of allowance for ECL on the Receivables due from Lifeng Dingsheng in 2020. For the reasons for, and other details of, the impairment on the Receivables due from Lifeng Dingsheng in 2020, please refer to the section headed "Collection of Receivables" in the annual report of the Company in 2020.

The distribution costs from continuing operations for the Year were approximately RMB62,615,000 (2020: RMB95,343,000), representing a decrease of approximately 34.33%, which was mainly attributable to the decrease in salaries and bonuses of sales personnel, freight, and other sales and marketing expenses as a result of the decline in consolidated revenue during the Year.

The administrative expenses from continuing operations for the Year were approximately RMB57,678,000 (2020: RMB72,643,000), representing a decrease of approximately 20.60%, which was mainly due to the Group's control of the number of management personnel and the reduction of administrative expenses.

Operating loss

The operating loss from continuing operations of the Group during the Year was approximately RMB60,885,000 (2020: RMB398,095,000). Such loss decreased mainly because the allowance for expected credit losses on trade receivables, deposits, prepayments and other receivables for the Year decreased by approximately RMB296,809,000 as compared with 2020 (the "**Change in ECL Allowance**") and the distribution cost decreased by approximately RMB32,728,000.

Finance costs

The finance costs from continuing operations for the Year amounted to approximately RMB25,885,000 (2020: RMB42,630,000), representing a decrease of approximately 39.28%. Such decrease was mainly attributable to the decline in the average amount of bank and other borrowings for the Year as compared with 2020.

Taxation

The income tax expenses from continuing operations for the Year were approximately RMB15,960,000 (2020: RMB22,282,000).

Loss attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company from continuing operations during the Year was approximately RMB101,618,000 (2020: RMB461,316,000). Excluding the Change in ECL Allowance, the loss attributable to equity shareholders of the Company from continuing operations would have decreased by RMB62,890,000 as compared with that of 2020, which was mainly due to the strict control of costs and various expenditures during the Year.

The profit attributable to equity shareholders of the Company from discontinued operations during the Year was approximately RMB16,823,000 (2020: loss of RMB5,432,000).

The loss attributable to equity shareholders of the Company from continuing and discontinued operations during the Year was approximately RMB84,795,000 (2020: RMB466,748,000). The loss per share from continuing and discontinued operations during the Year was approximately RMB1.25 cents (2020: loss per share of RMB6.90 cents).

Financial Position and Liquidity

The Group continued to maintain a stable financial position and the liquidity of assets of the Group remained healthy during the Year. The Group had a net cash outflow from operating activities of approximately RMB26,283,000 (2020: inflow of RMB68,568,000).

Non-current assets were approximately RMB144,471,000 as at 31 December 2021 (31 December 2020: RMB278,559,000).

Net current assets were approximately RMB172,736,000 as at 31 December 2021 (31 December 2020: RMB157,752,000) with a current ratio of 1.24 (31 December 2020: 1.18).

Gearing ratio (calculated by dividing total liabilities by total assets) was approximately 81.35% as at 31 December 2021 (31 December 2020: 78.87%).

As at 31 December 2021, the total bank and other borrowings of the Group were approximately RMB374,361,000 (31 December 2020: RMB340,744,000), of which approximately 30.82% were made in United States Dollars ("**USD**") and approximately 69.18% were made in Renminbi ("**RMB**"). All of the borrowings were repayable at fixed interest rates, of which approximately RMB264,035,000 was repayable within one year and approximately RMB110,326,000 was repayable after one year but within five years.

The Group's need for borrowings was generally stable during the Year. As at 31 December 2021, the committed borrowing facilities available to but not utilized by the Group amounted to approximately RMB11,884,000.

Capital Structure

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy position of liquidity during the Year. To manage liquidity risks, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Approximately 75% of the revenue of the Group's manufacturing business was generated from the export of its products which was settled in USD, while other businesses were all in China. As such, the Group's cash and cash equivalents and borrowings are denominated in RMB and USD.

As at 31 December 2021, the total assets of the Group were approximately RMB1,042,509,000 (31 December 2020: RMB1,291,232,000), which included: (1) share capital of approximately RMB556,286,000 (31 December 2020: approximately RMB556,286,000); (2) reserves of approximately RMB(361,825,000) (31 December 2020: approximately RMB(283,431,000)); and (3) liabilities of approximately RMB848,048,000 (31 December 2020: approximately RMB1,018,377,000).

Financial Guarantees and Pledge of Assets

As at 31 December 2021, the net book values of inventory, investment properties, property, plant and equipment and right-of-use assets pledged as security for the Group's bank and other borrowings totaled approximately RMB98,496,000 (31 December 2020: approximately RMB100,056,000).

Acquisition and Disposal of Subsidiaries

Equity Disposal of Five Hulunbuir Companies

On 5 July 2021, Inner Mongolia Chuangying Auto Co., Ltd. ("**Inner Mongolia Chuangying**"), a subsidiary of the Company, entered into an equity transfer agreement with Inner Mongolia Zuolichi Auto Co., Ltd.* (內蒙古佐利馳汽車有限公司, "**Zuolichi**"). Pursuant to the equity transfer agreement, Zuolichi agreed to acquire 96% equity interests in Hulunbuir Lifeng Taidi Auto Sales Co., Ltd.* (呼倫貝爾市利豐泰迪汽車銷售有限公司), 96% equity interests in Hulunbuir Lifeng Wuling Automobile Sales and Services Co., Ltd.* (呼倫貝爾市利豐五菱汽車銷售服務有限公司), 96% equity interests in Hulunbuir Lifeng Tailing Automobile Sales and Services Co., Ltd.* (呼倫貝爾市利豐泰鈴汽車銷售服務有限公司), 96% equity interests in Hulunbuir Lifengtong Vehicle Store Co., Ltd* (呼倫貝爾市利豐通汽車行有限公司) and 96% equity interests in Hulunbuir Lifeng Tailai Auto Services Co., Ltd.* (呼倫貝爾市利豐泰萊汽車服務有限公司) held by Inner Mongolia Chuangying (the "**Equity Disposal of Five Hulunbuir Companies**") at the transfer consideration of RMB1,650,000, RMB1, RMB640,000, RMB1 and RMB1, respectively, totaling RMB2,290,003. After completion of the Equity Disposal of Five Hulunbuir Companies on 5 July 2021, the abovementioned five companies ceased to be subsidiaries of the Company.

Zuolichi and its ultimate beneficial owners are third parties independent of the Company and its connected persons, with all the percentage ratios of the Equity Disposal of Five Hulunbuir Companies being less than 5%. Under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Equity Disposal of Five Hulunbuir Companies did not constitute a notifiable or connected transaction of the Company.

Equity Disposal of Liaoning XTC

On 25 November 2021, New Focus Lighting and Power Technology (Shanghai) Co., Ltd. ("**New Focus Lighting & Power**"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Liaoning Xin Tian Cheng Industrial Co., Limited ("**Liaoning XTC**"), Li Haidong and Chen Gaosen. Li Haidong was the then chairman and general manager of Liaoning XTC and held approximately 27.64% equity interests in Liaoning XTC. Chen Gaosen was the then executive director and general manager of Zhejiang Autoboom Industry Co., Ltd.* (浙江歐特隆實業有限公司) (renamed as Zhejiang Autoboom Technology Co., Ltd.* (浙江歐特隆科技有限公司), "**Zhejiang Autoboom**"), a wholly-owned subsidiary of Liaoning XTC. Pursuant to the equity transfer agreement, New Focus Lighting & Power transferred its 40% and 10.098% equity interests held in Liaoning XTC to Li Haidong and Chen Gaosen (the "**Equity Disposal of Liaoning XTC**") at the transfer consideration of RMB1,600,000 and RMB400,000, respectively. After completion of the Equity Disposal of Liaoning XTC on 1 December 2021, Liaoning XTC ceased to be a subsidiary of the Company.

Li Haidong and Chen Gaosen, as directors of Liaoning XTC and Zhejiang Autoboom, respectively, were connected persons of the Company at the subsidiary level at the time of signing the equity transfer agreement. Hence, the Equity Disposal of Liaoning XTC constituted a connected transaction of the Company. As all the percentage ratios (other than the profits ratio) of the Equity Disposal of Liaoning XTC were less than 5% and the total consideration was less than HK$3,000,000, the Equity Disposal of Liaoning XTC constituted a de minimis transaction under Rule 14A.76 of the Listing Rules.

Significant Investments

The Group had no significant investments during the Year. The Group has no specific plans for material future investments or acquisition of capital assets.

Exchange Risks

The Group's wholesale service and automotive dealership and services business mainly take place in the PRC, with the settlement currency being RMB. Hence, there is no exchange risk.

Approximately 75% of the revenue from the Group's manufacturing business was generated from the export of its products which was settled in USD. The raw materials used to produce such products were purchased in RMB. Therefore, the depreciation of USD against RMB would normally have an adverse effect on the profitability of the Group's manufacturing business. The Group managed its foreign exchange exposure to USD by making USD borrowings to mitigate such exchange risks. As at 31 December 2021, the amount of the Group's USD borrowings was approximately USD18,001,000 (31 December 2020: USD16,499,000).

Other Material Risks and Uncertainties

The Group faces other material risks and uncertainties, which mainly include the future development of China's economy and the China-US relations. Should China's economy head towards a downturn, consumers will suffer a negative impact on their willingness and ability to purchase new vehicles and automobile-related products and services, which will in turn reduce the operating revenue of the Group's automobile dealership and services business. As the US is a major export market for the Group's manufacturing business, the worsening China-US relations will affect the results of the Group's manufacturing business. Having adopted the methods of streamlining personnel and reducing other expenses reasonably to cut costs, the Group will pay close attention to the economic trend of China and address such risks and uncertainties in a timely manner. Meanwhile, the Group will strive to expand the domestic market for its manufacturing business, so as to reduce the reliance on the export market.

Contingent Liabilities

As at 31 December 2021, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

During the Year, the Group employed a total of 969 full-time employees (31 December 2020: 1,142), of which 204 (31 December 2020: 251) were managerial staff. The Group's remuneration policies are designed to attract talent and retain quality staff. The remuneration package for the Group's employees includes wages, incentives (such as performance-based bonus) and allowances. The Group also provides social insurance and benefits to its employees, and formulates and implements its share option scheme as a long-term incentive scheme of the Group. Details of the share option scheme will be disclosed in the "Report of the Directors" of this annual report. The Group emphasizes the importance of staff development and provides relevant training programs on an ongoing basis with reference to its strategic objectives and the performance of its staff.

Environmental Policies and Performance

The Group has been continuously promoting the establishment and improvement of environment-related management mechanism and system. Such systems require all the employees of the Group to comply with the applicable environmental laws and regulations in their daily work. The automobile distribution branches of the Group have obtained approval from environmental protection authorities prior to commencement of operations and strictly complied with applicable environmental laws and regulations in the subsequent operation, to minimize the damages to the environment. The manufacturing business of the Group proactively incorporates the concept of environmental protection into product design and manufacturing, with a view to providing energy-saving and environmentally friendly products to customers. The Group encourages its employees to save energy and treasure resources.

Compliance with Laws and Regulations

During the Year, the Group complied with the relevant laws and regulations that had a significant impact on the operations of the Group in all material respects, covering various aspects such as labor, fire prevention, environmental protection and product liability, including but not limited to the Law of Environmental Protection of the People's Republic of China (《中華人民共和國環境保護法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), the Law of Prevention and Control of Environmental Noise Pollution of the People's Republic of China (《中華人民共和國環境噪聲污染防治法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law on Product Quality of the People's Republic of China (《中華人民共和國產品質量法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) and the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》).

Relationship with Employees, Customers and Suppliers

The Group attaches great importance to the relationships with its employees, customers, suppliers and other relevant parties since such relationships are key to the Group's sustainable development. The Group adheres to the principle of legality, fairness, reasonableness and mutual benefit in its daily operation and duly handles the relationships with its employees, customers, suppliers and other relevant parties.

Industrial Development, Business Progress and Outlook

Automobile Dealership and Services Business of the Group

According to the latest production and sales figures of the automobile industry released by the China Association of Automobile Manufacturers, the sales volume of passenger cars in Mainland China amounted to approximately 21,482,000 for the Year, representing an increase of approximately 6.5% as compared to 2020. With the coronavirus disease 2019 ("**COVID-19**") pandemic gradually being under control in China, the passenger car sales industry has been gradually recovering, albeit still subject to adverse factors such as rising raw material prices and the COVID-19 pandemic resurgence, coupled with intensifying industrial competition. In the first half of 2021, both production and sales of new energy vehicles grew; in terms of the sales of non-new energy vehicles, the sales of JV automobile brands declined while that of proprietary automobile brands increased. In the second half of 2021, the entire auto sales industry was severely impacted by the chip issue.

The Group's automobile dealership and services business network is located in the Inner Mongolia Autonomous Region, and its main businesses include automobile sales and after-sales service, as well as the distribution of car insurance products and financial products.

The operating results of the Group's automobile dealer shops did not grow in sync with the overall automobile sales market in the first half of the Year primarily due to the overall poor domestic sales of the automobile brands under our operation. Other reasons included the cancellation of many orders over extended delivery deadlines caused by the industry chip issue during the second half of the Year. Furthermore, in mid-October 2021, the COVID-19 pandemic outbreak in Alxa, Inner Mongolia spread to Hohhot, resulting in lackluster customer traffic after the National Day Holiday until Christmas.

The Group mainly implemented the following operating strategies for the automobile dealership and services business in 2021:

First, we leased out idle fixed assets with priority given to proprietary brands and green energy vehicle dealers such as Geely and BYD.

Second, we launched the operation of our derivative business for automobile sales, such as credit loans for second-hand vehicles and agency service for vehicle license application.

Third, we actively transformed some of our outlets with no brand license into comprehensive automobile malls.

Fourth, we reduced the proportion of management staff in our outlets and improved management efficiency.

The automobile dealership industry is expected to remain under pressure in the near term. To improve our operating results, we plan to focus on the following operational strategies in 2022:

Firstly, we will actively acquire the distribution rights of proprietary new energy vehicle brands, to meet the growing market demand for new energy vehicles. Meanwhile, we will enhance our ancillary service facilities for new energy vehicles and create a cluster for the new energy vehicle industry in Hohhot.

Secondly, we will focus on lean management and implement the responsibility system of operation targets in various automobile dealership outlets. We will also comprehensively sort out our operation and management processes to improve operational efficiency.

Manufacturing Business of the Group

In 2021, the manufacturing business of the Group continued to be affected by the COVID-19 pandemic, rising bulk material prices, much extended delivery schedules for or shortage of electronic components, labor shortage and higher labor costs. The export business of our manufacturing operations managed to remain stable with an evident uptick in the gross profit margin, as we implemented our operational measures in 2020, including optimization of our product category and price structures and production organization model, as well as the search of domestic alternatives for relevant raw materials. We also made breakthroughs in the research and development ("**R&D**") of new high-power inverters and energy storage products. Well-known international customers have also granted us trial production of new products or designated us as the supplier of relevant products.

Our pre-installation factory business recorded evident year-on-year growth in the first half of 2021, despite suffering a major contraction in demand in the second half of the Year due to higher vehicle emission standards and lower vehicle transportation prices. Nevertheless, pre-installation factories displayed significant growth in their R&D demand for products of our manufacturing business, as we were appointed by multiple new customers to supply a range of products and new offerings, with their trial production underway.

The operating revenue of the Group's manufacturing business remained stable in 2021 as compared to 2020, with conspicuous year-on-year growth in profit. In 2022, the Group's manufacturing business will continue to optimize its organizational structure, increase R&D investment, expand its R&D team and improve its team incentive system to further consolidate resources. We will seek to expand our production capacity in line with the progress of new customer development and market demand for new products. We will further enhance our operating results by focusing on the impact of changing external macro environment on the prices of bulk materials and enhancing our internal compliance and risk prevention awareness.

PROSPECTS

The Group's principal businesses have a vast market with still much room for growth. The Group will continue to strengthen its management and enhance the operating results of all its businesses as soon as possible.

Equity Fund Raising Activities

On 28 May 2021, the Company entered into a subscription agreement with Daodu (Hong Kong) Holding Limited (the "**Subscriber**"), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has agreed to subscribe, a maximum of 11,252,732,911 subscription shares of the Company at the subscription price of HK$0.059 per subscription share (the "**Subscription**"). The maximum aggregate nominal value of the subscription shares is HK$1,125,273,291.1. The closing price of the Company's ordinary shares as quoted on the Stock Exchange on 28 May 2021, being the date of the subscription agreement, was HK$0.085 per share.

The subscription price of HK$0.059 was arrived at after arm's length negotiations between the Company and the Subscriber after taking into account (i) an estimated market capitalisation of the Company of approximately HK$400 million (approximately HK$0.0591 per share) with reference to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 45 consecutive trading days up to and including 18 February 2021 of approximately HK$0.05887 per share; (ii) the amount of the subscription shares to be issued; (iii) the controlling position to be obtained by the Subscriber; and (iv) the expected funding need of the Group, in particular, the substantial funding of approximately HK$480 million which will be required to build a new production plant and to acquire the related production equipment.

The Directors considered that it was in the interest of the Company and its shareholders as a whole to introduce a strategic investor with strong local government support and to raise sufficient funds to enhance its capabilities in product development and upgrade its manufacturing infrastructure and sales platforms, and further expand the scale of product production and improve operating efficiency. The funds raised under the Subscription could also strengthen the Company's capital base and be utilised towards repayment of outstanding bank loans which will help significantly reduce the Company's capital cost and improve its financial position.

The maximum gross proceeds to be raised from the Subscription is HK$663,911,241.749, and the maximum net proceeds to be raised from the Subscription would amount to approximately HK$662 million (i.e net issue price of approximately HK$0.059 per share), of which:

(i) approximately HK$480 million will be applied for enhancement of the Company's manufacturing capability:

    (a) as to approximately HK$70 million for purchase of land use rights in Economic Development Zone, Laixi City, Qingdao City, Shandong Province for construction of new production plants in the first half of 2022;

(b) as to approximately HK$360 million for the construction of new production plants and other supporting facilities including warehouse, research and development center, office building, staff dormitory and showroom on the lands through the above purchase of land use rights in Shandong Province to expand the Group's production capacity and technology capability for its manufacturing business. The construction work is expected to be completed by 2023; and

(c) as to approximately HK$50 million for purchase of related production equipment in the PRC for production of automotive parts for new energy vehicle, mainly including inverters and multifunctional mobile power supplies, to broaden the Group's product portfolio and pursue opportunities to expand its exposure in the new energy vehicle industry;

(ii) approximately HK$120 million will be applied for repayment of the outstanding bank loans of the Group; and

(iii) approximately HK$62 million will be applied as general working capital of the Group:

(a) as to approximately HK$44 million for the procurement costs of the Group's manufacturing business and automobile dealership and service business;

(b) as to approximately HK$10 million for the remuneration of the Group's employees; and

(c) as to approximately HK$8 million for the Group's other daily expenses (including professional fees payable to the Group's legal advisers and auditors).

The conditions precedent to the Subscription have been fulfilled on 26 November 2021. To ensure the minimum public float of the Company's issued share capital as enlarged by the Subscription will be maintained in accordance with the Listing Rules, the date of completion has been extended to a date on or before 30 April 2022 (or such other later date as may be mutually agreed by the parties in writing). For details of the Subscription, please refer to the announcements of the Company dated 28 May 2021, 13 September 2021, 14 December 2021 and 28 February 2022, and the circular of the Company dated 29 July 2021, respectively.

Profiles of the directors of the Company (the "**Directors**") and senior management as at the date of this annual report are set out below:

Executive Director

Mr. Tong Fei

Mr. Tong, aged 39, is an executive Director with postgraduate qualifications. He obtained his master's degree in business administration from Peking University (北京大學) in 2012. Mr. Tong was appointed as the director of business development department of China Resources Leasing Co., Ltd.* (華潤租賃有限公司), the assistant president of Huazhong Finance Leasing Co., Ltd.* (華中融資租賃有限公司), the managing director of Century Huazhong Capital Management Co., Ltd.* (世紀華中資本管理有限公司) and the general manager of Beijing Senwo Capital Management Co., Ltd.* (北京森沃資本管理有限公司). In respect of his professional qualifications, Mr. Tong obtained the fund qualification certificate (基金從業資格證) from the Asset Management Association of China (中國證券投資基金業協會) in 2016. He has extensive knowledge and experience in financial management and capital operation. Mr. Tong joined the Group in July 2019.

Non-executive Directors

Mr. Wang Zhenyu

Mr. Wang, aged 58, is a non-executive Director. He graduated from Hefei University of Technology (合肥工業大學) with a bachelor's degree in machinery engineering in 1985 and a master's degree in industrial management engineering in 1988. Mr. Wang has been employed by CDH Investments Management (Hong Kong) Limited ("**CDH Investments**") since 2008, and he is currently its managing director. Since 2002, he has been serving as the vice president and managing director in several affiliates of CDH Investments. Prior to joining CDH Investments, Mr. Wang served as an associate in the investment consultancy department of China International Capital Corporation Limited (中國國際金融有限公司) from 2000 to 2002. Mr. Wang served as a non-executive director of Xiezhong International Holdings Limited (協眾國際控股有限公司) (Stock Code: 3663) from June 2012 to July 2014. Mr. Wang joined the Group in August 2013.

Mr. Zhang Jianxing

Mr. Zhang, aged 55, is a non-executive Director and the acting chairman of the Company. He graduated from Tongji University (同濟大學) and received a bachelor of science degree in civil engineering. He has been employed by CDH Investments since 2011, and he is currently its managing director. Prior to joining CDH Investments, Mr. Zhang served as the managing operation director of China Resources Asset Management Limited (華潤資產管理有限公司) from 2009 to 2011. Mr. Zhang joined the Group in August 2013.

Independent Non-executive Directors

Mr. Hu Yuming

Mr. Hu, aged 56, is an independent non-executive Director. He received a bachelor's degree in economics, a master's degree in economics and a doctor's degree in economics from Xiamen University (廈門大學) in 1986, 1989 and 1995, respectively. He is also a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). He has been a professor at the School of Management of Jinan University (暨南大學管理學院) since 2000 and held various teaching positions in Xiamen University (廈門大學) from 1989 to 2000. He worked for China Resources Jinhua Co., Ltd. (華潤錦華股份有限公司) (a company listed on the Shenzhen Stock Exchange ("**SZSE**"), Stock Code: 000810, now re-named as Skyworth Digital Co., Ltd. (創維數字股份有限公司)) as an independent director from 2004 to 2010. Mr. Hu also worked for Guangzhou Zhujiang Brewery Co., Ltd. (廣州珠江啤酒股份有限公司) (SZSE Stock Code: 002461) and Guangdong HongDa Blasting Co., Ltd. (廣東宏大爆破股份有限公司) (SZSE Stock Code: 002683) as an independent director from 2009 to 2012 and from 2010 to 2013, respectively. Subsequently, he worked for Guangzhou Canudilo Fashion and Accessories Co., Ltd. (廣州卡奴迪路服飾股份有限公司) (SZSE Stock Code: 002656, now re-named as Modern Avenue Group Co., Ltd (摩登大道時尚集團股份有限公司)) as an independent director from December 2008 to January 2015. He served as an independent director of Byhealth Co., Ltd. (湯臣倍健股份有限公司) (SZSE Stock Code: 300146) and Guangzhou Shiyuan Electronic Technology Company Limited (廣州視源電子科技股份有限公司) (SZSE Stock Code: 002841) from 26 September 2011 to 22 September 2017 and from 1 January 2013 to 26 December 2017, respectively. Mr. Hu served as an independent director of Guangzhou Securities Co., Ltd. (廣州證券股份有限公司) (now renamed as CITIC Securities South China Company Limited (中信證券華南股份有限公司)) and Guangdong PAK Corporation Co., Ltd. (廣東三雄極光照明股份有限公司) (SZSE Stock Code: 300625) from 11 December 2015 to 14 April 2020 and from 6 April 2015 to 7 April 2021, respectively. Currently, Mr. Hu is an independent director of Shenzhen Tellus Holding Co., Ltd. (深圳市特力(集團)股份有限公司) (SZSE Stock Code: Tellus A, 000025; Tellus B, 200025). Mr. Hu joined the Group in August 2013.

Mr. Lin Lei

Mr. Lin, aged 54, is an independent non-executive Director. He received a bachelor's degree in applied economic mathematics from Renmin University of China (中國人民大學) in 1990. He is the founder and chairman of the board of Sinotrust International Information & Consulting (Beijing) Co., Ltd. (新華信國際信息諮詢(北京)有限公司) (now re-named as TNS Sinotrust Market Research Consulting (Beijing) Co., Ltd. (特恩斯新華信市場諮詢(北京)有限公司, "**Sinotrust**"). Prior to founding Sinotrust in 1992, Mr. Lin worked at the Ministry of Foreign Economic Relations and Trade (對外經濟貿易部) from 1990 to 1992. From 21 April 2017 to 22 January 2020, Mr. Lin was a director of Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司) (SZSE Stock Code: 300003). From 25 August 2014 to 15 June 2020, Mr. Lin was an independent non-executive director of Xiezhong International Holdings Limited (協眾國際控股有限公司) (Stock Code: 3663). From 8 November 2018 to 7 November 2021, Mr. Lin was an independent director of BAIC BluePark New Energy Technology Co., Ltd. (北汽藍穀新能源科技股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600733). Currently, Mr. Lin is the managing director of Beijing Centurium Management Advisory Co., Ltd. (北京大鉦管理咨詢有限公司). In respect of professional memberships and qualifications, Mr. Lin was the vice president of China Association of Market Information and Research (CAMIR) (中國市場信息調查業協會) and a council member of China Society of Automotive Engineers (SAE) (中國汽車工程學會), and is currently a commissioner of the expert committee of China Automobile Dealers Association (CADA) (中國汽車流通協會). Mr. Lin joined the Group in August 2013.

Mr. Zhang Xiaoya

Mr. Zhang, aged 59, is an independent non-executive Director. He is a graduate of Shangdong University (山東大學) and the School of Management at Beihang University (北京航空航天大學), and is a senior engineer. Mr. Zhang is the chairman of Zhong Ding United Dairy Farming Co., Ltd. (中鼎聯合牧業股份有限公司), a manager of Beijing Xindajiading Investment Company Limited (北京信達嘉鼎投資有限公司) and an independent director of Guangzhou Digital Media Co., Ltd. (廣州珠江數碼集團股份有限公司), a company listed on NEEQ (Stock Code: 871828). Mr. Zhang was a director and the president of AirMedia Group Inc. (航美傳媒集團) (NASDAQ: AMCN), the chairman of Unibank Media (銀廣通傳媒集團) and an independent director of Syswin Inc. (思源經紀), which was listed on the New York Stock Exchange until April 2013. From May 2009 to December 2021, Mr. Zhang served as an independent non-executive director of China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司) (Stock Code: 02319). Mr. Zhang joined the Group in March 2015.

Senior Management

Mr. Zhao Yufeng

Mr. Zhao, aged 46, is the chief executive officer of the Company, and has overall responsibilities for the operations and management of the Company. Mr. Zhao is also a director of certain subsidiaries of the Company.

Mr. Zhao graduated from Hebei University of Science and Technology (河北科技大學) in 1997 with a bachelor's degree. Prior to joining the Group, he served successively as a vice president of Shanghai investment banking department and the general manager of Over-The-Counter department No. 5 of Jianghai Securities Co., Ltd.* (江海證券有限公司), and the general manager and chairman of Shanghai Guofu Guangqi Cloud Computing Technology Co., Ltd.* (上海國富光啟雲計算科技股份有限公司). Mr. Zhao has extensive knowledge and experience in financial management and capital operation. Mr. Zhao was appointed as the Chief Executive Officer of the Company on 6 August 2020.

Mr. Chen Gongyi

Mr. Chen, aged 46, is the deputy general manager of the Company, and is responsible for the manufacturing business of the Group. Mr. Chen is also a director of certain subsidiaries of the Company.

Mr. Chen graduated from Luoyang Institute of Technology (洛陽工學院) in 1997 with a bachelor's degree in mechanical design and manufacturing. Mr. Chen worked for NORINCO International Cooperation Ltd. and Shenzhen Wucai Industrial Company Limited (深圳市五彩實業有限公司). From 2008 to November 2013, he worked in China Merchants Property Development Co., Ltd. (招商局地產控股股份有限公司) to engage in property development and management related work. From December 2013 to April 2020, he worked for China Merchants Securities Co., Ltd. (招商證券股份有限公司) to engage in fund investment and management. Mr. Chen has outstanding management, organization and coordination capabilities. Mr. Chen joined the Group in May 2020.

Chen Long

Mr. Chen, aged 32, is the Chief Financial Officer of the Company, and is responsible for the financial management related work of the Group.

Mr. Chen graduated from Shanghai University (上海大學) in 2015 with a master's degree in economics and is also a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). Mr. Chen was a senior manager of the Shanghai investment banking department of Jianghai Securities Co., Ltd.* (江海證券有限公司) and the deputy general manager of Shanghai Guofu Guangqi Cloud Computing Technology Co., Ltd.* (上海國富光啟雲計算科技股份有限公司). Mr. Chen joined the Group in July 2020.

* *For identification purposes only*

CORPORATE GOVERNANCE REPORT

The board of Directors (the "**Board**") hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2021.

Corporate Governance Practices

The Board believes good corporate governance practice is the key to business growth and effective management of the Group.

The Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules has been amended with effect from 1 January 2022. As this Corporate Governance Report covers the financial period ended 31 December 2021, all the corporate governance principles and code provisions mentioned herein refer to those stated in the CG Code before the amendments, not the revised CG Code.

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2021.

Securities Transactions of Directors

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors or relevant employees as defined in the Model Code. Having made specific enquiry to all Directors by the Company, all Directors confirmed that they had complied with the requirements set out in the Model Code during the financial year ended 31 December 2021.

Board of Directors

Responsibilities and Delegation

The Board is responsible for the overall management and control of the Company. Its main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively, and acting in the interests of the Company and its shareholders at all times.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company (the "**Company Secretary**") and senior management. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon making reasonable request to the Board. The Board has implemented appropriate measures and internal control procedures to ensure that the Company runs its business pursuant to all applicable legal and regulatory requirements with prudence and integrity.

The senior management are obliged to supply the Board with adequate information in a timely manner to enable the Board to make informed decisions in a timely manner. Each of the Directors is entitled to obtain such records of the Company as are necessary to enable them to make informed decisions. Biographical details of the Directors and their relationships with other members of the Board are set out under the section headed "Profiles of the Directors and Senior Management" in this annual report.

Issues reserved for discussion and approval by the Board include the following: (i) corporate strategies; (ii) annual budget and annual business plan; (iii) annual and interim results; (iv) internal control and risk management; (v) major acquisitions, disposals and capital transactions; and (vi) other significant operational and financial matters.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim financial statements for the Board's approval before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal control and risk management systems, and compliance with relevant statutory requirements and rules and regulations. The executive Director should assume individual responsibilities to oversee and monitor the operations of a specific business unit, and to implement the strategies and policies set by the Board. The independent non-executive Directors will provide independent advice to the Board and share their knowledge and experience with other members of the Board.

Board Composition

The Board currently comprises one executive Director and five non-executive Directors with three of them being independent non-executive Directors:

Executive Director
Mr. Tong Fei

Non-executive Directors
Mr. Wang Zhenyu
Mr. Zhang Jianxing *(Acting Chairman)*

Independent non-executive Directors
Mr. Hu Yuming
Mr. Lin Lei
Mr. Zhang Xiaoya

The Company has received from each independent non-executive Director an annual confirmation or confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such Directors to be independent.

All Directors have brought a wide range of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Moreover, through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction of the Company. Apart from regular Board meetings, the acting chairman also held meetings with the independent non-executive Directors without the presence of other Directors.

Appointment and Re-election of Directors

All Directors are appointed for a fixed term of three years. The articles of association of the Company ("**Articles**") require that one-third of the Directors (including executive and non-executive Directors) retire each year. The Directors to retire each year shall be those appointed by the Board during that year and those who have been longest in office since their election or re-election. A retiring Director is eligible for re-election.

Apart from the service agreement or letter of appointment (as the case may be) entered into by each non-executive Director, none of them has signed any form of service contract with the Company or any of its subsidiaries.

Chairman and Chief Executive Officer

A.2.1 of the CG Code requires that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. The acting chairman of the Board is Mr. Zhang Jianxing and the functions of Chief Executive Officer are performed by Mr. Zhao Yufeng. The acting chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authority to manage the daily business of the Group in all aspects effectively.

Continuous Professional Development of Directors

Under code provision A.6.5 of the CG Code, 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 relevant.

All Directors are encouraged to attend relevant training courses at the Company's expense. During the year ended 31 December 2021, the Company organized briefings conducted by the Company Secretary for the Directors including Mr. Tong Fei, Mr. Wang Zhenyu, Mr. Zhang Jianxing, Mr. Hu Yuming, Mr. Lin Lei and Mr. Zhang Xiaoya, on corporate governance and provided reading materials on regulatory updates to them for their reference and studying. Directors are requested to provide their training records to the Company Secretary for record-keeping.

Board Committees & Corporate Governance Functions

The Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee for overseeing particular aspects of the Company's affairs. The Audit Committee, the Remuneration Committee and the Nomination Committee have been established with defined written terms of reference, which are posted on the Company's website "www.nfa360.com" and the Stock Exchange's website and are available to shareholders upon request. All Board committees report to the Board on their decisions or recommendations.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Audit Committee

The Audit Committee comprises a total of three members, being two independent non-executive Directors, namely, Mr. Hu Yuming (Chairman) and Mr. Lin Lei, and one non-executive Director, namely, Mr. Wang Zhenyu. The chairman of the Audit Committee is Mr. Hu Yuming who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The terms of reference of the Audit Committee have been determined with reference to the CG Code. The main duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; (ii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; (iii) make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and (iv) review the adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system, internal audit function and associated procedures and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

On 10 December 2015, the Board adopted the updated terms of reference of the Audit Committee so that the Audit Committee shall also oversee the risk management system of the Group starting from 1 January 2016.

During the year ended 31 December 2021, the Audit Committee, through its meetings held on 5 March 2021, 30 March 2021 and 30 August 2021, respectively, has performed, among others, the following:

- approval of recognition of impairment loss on relevant receivables in the annual financial results for the year of 2020;
- review and discussion of the annual financial results and report in respect of the year ended 31 December 2020 and interim financial results and report for the six months ended 30 June 2021 and discussion with the management of the accounting principles and practices adopted by the Group;
- discussion on and recommendation of the re-appointment of the external auditors; and
- review of the internal control, financial reporting and risk management systems and effectiveness of internal audit function of the Group.

The external auditors were invited to attend the meetings of the Audit Committee held during the Year to discuss with the Audit Committee members issues arising from the audit and financial reporting matters.

Remuneration Committee

The Remuneration Committee comprises a total of three members, being two independent non-executive Directors, namely, Mr. Hu Yuming (Chairman) and Mr. Zhang Xiaoya; and one non-executive Director, namely, Mr. Zhang Jianxing.

The terms of reference of the Remuneration Committee have been determined with reference to the CG Code. Under the terms of reference of the Remuneration Committee, the responsibilities of the Remuneration Committee include, among others, (i) to make recommendations to the Board on the Company's policy and structure for Directors and senior management's remuneration and the establishment of a formal and transparent procedure for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration; and (ii) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and the Company's senior management.

During the year ended 31 December 2021, the Remuneration Committee, through its meeting held on 30 March 2021 has performed, among others, the following:

- review and discussion of the remuneration policy of the Group, the remuneration packages of the Directors and senior management of the Company, and assessed the performance of the executive Director.

The remuneration of the Directors is determined by the Board which receives recommendations from the Remuneration Committee. Under our current compensation arrangements, the executive Directors are entitled to compensation in the form of salaries and a performance-related bonus to be determined by the Board. Non-executive Directors are entitled to a Directors' fee and annual bonus payment to be determined by the Board. All the independent non-executive Directors are entitled to remuneration of a fixed amount.

There has been no remuneration paid or payable to the Directors or the five highest paid individuals as inducement to join or upon joining the Group or as a compensation for loss of office in connection with the management of the affairs of any member of the Group in respect of the year ended 31 December 2021.

Details of the remuneration of each Director and the remuneration of the five highest paid individuals for the year ended 31 December 2021 are set out in note 10 to the financial statements in this annual report.

Remuneration paid to senior management staff of the Company in 2021 by band is as follows:

	Number of staff
Nil to HK$1,000,000	4
HK$1,000,001 to HK$1,500,000	1

Nomination Committee

The Nomination Committee comprises a total of three members, being two independent non-executive Directors, namely, Mr. Zhang Xiaoya and Mr. Lin Lei and one non-executive Director, namely, Mr. Zhang Jianxing (Chairman).

The terms of reference of the Nomination Committee have been determined with reference to the CG Code. Under the terms of reference of the Nomination Committee, the principal duties of the Nomination Committee are mainly to (i) review the structure, size and composition of the Board annually; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive Directors; and (iv) make recommendations to the Board on the appointment or re-appointment of Directors.

When evaluating the appropriateness of candidates to be appointed as Directors, the Nomination Committee will take into consideration factors such as character, integrity, accomplishments, experience, qualifications and time commitment to the Group's business. After the Nomination Committee's nomination of suitable Director candidates, the Board shall make the final decision on all matters relating to the appointment of candidates as Directors and its recommendation of candidates for election in any general meeting.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, in selecting the candidates to the Board, various factors will be taken into account, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. The Company currently does not formulate measurable objectives for the implementation of the board diversity policy. As at the date of this annual report, the Board comprises six directors, among which three are independent non-executive Directors, who are independent from the management of the Group and promote the supervision of management process. In terms of gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, the current Board members possess a variety of business and professional backgrounds and are distributed in different age groups, therefore the Board is characterized by significant diversity. Biographical details of each Board member are set out in the section headed "Profiles of the Directors and Senior Management" in this annual report.

During the year ended 31 December 2021, the Nomination Committee, through its meeting held on 30 March 2021 performed the following:

- review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company; and

- recommendation of the re-appointment of those Directors standing for re-election at the 2021 annual general meeting of the Company.

Strategy Committee

The strategy committee of the Company (the "**Strategy Committee**") consists of three members, namely Mr. Zhang Xiaoya, Mr. Wang Zhenyu, and Mr. Lin Lei (Chairman). The duties of the Strategy Committee include formulating and revising the Group's future development strategies, carrying out procedures and enhancing the efficiency and quality of important decision-making procedures. The Strategy Committee shall convene meetings to discuss important investment and financing matters.

During the Year, the Group has not been involved in any corporate action that requires the involvement of the Strategy Committee.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

Up to the date of this annual report, the Board met once to review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on the compliance of the Model Code, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Record of Directors and Committee Members

During the year ended 31 December 2021, the Board held 5 Board meetings. The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2021 is set out in the table below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Mr. Tong Fei	5/5	–	–	–	2/2
Mr. Wang Zhenyu	5/5	3/3	–	–	1/2
Mr. Zhang Jianxing	4/5	–	1/1	1/1	2/2
Mr. Hu Yuming	5/5	3/3	1/1	–	1/2
Mr. Lin Lei	4/5	2/3	–	1/1	0/2
Mr. Zhang Xiaoya	5/5	–	1/1	1/1	2/2

Directors' and Auditors' Responsibilities for the Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2021. The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on pages 56, 57 and 58 of this annual report.

As set out in note 2(b) to the financial statements in this annual report which describes that the Group incurred a loss for the year of RMB88,951,000 and the Group had short-term bank and other borrowings amounting to RMB264,035,000. As at 31 December 2021, the Group had cash and cash equivalents amounting to RMB38,929,000 which is insufficient to fully repay the bank and other borrowings expiring within 12 months. These indicates that the Group's ability to meet these liquidity requirements depends on its ability to generate sufficient net cash inflows from future operations and other sources; and the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In the opinion of the Directors, in light of the various measures or arrangements implemented after the end of the reporting period together with the expected results of the measures as detailed in the said note 2(b), such as tightening cost control, obtaining additional bank facilities and the Subscription, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the financial statements to this annual report.

Internal Control and Risk Management

The internal control and risk management systems of the Group have been designed to safeguard the assets of the Group, minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against misstatement or losses. During the Year, an internal audit function has been in place within the Group to review the adequacy and effectiveness of its internal control and risk management systems.

The Board is responsible for maintaining and reviewing annually the effectiveness of the risk management and internal control systems of the Group. During the Year, the Group's internal audit personnel assessed in detail the effectiveness of the risk management and internal control systems of the Group by reviewing each of the important steps and procedures of the systems and evaluating the possible operational and compliance risks which may exist in the Group's business. The Audit Committee reviewed and discussed the findings of the Group's internal audit personnel, as well as the comments and suggestions from the Company's external auditors regarding the effectiveness of the risk management and internal control systems of the Group, to ensure prompt remedial actions are taken. With reference to the report from the Audit Committee, the Board has held a meeting to conduct a review of the effectiveness of the risk management and internal control systems of the Group, which covered all material controls including internal control, financial, operational and compliance control and risk management functions. The Board considered that the risk management and internal control systems of the Group are effective and adequate.

The Group has established systems and procedures for disseminating inside information so as to ensure that inside information is promptly identified. Directors and the management of the Group understand that inside information should be handled and disseminated in accordance with the requirements under the Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). During the Year, the dissemination of inside information of the Group has been efficiently and consistently made with the assistance of the Company Secretary and, when necessary, outside legal counsel.

During the Year, the Board has also assessed the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions of the Group and considered that they are effective and adequate.

External Auditors and Auditors' Remuneration

During the Year, the fees paid/payable to HLB Hodgson Impey Cheng Limited (the "**Auditor**") in respect of their audit services for the year 2021 amounted to RMB2,500,000, which is for the annual audit service.

During the Year, the performance of the Auditor has been reviewed by the Audit Committee.

Company Secretary

The Company does not engage an external service provider as its Company Secretary. Mr. Liu Xiaohua, being the Company Secretary, has taken no less than 15 hours of relevant professional training during the year ended 31 December 2021.

Communications with Shareholders and Investors Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and the timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at "www.nfa360.com", where extensive information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. For enquiries, shareholders and investors may write directly to the Company's head office at Room 1809, Feidiao International Building, No.1065A Zhaojiabang Road, Xuhui District, Shanghai, the People's Republic of China and all enquiries will be dealt with in an informative and timely manner.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. Board members of the Group are available at the general meetings to answer any questions raised by shareholders.

The Company continues to enhance communication and its relationship with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them informed of the Group's developments.

Shareholders' Rights

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Articles, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

Address: Room 1809, Feidiao International Building, No.1065A Zhaojiabang Road, Xuhui District, Shanghai, the People's Republic of China (For the attention of the Company Secretary)
Fax: 86-(0)21-6428 2052
Email: gavin_liu@nfa360.com

For the avoidance of doubt, shareholder(s) 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.

During the Year, the Company has not made any changes to its Articles. An up-to-date version of the Articles is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Articles for further details of their rights.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nfa360.com) immediately after the relevant general meetings.

About the ESG Report

Framework, Period and Scope of the ESG Report

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") set out in Appendix 27 to the Listing Rules and adheres to the principles of "Materiality, Quantitativeness, Balance and Consistency". This ESG report, which is the sixth one issued by the Company to the public, aims to describe the Company's polices in the year ended 31 December 2021 that were designed to fulfill the Company's obligations with respect to sustainable development and the social responsibilities as required by the ESG Guide. The Board is of the view that the Company has complied with the "comply or explain" provision set out in the ESG Guide for the Year.

The information disclosed in this ESG report primarily concerns the two production plants and the automotive dealership and services business of the Group.

The Company believes that sound environmental, social and governance performance is important to the sustainable development of its business and communities. The Company is committed to not only creating value for its shareholders, but also devoting to the promotion of environmental protection, social responsibility and effective corporate governance. Certain environmental, social and governance standards have been integrated into the operations and activities of the members of the Group. The Board and management of the Group monitors, on an on-going basis, the development, implementation and effectiveness of various environmental, social and governance initiatives carried out by the members of the Group.

Engagement of Stakeholders

The Company recognizes that the expectations and feedback from its stakeholders are integral to the Company's continuous improvement of sustainable development performance. To disclose its most significant issues in this ESG report, the Company organizes meetings for stakeholders (including investors, shareholders and employees) to attend on a regular basis. Effective communication with stakeholders is maintained through daily operations, such as regular meetings, corporate website, written/electronic correspondence, and training, etc., to discuss and review issues concerned, which helps the Company understand the reasonable expectations and interests of stakeholders and prepare for future challenges.

Stakeholders' Feedback

The Company welcomes any opinions and suggestions from its stakeholders. You may provide valuable advice in respect of the ESG report or our performance in terms of sustainable development by post to us at 5/F, 180 Hennessy Road, Wan Chai, Hong Kong.

1. Environmental Protection

To demonstrate the Group's commitment to sustainable development and compliance with the laws and regulations relating to environmental protection, we strive to minimize the environmental impact of our business activities and maintain green operations and green office practices.

The Group attaches great importance to the impact on the natural environment during business operations, and strives to promote feasible environmental protection measures, formulate environmental protection goals, reduce the impact of business operations on the natural environment, and promote the sustainable development of the Group. At this stage, the places where the Group's business may have environmental impacts are existing office spaces and production plants. In order to further reduce our impact on the natural environment, we have established the following environmental goals:

- Implementing garbage classification and recycling at office spaces with the legal disposal rate of hazardous waste reaching 100%;

- Ensuring that the sewage and solid wastes discharged meet the standards, preventing major environmental pollution accidents at production plants, and handling the waste according to the principles of recycling, harmlessness and reduction to avoid waste of resources;

- Achieving zero major environmental incident, with waste water, exhaust gas, air pollutant emission and noise control meeting local requirements.

1.1 Emissions

The Group is governed by, and has complied with, the Law on Environmental Protection of the People's Republic of China (《中華人民共和國環境保護法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), and the Law on Prevention and Control of Environmental Noise Pollution of the People's Republic of China (《中華人民共和國環境噪聲污染防治法》). A set of relevant guidelines has been prepared by the headquarters of the Group with reference to relevant regulations and national standards, to cause the members of the Group to observe such rules and requirements in their daily operations. During the Year, the Group was not subject to any fines or related litigation arising out of any alleged environmental pollution.

The greenhouse gas emissions of the Group are on the one hand generated from the electricity consumed by the operations of the Group's office, the two production plants of the manufacturing business and automotive dealership stores, and on the other hand generated from the vehicle fuel consumption, paper waste and wastewater of the Group. To reduce carbon emissions, other than taking electricity-saving measures, the Group also actively promotes green energy and adopts photovoltaic systems in production plants. In addition, the Group highly advocates green practices among the staff, promotes paper reuse and continuously reuses the wastewater after treatment, which have effectively reduced carbon dioxide emissions. The Group's emissions of carbon dioxide were 6,673.45 tonnes in 2021, representing a decrease of 1,052.8 tonnes as compared with 2020, of which the direct greenhouse gas emission (Scope 1) was 932.5 tons, and the direct greenhouse gas emission (Scope 2) used for purchased electricity was 5,740.95 tons. The intensity of carbon dioxide emissions of the Year (calculated per employee) was 6.89 tonnes per person.

The waste gas emissions of the Group (including nitrogen oxides, sulfur oxides and particulate matters) are mainly derived from the use of vehicles. In order to reduce waste gas emissions, the Group regularly repairs and cleans vehicles, uses high-quality gasoline, and encourages its employees to use public transportation. The reduction in business travel activities during the epidemic also brought down the total waste gas emissions. The Group's waste gas emissions data in 2021 are as follows:

	2020	**2021**	Year-on-year decrease (%)	Intensity of the Year (calculated by per employee)
Nitrogen oxides (tonnes)	0.0795	**0.0393**	50.57	0.000041
Sulfur dioxide (tonnes)	0.0021	**0.0009**	57.14	0.000001
Particulate matters (tonnes)	0.0059	**0.0029**	50.85	0.000003

Among various wastes generated from the operations of the Group, hazardous waste mainly include office trash (including used toner cartridges and ink cartridges) produced in the office of each of our subsidiaries; non-hazardous waste mainly include waste tires, waste batteries and wastewater generated from operations. The Group conducts waste separation for hazardous waste and non-hazardous waste. For waste that can be recycled or reprocessed, it would be recycled and sold to relevant suppliers to save energy. As for other wastes, the Group would deliver them to qualified third parties for legal treatment so as to reduce the environmental impact. The Group places emphasis on wastewater emission management and adopts measures such as recycling and reuse to reduce wastewater emissions. The table below sets forth the volume of various wastes generated by the Group in 2020 and 2021, respectively.

Hazardous waste:

	2020	**2021**	Year-on-year decrease (%)	Intensity of the Year (calculated by per employee)
Used toner cartridges (tonnes)	0.24	**0.20**	16.67	0.000205
Used ink cartridges (tonnes)	0.74	**0.71**	4.05	0.000734
Waste oil (tonnes)	0.13	**0.11**	15.38	0.000114

Non-hazardous waste:

	2020	**2021**	Year-on-year decrease (%)	Intensity of the Year (calculated by per employee)
Waste tires (tonnes)	0.011	**0.006**	45.45	0.000006
Waste batteries (tonnes)	0.018	**0.015**	16.67	0.000015
Wastewater (tonnes)	47,195.06	**26,085.020**	44.73	26.919525

1.2 *Use of Resources*

The Group's main consumption of resources comprises of water, electricity and paper (including paper used in offices and paper for packaging). In the course of operation, the Group actively advocates the idea of green offices and reduces the consumption of resources by various measures. For example:

- reduce the consumption of disposable packaging materials, and gradually change the packaging materials for accessories from paper boxes to recyclable plastic boxes;

- adopt computerized automatic car wash technology to save the consumption of water and electricity;

- post slogans advocating water-saving and electricity-saving in public areas;

- turn off water and electricity in advance during festivals and holidays, and assign designated staff for management to avoid unnecessary waste of resources during non-working days;

- adopt LED light-saving light bulbs in both office areas and business places, with separate control by zone and row;

- give priority in adopting internet telephone conferences to minimize the unnecessary carbon emissions generated from long and short-haul business travels; and

- adopt the OA (office automation) system to carry out document approval and write-off, and use fingerprints for attendance records, so as to realize a paperless office.

By adopting the abovementioned various energy-saving measures, the consumption of water, electricity and paper of the Group decreased significantly in 2021. The total water consumption of the Group amounted to 159,140.56 tonnes in 2021, representing a decrease of 8.18% as compared with 2020 or a reduction of 14,182 tonnes as compared with the total consumption in 2020. The Group's water is mainly from municipal water supply pipelines and there is no difficulty in sourcing water. The Group formulates management plans on a yearly basis, and reduces water consumption and energy consumption through daily operation control, inspection and maintenance to achieve annual water-saving and energy-saving targets. The total electricity consumption of the Group amounted to 6,058,225 kWh in 2021, representing a decrease of 41,728.14 kWh as compared with 2020. The Group consumed a total of 815,000 pieces of office paper in 2021, representing a decrease of 39,500 pieces as compared with 2020. The packaging materials used by the Group are primarily cardboard, paper and plastic, with a total volume of packaging materials of 3,884.51 tonnes in 2021 (2020: 3,705.43 tonnes), representing an increase of 179.084 tonnes as compared with 2020.

	2020	**2021**	Year-on-year decrease (%)	Intensity of the Year (calculated by per employee)
Water (tonnes)	173,322.56	**159,140.56**	8.18	164.23
Electricity (kWh)	6,099,953.55	**5,758,225.31**	5.60	5,942.44
Office paper (pieces)	854,500	**815,000**	4.62	841.07

1.3 The Environment and Natural Resources

The material impact of the Group on the environment and natural resources during the course of production is mainly caused by water and electricity consumption as well as carbon emissions. To minimize its impact on the environment and natural resources, the Group not only strictly complies with various environmental laws and regulations, but also implements clean operation by sustaining technology innovation, continuously improving resource efficiency and reducing the emissions of wastes.

1.4 Climate Change

Climate change poses a threat to our planet and all human beings. It is a major challenge that we must face. The automotive industry to which we belong is a main contributor of global carbon emissions. Therefore, the Group shoulders an important responsibility in the mitigation of climate change. At the same time, we believe that climate change presents both major risks and opportunities to our operations in various aspects. For instance, extreme weather conditions may result in more frequent and violent typhoons that may cause damage to the Group's operations. As such, we will monitor updates from the observatory closely during typhoon season and plan for the logistics ahead in order to prevent disruption to our operations. In addition, the natural environment may change accordingly, potentially increasing the procurement costs of the Group's products. We will continue to minimize the impact of the Group's operations on the environment, thereby slowing down the pace of climate change.

2. Social Responsibility

2.1 Employment and Labor Practices

The Group believes that one of the key aspects of its success lies in its good relationship with its employees. To ensure employee satisfaction, the Group provides competitive employee benefits and comprehensive training programs to encourage employees to tap into their potential and bring out the best in them.

The practices and policies adopted within the Group relating to: (i) recruitment and promotion; (ii) working hours; (iii) rest periods; (iv) equal opportunity; (v) diversity; (vi) anti-discrimination; (vii) other welfare and benefits; and (viii) compensation and dismissal are in compliance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other relevant laws and regulations. Through these practices and policies, the Group aims to treat each staff member equally and ensure that no staff, including potential candidates of the Group, will be discriminated due to their social identities in respect of ethnicity, race, nationality, gender, religion, age, sexual orientation and marital status.

Each member of the Group has adopted an employee handbook, which contains information regarding employment management, rights on termination, business conduct, social security funds, compensation, employee benefits, leave benefits, working hours/overtime and performance management and other policies on employee benefits. The Group provides employees with competitive remuneration packages. Other than statutory benefits, the Group has also set up the "Share Option Scheme" to provide the Directors and employees with incentives and rewards for their contributions to the success of the Group.

To raise employees' sense of belonging and happiness, the Group also organizes a wide array of recreational and sports activities to enrich employees' work and life, and improve the experience of employees at work.

Total workforce by gender, age group, employment type and geographical region:

Category		**FY2020/21**	FY2019/20	FY2018/19
Number of employees by gender	Male	**693**	868	1,005
	Female	**457**	535	794
Number of employees by age	18-30	**297**	389	496
	31-40	**578**	658	890
	41-50	**194**	259	305
	Over 51	**81**	97	108
Number of employees by employment type	Full Time	**969**	1,142	1,591
	Seasonal	**181**	261	208
Number of employees by geographical region	Shanghai	**684**	734	894
	Inner Mongolia Autonomous Region	**269**	399	559
	Shandong Province	**197**	213	257
	Other regions	**–**	57	89
Total number of employees		**1,150**	1,403	1,799

Employee turnover rate by gender, age group and geographical region:

Category		**FY2020/21**	FY2019/20	FY2018/19
Turnover rate by gender	Male	**175**	137	1,614
	Female	**78**	259	882
Turnover rate by age	18-30	**92**	107	337
	31-40	**80**	232	2,038
	41-50	**65**	46	110
	Over 51	**16**	11	11
Turnover rate by geographical region	Shanghai	**50**	160	157
	Inner Mongolia Autonomous Region	**130**	160	136
	Shandong Province	**16**	44	89
	Other regions	**57**	32	2,114
Total turnover rate		**22%**	28%	–

2.2 Health and Safety

To safeguard employees' occupational health and safety, the Group commits to providing a safe, healthy and comfortable working environment, and complies with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Regulations on Work-Related Injury Insurance (《工傷保險條例》) and other applicable regulations. Employees are required to strictly comply with all safety rules and regulations, and take the available and applicable protection measures at all times to avoid accidents, so as to protect themselves and coworkers from safety risks. Adequate safety equipment is provided to the employees of the Group. All employees of the Group are also covered by work-related injury insurance, in which our employees are provided with certain compensation in case of work-related injuries as required by relevant laws and regulations. For newly recruited employees, relevant training will be arranged to ensure that such employees fully understand the rules set out in the employee handbook, including those concerning work-related risks and corresponding protective measures. As for the Group's factories, the supervisors of the new employees are responsible for closely monitoring their activities in production plants to protect the health and safety of such new employees.

In addition to safety training, we also organize fire safety seminars annually to ensure that employees understand and are familiar with fire safety and fire rescue knowledge. Fire drills are arranged when necessary and as appropriate. Various fire-fighting facilities have been installed in the offices, including fire sprinkler systems, fire extinguishers, fire hoses, etc., and are regularly maintained by external professional teams to reduce fire hazards and improve the fire prevention awareness among employees.

With the outbreak of COVID-19, the Group has taken measures to safeguard the safety of its employees and internal security of the Group, and to ensure business continuity. In response to the public health measures of the PRC government, the Group has promptly set up crisis management teams in its production plants in China to coordinate and arrange for the provision of services to maintain normal operations. Except for the blockade period in the PRC, the Group has enhanced the environmental hygiene in its working areas upon resumption of operations to ensure a healthy and safe working environment, such as providing sufficient protective gears and surgical masks to its employees and conducting stringent temperature checks on its employees and suppliers before entering the premises. The Group has also issued guidelines to its staff to advise on reporting measures to respond to COVID-19 outbreaks among its staff and relevant family members.

During the years ended 31 December 2019 and 2020 and the Year, there were no work-related fatalities that occurred. The number of lost days due to work injury during the Year was 180.

2.3 *Development and Training*

To encourage employee development, the Group provides human resource training, including customized training courses, to help employees develop managerial knowledge and other professional skills that help them advance their careers.

New employees are provided with on-board training to help them familiarize themselves with the culture, business and operations of respective subsidiaries of the Group. In addition, to enhance the occupational techniques of its employees, the Group also organizes different business training programs on a regular basis. Below are the photos of the training events conducted by subsidiaries of the Group.

The Group has developed a scientific performance evaluation management system to ensure that the criteria of performance evaluations are open, and the processes and results of evaluations are just and fair. Individual performance results are linked with the employee's income and opportunities for promotion within the Group.

Category		**FY2020/21**	FY2019/20	FY2018/19
Percentage of employees trained by gender	Male	**100%**	100%	99%
	Female	**100%**	100%	99%
Average training hours completed per employee by gender	Male	**52**	47	55
	Female	**52**	47	55
Percentage of employees trained by employee category	Full Time	**100%**	100%	99%
	Seasonal	**99%**	98%	98%
Average training hours completed per employee by employee category	Full Time	**54**	48	56
	Seasonal	**46**	44	48

2.4 Labor Standards

The Group strictly prohibits child labor and forced labor, and has complied with the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). We audit and verify staff identity during the recruitment process to ensure that no child labor is employed. The Group also strictly complies with the relevant PRC labor regulations relating to working hours, rest and holidays to ensure the physical and mental health of all employees. No employee is forced to work overtime and all employees are entitled to overtime pay in accordance with local regulations.

2.5 Supply Chain Management

In the selection of our suppliers, the Group has certain criteria in place to examine supplier qualifications, including review of the qualifications of the enterprise's legal person, qualification level, registered capital, ISO quality certification, ISO environmental certification, ISO occupational health and safety certification, production safety, financial conditions and the environmental impact of their products or services. We also conduct on-site inspections on the suppliers' production plants and review the authenticity of the information provided by our suppliers.

The Group is also committed to ensuring that its suppliers are socially responsible. Suppliers are urged to take measures to mitigate environmental and social risks. The Group closely monitors the performance of its suppliers and conducts assessments on a regular basis.

Currently, the Group have 325 suppliers, including 314 suppliers in China and 11 suppliers in overseas regions (including Hong Kong, Macao and Taiwan).

2.6 Product Responsibility

The Group complies with various PRC regulations relating to its business operations in such aspects as health and safety, advertising, labelling and privacy matters relating to its products and services, including the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), and the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》).

The Group recognizes the importance of guaranteeing the safety of its products and services. The manufacturing business of the Group adopts strict quality control systems throughout its design and production of auto accessories, and has purchased product liability insurance for its products in accordance with applicable laws and regulations and the requirements of our customers. The service business of the Group carefully inspects the qualifications of its suppliers to ensure the quality of the products provided by those suppliers.

The Group's customer information is centrally managed through a customer relationship management system. All employees of the Group, particularly those engaged in the Group's service business, are required to keep the information of our customers strictly confidential. Any unauthorized use of the customer information is strictly prohibited.

During the Year, the Group was not aware of any violation of the laws and regulations on products and services (including product and service quality, advertising, labelling, customer privacy, and consumer rights and interests) which had a material impact on the Group. During the Year, the Group did not have any products recalled due to health and safety reasons nor any product related complaints.

The Group upholds the value to protect intellectual property rights as it is crucial for competitiveness and brand value. We have organized training and established internal controls in protecting the Group's intellectual property rights. We offer training on intellectual property to new hires to enhance their awareness of intellectual property protection. In daily work, we sign non-disclosure agreements with employees, and require each department to carry out periodical patent training, explore patent application potential, stay up-to-date with industry trends, and continually improve our intellectual property protection system. Meanwhile, we respect the intellectual property rights of others and take every possible step to avoid infringing others' intellectual property rights. We only procure products from suppliers directly or through officially authorized distributors. We strictly comply with the relevant laws where our operations are based.

The Group has established proper return and recall procedures for defective products. The Group provides a holistic product return and recall system to increase its customers experience with its service. The Group adopts the repair, replace and recall procedure on defective products through its recall management procedure in a timely manner to prevent personal injury and property loss caused by safety and quality defects.

2.7 *Anti-corruption*

The Group maintains a high level of business integrity throughout its operations, has zero tolerance over corruption or bribery in any form, and strictly complies with the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and other laws and regulations relating to anti-corruption, bribery, extortion, fraudulent behavior and money laundering.

The Group has also established a code of conduct to combat and prevent the occurrence of bribery, corruption, extortion and other illegal activities within the Group. A whistle-blowing policy is included in the code of conduct to encourage employees, suppliers and customers of the Group to report any such alleged illegal activities within the Group.

During the Year, there were no concluded legal cases regarding corrupt practices against the Company or its employees.

2.8 *Community Investment*

The Group is, as always, committed to its social responsibility and community communication, and has conducted related community activities according to the needs of the community. With social responsibility in mind, the Group has been ramping up its efforts in charity work. The Group strives to promote social development and progress by contributing to education, charity and other areas.

The Directors present their annual report for the year ended 31 December 2021 and the audited consolidated financial statements (the "**Financial Statements**") of the Group for the Year.

Principal Activities

The Group focuses on the innovative production of environmentally friendly automotive lighting and automotive electronic power products (the Group's manufacturing business) as well as sales of automobile, provision of after sales services and distribution of automobile insurance and financial products (the automotive dealership and services business of the Group), with an aim to providing automobile consumers with products and services with premium performance-price ratio.

Details of the principal activities of the subsidiaries of the Company are set out in note 20 to the Financial Statements.

Business Review

Discussions and reviews of the Group's business are contained in the section headed "Management Discussion and Analysis" in this annual report. These discussions and reviews form part of this Report of the Directors.

Dividend Policy

The objective of the Company's dividend policy is to share the Company's profits with its shareholders whilst retaining adequate reserves for the Group's future growth. The Directors shall submit a resolution at the general meeting on whether to distribute a dividend based on various factors, including but not limited to the profit, liquidity, working capital, capital expenditure and future plans of the Group. The Group shall also comply with the related requirements of the Companies Law of the Cayman Islands, the Articles and any applicable laws and regulations.

Results and Dividends

The consolidated results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 59 to 60 of this annual report. An analysis of turnover and segmental results for the Year by geographical and business segments is set out in note 6 to the Financial Statements.

The Directors do not recommend the payment of a final dividend for the Year (2020: Nil).

Property, Plant and Equipment

Details of the movements of property, plant and equipment of the Group during the Year are set out in note 15 to the Financial Statements.

Investment Properties

Details of the movements of investment properties of the Group during the Year are set out in note 18 to the Financial Statements.

Pledging of shares by the controlling shareholder

On 28 September 2021, CDH Fast Two Limited, the controlling shareholder of the Company, has executed a deed of share charge (the "**Share Charge**") in favour of Mr. Pan Tao (潘濤) (the "**Chargee**"), pursuant to which CDH Fast Two Limited has charged by way of first fixed charge 2,889,580,226 ordinary shares of the Company, representing approximately 42.7% of the issued share capital of the Company as at the date of this annual report, as security for a loan (the "**Loan**") in the amount of US$3,200,000 provided by the Chargee to the Company under a loan agreement (the "**Loan Agreement**") and certain indebtedness in the sum of US$11,506,144.12 and RMB43,910,769.87 owed by the Company to the Chargee. The Loan has a term of three months from its utilisation date and has been extended until 25 May 2022 pursuant to the terms of the Loan Agreement. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquires, the Chargee is a third party independent of the Company and its connected persons (as defined in the Listing Rules). Details of the Share Charge were disclosed in the announcement of the Company dated 28 September 2021.

Reserves

Movements of reserves of the Group and the Company are set out in the consolidated statement of changes in equity and note 30 to the Financial Statements.

Share Capital

Details of the issued share capital of the Company and its movements during the Year along with the relevant reasons are set out in note 29 to the Financial Statements.

Distributable Reserves

Under the Companies Law of the Cayman Islands, a share premium amounting to approximately RMB1,482,219,000 is distributable to shareholders, provided that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to settle its debts as they fall due in the ordinary course of business.

As at 31 December 2021, the reserve available for distribution to shareholders of the Company was nil.

Closure of Register of Members

The register of members will be closed from Thursday, 23 June 2022 to Thursday, 30 June 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 22 June 2022.

Directors

The Directors who held office during the Year and up to the date of this annual report were:

Executive Director

Tong Fei

Non-executive Directors

Wang Zhenyu
Zhang Jianxing *(Acting Chairman)*

Independent Non-executive Directors

Hu Yuming
Lin Lei
Zhang Xiaoya

Biographical details of the Directors are set out in the section headed "Profiles of the Directors and Senior Management" in this annual report.

In accordance with Article 87(1) of the Articles, Mr. Zhang Xiaoya and Mr. Lin Lei will retire by rotation at the forthcoming annual general meeting of the Company. All such Directors being eligible, offer themselves for re-election.

The Company has received from each of its independent non-executive Directors an annual confirmation or confirmation of his independence. The Company considers that all of its independent non-executive Directors are independent.

Directors' Service Contracts

Mr. Tong Fei has entered into a service agreement with the Company for a term of three years commencing from 1 July 2019, and Mr. Wang Zhenyu has entered into a service agreement with the Company for a term of three years commencing from 28 August 2019, and Mr. Zhang Jianxing has entered into a service agreement with the Company for a term of three years commencing from 15 September 2020, subject to retirement by rotation in accordance with the Articles.

Pursuant to the respective letters of appointment of two independent non-executive Directors, namely, Mr. Hu Yuming and Mr. Lin Lei, each of them was appointed for a term of three years commencing from 28 August 2019, subject to retirement by rotation in accordance with the Articles.

Mr. Zhang Xiaoya, an independent non-executive Director, has entered into a letter of appointment with the Company for a term of three years commencing from 20 March 2021, subject to retirement by rotation in accordance with the Articles.

Save as disclosed above, none of the Directors had entered into service contracts with the Company which are not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Changes in Information of Directors and Chief Executives of the Company

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors and chief executives of the Company subsequent to the date of the 2020 Annual Report are set out below:

Name		Details of Changes
Mr. Hu Yuming	–	Resigned as an independent director of Guangdong PAK Corporation Co., Ltd. (廣東三雄極光照明股份有限公司) (SZSE Stock Code: 300625) with effect from 7 April 2021.
Mr. Lin Lei	–	Retired as an independent director of BAIC BluePark New Energy Technology Co., Ltd. (北汽藍谷新能源科技股份有限公司) (Shanghai Stock Exchange Stock Code: 600733) with effect from 7 November 2021.
Mr. Zhang Xiaoya	–	Resigned as an independent non-executive director of China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司) (Stock Code: 02319) with effect from 1 December 2021.

Directors' Interests in Contracts

There was not any transaction, arrangement or contract of significance subsisting during or at the end of the Year in which any Director or an entity connected with the Director is or was materially interested, either directly or indirectly.

Management Contracts

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into during the Year or subsisted as at 31 December 2021.

Controlling Shareholders' Interests in Contracts

No contract of significance had been entered into between the Company or any of its subsidiaries and controlling shareholder or any of its subsidiaries during the Year. In addition, no contract of significance for the provision of services was entered into between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries.

Share Option Scheme

The Company terminated the old share option scheme and adopted a new share option scheme (the "**Scheme**") pursuant to a shareholders' resolution passed on 25 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the Scheme include the Directors, employees, suppliers, customers and business or strategic alliance partners of the Group. The Scheme became effective on 25 June 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date and the remaining life of the Scheme is approximately 2 years and 3 months. A summary of the principal terms of the Scheme was included in the circular dated 30 April 2014 dispatched to the shareholders of the Company.

The maximum number of shares which may be issued upon exercise of all share options granted and to be granted under the Scheme is 376,116,501 shares, representing 10% and 5.56% of the shares of the Company in issue as at the date of adoption of the Scheme and as at the date of this annual report respectively, unless approval for refreshing the 10% limit from the Company's shareholders has been obtained. The maximum number of shares issued and which may be issued under share options granted to each eligible participant in the Scheme (including both exercised and outstanding share options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to prior approval 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 associates, in the 12-month period up to and including the date of the grant of share options in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, are subject to shareholders' prior approval in a general meeting.

Share Option Scheme *(Continued)*

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a nominal consideration of HK$10 in total by the grantee. The exercise period of the share options granted is determined by the Board, save that such a period shall not be more than 10 years from the date of grant of the share options subject to the provisions for early termination as set out in the Scheme. Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum holding period or a performance target which must be achieved before a share option can be exercised.

The exercise price of the share options shall be the highest of (i) the nominal value of a share of the Company on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant.

Share options do not confer rights on the holders to dividends or to vote at general meetings.

As at 31 December 2021, no options granted by the Company under the Scheme remained outstanding. The total number of shares available for issue under the Scheme is 363,076,327 shares, representing approximately 5.36% of the total number of shares in issue as at the date of this annual report.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2021, to the best knowledge of the Directors and chief executive of the Company, none of the Directors or chief executive 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 (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required to be recorded in the register maintained by the Company under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

Substantial Shareholders' Interests and Short Positions in the Shares of the Company

So far as is known to the Directors and chief executive of the Company, as at 31 December 2021, the following persons (other than Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company, which are required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/ Nature of interest	Number of shares interested other than under equity derivatives *(Note 1)*	Number of shares interested under equity derivatives *(Note 1)*	Total number of shares and underlying shares under equity derivatives *(Note 1)*	Percentage of issued shares
Daodu (Hong Kong) Holding Limited *(Note 2)*	Beneficial owner	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
Shenzhen Daodu Industrial Limited Company* (深圳道度實業有限公司) *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
Qingdao Guorui Chunxi Industrial Limited Company* (青島國瑞春熙實業有限責任公司) *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
Qingdao Guorui Xin Fukesi Investment Center, L.P.* (青島國瑞新福克斯投資中心（有限合夥）) (the "**Fund**") *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
Chunxi Asset Management (Beijing) Co., Ltd.* (春熙資產管理（北京）有限公司) ("**Chunxi AM**") *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
Luo Xiaoman *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%

Substantial Shareholders' Interests and Short Positions in the Shares of the Company *(Continued)*

Name	Capacity/ Nature of interest	Number of shares interested other than under equity derivatives *(Note 1)*	Number of shares interested under equity derivatives *(Note 1)*	Total number of shares and underlying shares under equity derivatives *(Note 1)*	Percentage of issued shares
Qingdao Guorui Hengda Investment Development Co., Ltd.* (青島國瑞恒達投資開發有限公司) ("**Guorui Hengda**") *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
Qingdao Changyang Investment Development Limited Company* (青島昌陽投資開發有限公司) *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
Laixi State-owned Assets Investment Center* (萊西市國有資產投資中心) *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
Qingdao Lingdu Venture Capital Management Co., Ltd.* (青島零度創業投資管理有限公司) (the "**General Partner**") *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
Wuhan Zero Innovation Venture Capital Management Co., Ltd.* (武漢零度創新創業投資管理有限公司) (formerly known as Wuhan Huibo Yongdao Venture Capital Management Co., Ltd.* (武漢匯博永道創業投資管理有限公司) (the "**Investment Manager**") *(Note 2)*	Investment Manager	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%

Substantial Shareholders' Interests and Short Positions in the Shares of the Company (Continued)

Name	Capacity/ Nature of interest	Number of shares interested other than under equity derivatives *(Note 1)*	Number of shares interested under equity derivatives *(Note 1)*	Total number of shares and underlying shares under equity derivatives *(Note 1)*	Percentage of issued shares
Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司) *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
Wuhan Optics Valley Union Group Company Limited* (武漢光谷聯合集團有限公司) ("**OVU**") *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
Optics Valley Union Holding Limited Company* (光谷聯合控股有限公司) *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
China Electronics Optics Valley Union Company Limited *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
AAA Holdings Limited *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
China Electronics Optics Valley Union Holding Company Limited ("**CEOVU**") *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
Huang Liping *(Note 2)*	Interest in a controlled corporation	11,252,732,911 (L)	–	11,252,732,911 (L)	166.27%
CDH Fast Two Limited	Beneficial Owner	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%

***Substantial Shareholders' Interests and Short Positions in the Shares of the Company** (Continued)*

Name	Capacity/ Nature of interest	Number of shares interested other than under equity derivatives *(Note 1)*	Number of shares interested under equity derivatives *(Note 1)*	Total number of shares and underlying shares under equity derivatives *(Note 1)*	Percentage of issued shares
CDH Fast One Limited *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
Fast Point Limited *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
CDH Fund IV, L.P. *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
CDV IV Holdings Company Limited *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
China Diamond Holdings IV, L.P. *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
China Diamond Holdings Company Limited *(Note 3)*	Interest in a controlled corporation	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
Pan Tao	Person having a security interest in shares *(Note 4)*	2,889,580,226 (L)	–	2,889,580,226 (L)	42.70%
Fame Mountain Limited	Beneficial owner	1,804,761,905 (L)	–	1,804,761,905 (L)	26.67%
Mo Keung *(Note 5)*	Interest in a controlled corporation	1,804,761,905 (L)	–	1,804,761,905 (L)	26.67%

Substantial Shareholders' Interests and Short Positions in the Shares of the Company *(Continued)*

Notes:

1. The letter "L" denotes a long position in the shares.

2. Each of (i) the Subscriber; (ii) Shenzhen Daodu Industrial Limited Company* (深圳道度實業有限公司) (as the sole shareholder of the Subscriber); (iii) Qingdao Guorui Chunxi Industrial Limited Company* (青島國瑞春熙實業有限責任公司) (as the sole shareholder of Shenzhen Daodu Industrial Limited Company* (深圳道度實業有限公司)); (iv) the Fund (which directly owns 99.11% of Shenzhen Daodu Industrial Limited Company* (深圳道度實業有限公司)); (v) Chunxi AM (which directly owns 50.92% of the Fund); (vi) Luo Xiaoman (who directly owns 82.50% of Chunxi AM); (vii) Guorui Hengda (which directly owns 48.92% of the Fund); (viii) Qingdao Changyang Investment Development Limited Company* (青島昌陽投資開發有限公司) (as the sole shareholder of Guorui Hengda); (ix) Laixi State-owned Assets Investment Center* (萊西市國有資產投資中心) (as the sole shareholder of Qingdao Changyang Investment Development Limited Company* (青島昌陽投資開發有限公司)); (x) the General Partner (as the general partner of the Fund); (xi) the Investment Manager (as the investment manager of the Fund); (xii) Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司) (as the sole shareholder of the General Partner); (xiii) OVU (which directly owns 45% of Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司)); (xiv) Optics Valley Union Holding Limited Company* (光谷聯合控股有限公司) (as the sole shareholder of OVU); (xv) China Electronics Optics Valley Union Company Limited (as the sole shareholder of Optics Valley Union Holding Limited Company* (光谷聯合控股有限公司)); (xvi) AAA Holdings Limited (as the sole shareholder of China Electronics Optics Valley Union Company Limited); (xvii) CEOVU (as the sole shareholder of AAA Holdings Limited); and (xviii) Huang Liping (who owns 25.14% of CEOVU and ultimately and beneficially owns 80% and 40% of two limited partnerships which directly owns 30% and 25% of Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司), respectively), deemed to be interested in the subscription shares to be issued to the Subscriber upon completion of the Subscription pursuant to the terms and conditions of the subscription agreement entered into between the Company and the Subscriber dated 28 May 2021 (a summary of the terms and conditions of which is provided under the section headed "Conditions of the Subscription" under "Letter from the Board" of the circular of the Company dated 29 July 2021).

3. Each of CDH Fast One Limited (as the sole shareholder of CDH Fast Two Limited); Fast Point Limited (as the sole shareholder of CDH Fast One Limited); CDH Fund IV, L.P. (as the sole shareholder of Fast Point Limited); CDH IV Holdings Company Limited (as the general partner of CDH Fund IV, L.P.); China Diamond Holdings IV, L.P. (as the controlling shareholder of CDH IV Holdings Company Limited); and China Diamond Holdings Company Limited (as the general partner of China Diamond Holdings IV, L.P.) is deemed to be indirectly interested in the shares of the Company under the SFO.

4. On 28 September 2021, CDH Fast Two Limited executed the Share Charge in favour of Mr. Pan Tao, pursuant to which CDH Fast Two Limited has charged by way of first fixed charge 2,889,580,226 ordinary shares of the Company, representing approximately 42.70% of the issued share capital of the Company as at the date of this annual report, as security for a loan in the amount of US$3,200,000 provided by the Chargee to the Company under a loan agreement and certain indebtedness in the sum of US$11,506,144.12 and RMB43,910,769.87 owed by the Company to the Chargee. The Loan has a term of three months from its utilisation date and has been extended until 25 May 2022 pursuant to the terms of the Loan Agreement. Details of the Share Charge were disclosed in the announcement of the Company dated 28 September 2021.

5. Mr. Mo Keung (as the sole director and sole shareholder of Fame Mountain Limited) is deemed to be indirectly interested in shares of the Company under the SFO.

* *The English names are transliterations of their respective Chinese names which have not been registered.*

Save as disclosed above, as at 31 December 2021, the Directors are not aware of any person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Arrangements to Purchase Shares or Debentures

Save as disclosed above and under the section headed "Share Option Scheme" in this Report of Directors, at no time during the Year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

Equity-linked Agreements

Save for the Loan Agreement disclosed in this Report of the Directors and the Financial Statements, the Scheme as disclosed in the section headed "Share Option Scheme" and the Subscription as disclosed in the section headed "Equity Fund Raising Activities" in this annual report, no equity-linked agreement was entered into or subsisted during the Year.

Pre-emptive Rights

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

Connected and Related Party Transactions

For the year ended 31 December 2021, there were no connected transactions or continuing connected transactions of the Company which require compliance with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of material related party transactions undertaken in the usual course of business of the Group are set out in note 33 to the consolidated financial statements. However, these transactions were either exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, or did not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Permitted Indemnity

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

Directors' Interests in Competing Business

As at 31 December 2021 and up to the date of this annual report, none of the Directors are considered to be in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

Sale, Purchase or Redemption of the Company's Listed Securities

There were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Year.

Major Customers and Suppliers

Sales to the Group's five largest customers were less than 30% of the total revenue for the Year. Purchases from the Group's five largest suppliers were less than 30% of the total purchases for the Year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

Basis of Determining the Emolument Payable to the Directors

The remuneration of the Directors is determined by the Board which receives recommendations from the Remuneration Committee. In determining the remuneration of the Directors, the Company takes into account each Director's qualifications, experience, duties and responsibilities with the Company, as well as the Company's performance and the prevailing market conditions.

Tax Relief

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holdings in the shares of the Company.

Public Float

As at the date of this annual report, based on public information available to the Company and to the best knowledge of the Directors, the Company maintained sufficient public float, being 25% of the issued share capital of the Company, as required under the Listing Rules.

Auditors

The Financial Statements have been audited by HLB Hodgson Impey Cheng Limited, the auditors of the Company, which will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

HLB Hodgson Impey Cheng Limited was appointed by the Company as its new auditors in place of KPMG at its annual general meeting held on 29 June 2018. For further details about the change of auditor of the Company, please refer to the circular of the Company dated 30 May 2018.

On behalf of the Board
Tong Fei
Executive Director

Hong Kong, 30 March 2022

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
NEW FOCUS AUTO TECH HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of New Focus Auto Tech Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 59 to 163, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other 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 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Boards ("IASB") 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditors' 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 these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(b) to the consolidated financial statements which describes that the Group incurred a loss for the year of RMB88,951,000 and the Group has short-term bank and other borrowings amounting to RMB264,035,000. As at 31 December 2021, the Group had cash and cash equivalents amounting to RMB38,929,000 which is insufficient to fully repay the bank and other borrowings expiring within 12 months. These indicates that the Group's ability to meet these liquidity requirements depends on its ability to generate sufficient net cash inflows from future operations and other sources. As stated in Note 2(b), indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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. In addition to the matter described in the "Material uncertainty related to going concern" section above, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How the matter was addressed in our audit
Impairment assessment of property, plant and equipment and right-of-use assets	
Refer to Notes 15, 16 and 17 to the consolidated financial statements The Group has property, plant and equipment and right-of-use assets of approximately RMB62,272,000 and RMB13,433,000, respectively relating to the manufacture and sale of electronic and power-related automotive parts and accessories in the People's Republic of China as at 31 December 2021 and impairment of property, plant and equipment and right-of-use assets of approximately RMB6,512,000 and RMB6,340,000, respectively relating to automobile dealership and service business were recognised during the year ended 31 December 2021. Management has engaged an independent external valuer to assist in the determination of the value in use of the cash-generating units ("CGUs"). The impairment assessment is a judgmental process, requiring significant estimates and judgements in respect of the forecast future cash flows associated with the CGUs, including the sale growth rate and discount rate. We focused on this area because the balance of property, plant and equipment and right-of-use assets were significant and the assessment involved significant estimates and judgements. Independent external valuation was obtained in order to support the management's estimation.	Our procedures in relation to the management's impairment assessment included but not limited to: • Understanding management's control procedures in relation to impairment assessment, where applicable; • Evaluating of the independent professional external valuer's competence, capabilities and objectivity; • Assessing the appropriateness of the valuation, methodologies, key assumptions and estimates used based on our knowledge of the relevant industry, and using our valuation experts; • Testing the mathematical accuracy of the underlying value in use calculation; and • Assessing the adequacy of the disclosures related to the impairment assessment of property, plant and equipment and right-of-use assets in the context of the applicable financial reporting framework. We found the impairment assessment to be supportable by available evidence.

Key audit matters *(Continued)*

Key audit matters	How the matter was addressed in our audit
Allowance for expected credit losses on the financial assets	
Refer to Notes 22(a), 22(b) and 37(a) to the consolidated financial statements As at 31 December 2021, the Group had the trade receivables and other financial assets, of approximately RMB153,693,000 and RMB857,114,000 respectively before the loss allowance amounting to approximately RMB9,983,000 and RMB319,814,000 has been made on trade receivables and other financial assets respectively. Loss allowances for expected credit losses from trade receivables and other financial assets are based on management's estimate of the lifetime or 12-month expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, repayment history, collaterals and financial position and the assessment of both the current and forecast general economic conditions, all of which involve significant degree of management judgement and estimation. We focused on this area due to the impairment assessment on the financial assets under the expected credit losses model involved the use of significant management judgements and estimates.	Our procedures in relation to the management's expected credit losses assessment on financial assets included but not limited to: • Assessing whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing, on a sample basis, individual items in the report with the relevant sales invoices and credit terms; • Assessing the reasonableness of management's loss allowance estimate on financial assets by examining the information used by management to form such judgements, including on a sample basis, testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current conditions and forward-looking information; and • Assessing the reasonableness of recoverability of financial assets with reference to historical utilisation pattern and credit history of trade debtors including default or delay in payments, settlement records, subsequent settlements and ageing analysis. We found that the management judgment and estimates used to assess the recoverability of the financial assets and determine the impairment provision to be supportable by available evidence.

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

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 and the audit committee for the consolidated financial statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditors' responsibility 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 auditors' report that includes our opinion. We report our opinion 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.

Auditors' responsibility 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 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 of 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 auditors' 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 director on the audit resulting in this independent auditors' report is Tien Sun Kit, Jack.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Tien Sun Kit, Jack
Practising Certificate Number: P07364

Hong Kong, 30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021 *(Expressed in Renminbi)*

	Notes	**2021** **RMB'000**	2020 RMB'000 (Restated)
Continuing operations:			
Revenue	*6*	**728,142**	890,913
Cost of sales and services		**(625,688)**	(790,477)
Gross profit		**102,454**	100,436
Other revenue and gains or losses, net	*7*	**(28,330)**	(31,872)
Provision of allowance for expected credit losses on trade receivables, deposits, and other receivables, net	*37(a)*	**(1,864)**	(298,673)
Impairment loss of property, plant and equipment and right-of-use assets	*17*	**(12,852)**	–
Distribution costs		**(62,615)**	(95,343)
Administrative expenses		**(57,678)**	(72,643)
Finance costs	*8*	**(25,885)**	(42,630)
Loss before taxation from continuing operations	*9*	**(86,770)**	(440,725)
Income tax expense	*11*	**(15,960)**	(22,282)
Loss for the year from continuing operations		**(102,730)**	(463,007)
Discontinued operation			
Profit/(loss) for the period/year from discontinued operations, net of income tax	*12*	**13,779**	(10,651)
Loss for the year		**(88,951)**	(473,658)
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**1,883**	(4,487)
Items that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income: net movement in the fair value reserve		**(9,492)**	(26,724)
Other comprehensive loss for the year, net of tax		**(7,609)**	(31,211)
Total comprehensive loss for the year		**(96,560)**	(504,869)

	Note	2021 RMB'000	2020 RMB'000 (Restated)
(Loss)/profit for the year attributable to			
Equity shareholders of the Company			
– from continuing operations		**(101,618)**	(461,316)
– from discontinued operations		**16,823**	(5,432)
		(84,795)	(466,748)
Non-controlling interests			
– from continuing operations		**(1,112)**	(1,691)
– from discontinued operations		**(3,044)**	(5,219)
		(4,156)	(6,910)
		(88,951)	(473,658)
Total comprehensive (loss)/income attributable to			
Equity shareholders of the Company			
– from continuing operations		**(109,227)**	(492,527)
– from discontinued operations		**16,823**	(5,432)
		(92,404)	(497,959)
Non-controlling interests			
– from continuing operations		**(1,112)**	(1,691)
– from discontinued operations		**(3,044)**	(5,219)
		(4,156)	(6,910)
		(96,560)	(504,869)
(Loss)/earnings per share:	*14*		
Basic and diluted (RMB cents)			
– from continuing operations		**(1.50)**	(6.82)
– from discontinued operations		**0.25**	(0.08)
– from continuing and discontinued operations		**(1.25)**	(6.90)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021 *(Expressed in Renminbi)*

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	*15*	**62,272**	82,991
Right-of-use assets	*16*	**13,433**	119,550
Deposit paid for right-of-use assets		**17,922**	–
Investment properties	*18*	**47,162**	47,077
Other intangible assets	*19*	**–**	2,663
Deferred tax assets	*26*	**3,682**	16,786
Financial assets at fair value through other comprehensive income	*27*	**–**	9,492
		144,471	278,559
Current assets			
Inventories	*21*	**131,849**	131,535
Trade receivables	*22(a)*	**143,710**	161,208
Financial assets at fair value through profit or loss	*28*	**880**	–
Deposits, prepayments and other receivables	*22(b)*	**582,670**	655,366
Cash and cash equivalents	*31*	**38,929**	64,564
		898,038	1,012,673
Current liabilities			
Trade payables	*24(a)*	**246,487**	283,514
Accruals and other payables	*24(b)*	**163,904**	201,312
Contract liabilities	*24(c)*	**44,413**	68,949
Lease liabilities	*25*	**2,796**	11,224
Tax payable		**3,667**	3,327
Bank and other borrowings	*23*	**264,035**	286,595
		725,302	854,921
Net current assets		**172,736**	157,752
Total assets less current liabilities		**317,207**	436,311

	Notes	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Lease liabilities	*25*	**2,600**	98,842
Deferred tax liabilities	*26*	**9,820**	10,465
Bank and other borrowings	*23*	**110,326**	54,149
		122,746	163,456
Net assets		**194,461**	272,855
Capital and reserves			
Share capital	*29*	**556,286**	556,286
Reserves	*30*	**(376,487)**	(284,083)
Total equity attributable to equity shareholders of the Company		**179,799**	272,203
Non-controlling interests		**14,662**	652
Total equity		**194,461**	272,855

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2022 and are signed on its behalf by:

Tong Fei
Director

Zhang Jianxing
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital RMB'000 *(Note 29)*	Share premium RMB'000 *(Note 30(i)(a))*	Statutory reserve fund RMB'000 *(Note 30(i)(b))*	Enterprise expansion fund RMB'000 *(Note 30(i)(c))*	Capital redemption reserve RMB'000 *(Note 30(i)(d))*	Exchange reserve RMB'000 *(Note 30(i)(e))*	Others RMB'000 *(Note 30(i)(f))*	Accumulated losses RMB'000	Attributable to equity shareholders of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	556,286	1,482,219	58,879	2,756	1,545	(12,299)	50,682	(1,344,171)	795,897	15,702	811,599
Loss for the year	–	–	–	–	–	–	–	(466,748)	(466,748)	(6,910)	(473,658)
Other comprehensive loss	–	–	–	–	–	(4,487)	(26,724)	–	(31,211)	–	(31,211)
Total comprehensive loss for the year, net of tax	–	–	–	–	–	(4,487)	(26,724)	(466,748)	(497,959)	(6,910)	(504,869)
Deregistration of a subsidiary	–	–	(1,233)	–	–	–	–	1,233	–	–	–
Disposal of subsidiaries *(Note 12, 41)*	–	–	(11,182)	–	–	–	(10,809)	(3,744)	(25,735)	(8,140)	(33,875)
At 31 December 2020 and 1 January 2021	**556,286**	**1,482,219**	**46,464**	**2,756**	**1,545**	**(16,786)**	**13,149**	**(1,813,430)**	**272,203**	**652**	**272,855**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(84,795)**	**(84,795)**	**(4,156)**	**(88,951)**
Other comprehensive income/(loss)	**–**	**–**	**–**	**–**	**–**	**1,883**	**(9,492)**	**–**	**(7,609)**	**–**	**(7,609)**
Total comprehensive loss	**–**	**–**	**–**	**–**	**–**	**1,883**	**(9,492)**	**(84,795)**	**(92,404)**	**(4,156)**	**(96,560)**
Transfer to statutory reserves	**–**	**–**	**1,328**	**–**	**–**	**–**	**–**	**(1,328)**	**–**	**–**	**–**
Disposal of subsidiaries *(Note 12, 41)*	**–**	**–**	**(3,874)**	**–**	**–**	**–**	**–**	**3,874**	**–**	**18,166**	**18,166**
As at 31 December 2021	**556,286**	**1,482,219**	**43,918**	**2,756**	**1,545**	**(14,903)**	**3,657**	**(1,895,679)**	**179,799**	**14,662**	**194,461**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Operating activities			
Loss before taxation			
– From continuing operations		**(86,770)**	(440,725)
– From discontinued operation		**13,779**	(10,651)
		(72,991)	(451,376)
Adjustments for:			
– Write-down of inventories	*9*	**3,839**	3,000
– Depreciation of property, plant and equipment	*15*	**14,250**	21,257
– Depreciation of right-of-use assets	*16*	**2,995**	10,166
– Allowance for expected credit losses on trade receivables, deposits and other receivables	*37(a)*	**1,864**	298,673
– Written-off of other receivables	*7*	**35,347**	44,904
– Interest income	*7*	**(114)**	(3,722)
– Interest expenses	*8*	**25,885**	42,880
– Loss on disposal of property, plant and equipment	*7*	**3,872**	2,691
– Fair value (gain)/loss on investment properties	*18*	**(85)**	1,562
– (Gain)/loss on disposal of subsidiaries	*12, 41*	**(30,959)**	4,113
– Fair value loss on financial assets at fair value through profit or loss	*7*	**50**	–
– Impairment of property, plant and equipment	*17*	**6,512**	–
– Impairment of right-of-use assets	*17*	**6,340**	–
– Gain on lease modification	*7*	**(4,167)**	–
Operating cash flows before working capital changes		**(7,362)**	(25,852)
(Increase)/decrease in inventories		**(8,774)**	63,191
Decrease/(increase) in trade receivables		**5,876**	(31,054)
Decrease in deposits, prepayments and other receivables		**28,480**	96,080
(Decrease)/increase in trade payables		**(23,654)**	49,391
(Decrease)/increase in accruals and other payables, and contract liabilities		**(21,649)**	18,979
Decrease in loans and other borrowings for automobile dealership and service		**–**	(102,894)
Cash (used in)/generated from operations		**(27,083)**	67,841
Income tax refund		**800**	727
Net cash (used in)/generated from operating activities		**(26,283)**	68,568

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Investing activities:			
Purchase of property, plant and equipment	*15*	**(7,294)**	(3,770)
Increase in deposit for right-of-use assets		**(17,922)**	–
Net cash outflow for disposal of subsidiaries	*12, 41*	**(785)**	(1,635)
Interest received		**114**	3,722
Net cash used in investing activities		**(25,887)**	(1,683)
Financing activities			
Proceeds from bank and other borrowings		**240,061**	518,663
Repayment of bank and other borrowings		**(190,913)**	(550,621)
Repayment of lease liabilities		**(6,269)**	(12,968)
Interest paid		**(16,281)**	(18,445)
Net cash generated from/(used in) financing activities		**26,598**	(63,371)
Net (decrease)/increase in cash and cash equivalents		**(25,572)**	3,514
Cash and cash equivalents at the beginning of the year		**64,564**	64,697
Effect of foreign exchange rate changes		**(63)**	(3,647)
Cash and cash equivalents at the end of the year		**38,929**	64,564
Analysis of the balances of cash and cash equivalents			
Cash at bank and in hand		**38,929**	64,564

The accompanying notes form an integral part of these consolidated financial statements.

1. ORGANISATION AND PRINCIPAL ACTIVITIES

New Focus Auto Tech Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. Its principal place of business is in Shanghai, the People's Republic of China (the "PRC").

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of electronic and power-related automotive parts and accessories; and operating the 4S dealership stores and related business. The Company and its subsidiaries are collectively referred to as the Group.

The directors of the Company (the "Directors") regard CDH Fast Two Limited, a company incorporated in the British Virgin Islands (the "BVI") as the immediate holding company, and China Diamond Holdings Company Limited, a company incorporated in BVI as the ultimate holding company.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by International Accounting Standards Board ("IASB"). These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain new and amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The following provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

(b) Basis of preparation of financial statements

As at 31 December 2021, the Group incurred a loss for the year of RMB88,951,000 and the Group has short-term bank and other borrowings amounting to RMB264,035,000. As at 31 December 2021, the Group had cash and cash equivalents amounting to RMB38,929,000 which is insufficient to fully repay the bank and other borrowings expiring within 12 months. These indicates that the Group's ability to meet these liquidity requirements depends on its ability to generate sufficient net cash inflows from future operations and other sources.

These facts and circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

2. BASIS OF PREPARATION *(Continued)*

(b) Basis of preparation of financial statements *(Continued)*

(1) *Attainment of profitable and positive cash flow operations*

The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

(2) *Necessary facilities*

The Group is in the process of negotiating with its bankers to secure necessary facilities to meet the Group's working capital and financial requirements in the near future.

(3) *Extension of Completion Date for Shares Subscription*

On 28 May 2021, the Company entered into a subscription agreement with Daodu (Hong Kong) Holding Limited. Daodu (Hong Kong) Holding Limited agreed to subscribe an aggregate of not more than 11,252,732,911 subscription shares of the Company at the subscription price of HK$0.059 per subscription share. The gross proceeds to be raised from the subscription would amount to a maximum of HK$663,911,241.749. To ensure the minimum public float of the Company's issued share capital as enlarged by the subscription will be maintained in accordance with the Listing Rules, the completion date of the subscription has been extended to a date on or before 30 April 2022 (or such other later date as may be mutually agreed by the parties in writing).

In the opinion of the Directors, in light of the various measures or arrangements implemented after the end of the reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2. BASIS OF PREPARATION *(Continued)*

(b) Basis of preparation of financial statements *(Continued)*

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group"). The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at fair value as explained in the accounting policies set out below:

– Investment properties;

– Financial assets at fair value through other comprehensive income; and

– Financial assets at fair value through profit or loss.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the currency of the primary economic environment in which the major entities of the Group operate. The functional currency of the Company is US dollar.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB"), for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretation Committee (the "Committee") of the IASB issued in June 2021, which clarified the costs an entity should be included as "estimated cost necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments IFRSs that have been issued but are not yet effective

The Group has not applied in advance the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture[3]
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[4]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments IAS 8	Definition of Accounting Estimates[2]
Amendments IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020[1]

[1] Effective for annual periods beginning on or after 1 January 2022.
[2] Effective for annual periods beginning on or after 1 January 2023.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 April 2021.

The Directors anticipate that the application of all the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. PRINCIPAL ACCOUNTING POLICIES

Business combination and basis of consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company 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 listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Business combination and basis of consolidation *(Continued)*

Basis of consolidation (Continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Business combination and basis of consolidation *(Continued)*

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Discontinued operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation of these assets commences when the assets are ready for their intended use. The historical 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 profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as right-of-use assets in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis. The principal estimated useful lives are as follows:

Leasehold land	36~50 years
Buildings	20 years
Leasehold improvements	Over the remaining term of the lease but not exceeding 10 years
Plant and machinery	3~10 years
Motor vehicles	5 years
Office equipment, furniture and fixtures	3~5 years

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction as well as borrowing costs capitalised during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured initially at their costs, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Other intangible assets

Other intangible assets that are acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, other intangible assets with indefinite useful lives are carried at cost less any impairment losses and other intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any change in estimate being accounted for on a prospective basis. The principal annual rates of other intangible assets with definite useful lives are as follows:

Trademarks with definite useful lives	6.6% to 10%

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– intangible assets; and

– right-of-use assets.

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

– Calculation of recoverable amount

The recoverable amount of property, plant and equipment, leasehold land and land use rights, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of other assets *(Continued)*

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received. Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of providing immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average cost basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statements.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit or loss before tax because of income or expense that are taxable or deductible in other years that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of a leased property that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

4. *PRINCIPAL ACCOUNTING POLICIES* *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable by the Group under residual value guarantees;

- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; and

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Transactions entered into by the Group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Employees' benefits

(i) Short-term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Defined contribution pension obligations

Contributions to defined contribution retirement plans are expensed when the services are rendered by the employees. The Group has no further payment obligation once the contributions have been paid.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

Revenue and other income

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

4. *PRINCIPAL ACCOUNTING POLICIES* *(Continued)*

Revenue and other income *(Continued)*

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group 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.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to the same contract are accounted for an presented on a net basis.

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

(i) *Sale of goods*

Revenue is recognised when the control of the automobile accessories are considered to have been transferred to the customer.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue and other income *(Continued)*

(ii) Service income

Revenue arose from provision of automobile repair, maintenance and restyling services is recognised in the accounting period in which the provision of services occurs. Customers are invoiced upon the completion of services.

Service income is recognised in the accounting period in which the provision of automobile repair, maintenance and restyling services occurs. Customers are invoiced upon the completion of services or on a regular basis.

Some contracts include multiple performance obligations and do not include any integration services. They are therefore accounted for as separate performance obligations. Revenue from each of the performance obligations is recognised at the stand-alone service price.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(iv) Government grants

Government grants are not recognised until there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently recognised in profit or loss upon on a systematic basis over the useful life of the asset by way of reduced depreciation expense.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other revenue and other income.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other revenue and gains or losses” line item.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets which are subject to impairment under IFRS 9 (including trade receivables, deposits and other receivables and cash and bank balances). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

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

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk *(Continued)*

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

For collective assessment, the Group taken into consideration the following characteristics when formulating grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to accumulated losses).

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade payables, accruals and other payables, lease liabilities and bank and other borrowings, are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognized in accordance with the revenue recognition policies set out above.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about assumption and estimation uncertainties that might have a significant risk of resulting in a material adjustment in the years ended 31 December 2021 and 2020 includes the following:

Impairment assessment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2021, the carrying amounts of property, plant and equipment and right-of-use assets and, subject to impairment assessment were RMB62,272,000 and RMB13,433,000 (2020: RMB82,991,000 and RMB119,550,000) respectively, after taking into account the impairment losses of RMB6,512,000 and RMB6,340,000, (2020: RMB Nil) in respect of property, plant and equipment and right-of-use assets, that have been recognised respectively. Details of the impairment of right-of-use assets and property, plant and equipment, are disclosed in Notes 15, 16 and 17 respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Allowance for ECL recognised in respect for the financial assets

The loss allowances for financial assets are based on assumption about risk of default and expected loss rates. The Group use judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL assessment is disclosed in Notes 22(a), 22(b) and 37(a) to the consolidated financial statements.

Fair values of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in Note 18.

In relying on the valuation report, the Directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, travel restrictions implemented by many countries, increased complexity in international trade tensions geopolitics, changes in policy direction and/or mortgage requirements, or other unexpected incidents would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2021, the carrying amount of the Group's investment properties is RMB47,162,000 (2020: RMB47,077,000).

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the sales value of goods supplied and services provided to customers and is analysed as follows:

Continuing operations:

	2021 RMB'000	2020 RMB'000 (Restated)
Recognised at a point in time:		
Sale of goods	**689,859**	797,464
Service income	**38,283**	93,449
	728,142	890,913

Automobile repair, maintenance and restyling services are typically provided for a period of one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(a) Reportable segment

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

Continuing operations

The Group operates in two reportable segments of the manufacture and sale of automobile accessories (the "Manufacturing Business") and the operation of the 4S dealership stores and related business (the "Automobile Dealership and Service Business").

During the year ended 31 December 2021, the segment of trading of automobile accessories (the "Wholesale Business") was discontinued.

Inter-segment transactions are priced with reference to prices charged to external parties for similar orders. Central expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-makers for assessment of segment performance and resources allocation.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Reportable segment *(Continued)*

Set out below is an analysis of segment information:

	Continuing operation						Discontinued operation			
	The Manufacturing Business		Automobile Dealership and Service Business		Sub-total		The Wholesale Business		Total	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
External revenue	**502,471**	536,837	**225,671**	354,076	**728,142**	890,913	**12,808**	20,814	**740,950**	911,727
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Segment revenue	**502,471**	536,837	**225,671**	354,076	**728,142**	890,913	**12,808**	20,814	**740,950**	911,727
Reportable segment results	**19,142**	7,931	**(11,954)**	(358,849)	**7,188**	(350,918)	**13,779**	(10,651)	**20,967**	(361,569)
Interest income	**56**	2,347	**36**	316	**92**	2,663	**–**	32	**92**	2,695
Unallocated interest income					**22**	1,027	**–**	–	**22**	1,027
Total interest income					**114**	3,690	**–**	32	**114**	3,722
Interest expenses	**(1,694)**	(652)	**(7,849)**	(15,010)	**(9,543)**	(15,662)	**–**	(250)	**(9,543)**	(15,912)
Unallocated interest expenses					**(16,342)**	(26,968)	**–**	–	**(16,342)**	(26,968)
Total interest expenses					**(25,885)**	(42,630)	–	(250)	**(25,885)**	(42,880)
Depreciation and amortisation charges	**(9,224)**	(14,285)	**(7,620)**	(14,172)	**(16,844)**	(28,457)	**(401)**	(1,526)	**(17,245)**	(29,983)
Unallocated depreciation and amortisation charges					**–**	(1,440)	**–**	–	**–**	(1,440)
Total depreciation and amortisation charges					**(16,844)**	(29,897)	**(401)**	(1,526)	**(17,245)**	(31,423)
Reportable segment assets	**411,672**	369,353	**461,599**	622,776	**873,271**	992,129	**–**	26,435	**873,271**	1,018,564
Additions to capital expenditure	**4,693**	1,424	**10,088**	2,326	**14,781**	3,750	**–**	274	**14,781**	4,024
Unallocated additions to capital expenditure					**–**	–	**–**	–	**–**	–
Total capital expenditure					**14,781**	3,750	**–**	274	**14,781**	4,024
Reportable segment liabilities	**426,937**	421,566	**285,405**	407,751	**712,342**	829,317	**–**	20,354	**712,342**	849,671

Note: Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

6. *REVENUE AND SEGMENT INFORMATION* *(Continued)*

(b) Reconciliation of reportable segment profit or loss, and assets and liabilities

Continuing operations:

	2021 RMB'000	2020 RMB'000 (Restated)
Loss before taxation		
Reportable segment profit/(loss)	**7,188**	(350,918)
Unallocated other revenue and gains or losses, net	**(39,163)**	(6,830)
Unallocated corporate expenses	**(38,453)**	(56,009)
Unallocated finance costs	**(16,342)**	(26,968)
Consolidated loss before taxation	**(86,770)**	(440,725)

	2021 RMB'000	2020 RMB'000
Assets:		
Reportable segment assets	**873,271**	1,018,564
Unallocated corporate assets	**169,238**	272,668
Consolidated total assets	**1,042,509**	1,291,232
Liabilities:		
Reportable segment liabilities	**712,342**	849,671
Unallocated corporate liabilities	**135,706**	168,706
Consolidated total liabilities	**848,048**	1,018,377

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segment profit or loss, and assets and liabilities *(Continued)*

For the purposes of resource allocation and performance assessment between segments:

- All expenses are allocated to reportable segments, other than partial administrative expenses and other partial operating expenses; and
- All assets are allocated to reportable segments, other than partial deposit, prepayment and other receivables, partial cash and bank balance, partial property, plant and equipment, partial right-of-use assets and financial assets at fair value through other comprehensive income; and
- All liabilities are allocated to reportable segments, other than partial bank and other borrowings, partial accruals and other payables and partial lease liabilities.

(c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, right-of-use assets, deposit for right-of-use assets and other intangible assets ("specified non-current assets"):

	Revenue from external customers		**Specified non-current assets**	
	2021	2020	**2021**	2020
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
PRC (Place of domicile)	**323,571**	562,665	**140,789**	252,281
America	**337,616**	224,685	**–**	–
Europe	**22,769**	36,611	**–**	–
Asia Pacific	**44,186**	66,952	**–**	–
	728,142	890,913	**140,789**	252,281

The above revenue information is based on the locations of the customers. The non-current assets do not include deferred tax assets and financial assets at fair value through other comprehensive income.

(d) Major customers

During the year, the Group's customer base is diversified and there was no customer (2020: Nil) with whom transactions exceeded 10% of the Group's revenue.

7. OTHER REVENUE AND GAINS OR LOSSES, NET

	2021 RMB'000	2020 RMB'000 (Restated)
Continuing operations:		
Exchange loss, net	**(6,772)**	(1,141)
Interest income	**114**	3,690
Fair value gain/(loss) on investment properties	**85**	(1,562)
Gross rentals from investment properties and other rental income	**2,164**	2,574
Loss on disposal of property, plant and equipment	**(3,872)**	(2,691)
Government subsidies (note)	**92**	2,045
Written-off of other receivable	**(35,347)**	(44,904)
Reversal of financial guarantee provision	**–**	10,171
Fair value loss on financial assets at fair value through profit or loss	**(50)**	–
Gain on disposal of subsidiaries (Note 41)	**11,089**	–
Gain on lease modification	**4,167**	–
Others	**–**	(54)
	(28,330)	(31,872)

note:

During the year, the Group recognised RMB92,000 (2020: RMB2,045,000) as government subsidies for high new technology on manufacturing of electronic and power related automotive parts.

8. FINANCE COSTS

	2021 RMB'000	2020 RMB'000 (Restated)
Continuing operations:		
Interests on bank and other borrowings within five years	**23,337**	37,571
Interests on lease liabilities	**2,548**	5,059
	25,885	42,630

9. LOSS BEFORE TAXATION

Continuing operations:

Loss before taxation is arrived at after charging/(crediting):

	2021 RMB'000	2020 RMB'000 (Restated)
Cost of inventories*	**621,849**	787,477
Write-down of inventories	**3,839**	3,000
	625,688	790,477
Depreciation of property, plant and equipment	**13,849**	20,587
Depreciation of right-of-use assets	**2,995**	9,310
Provision of allowance for ECL on trade receivables, deposits and other receivables, net	**1,864**	298,673
Auditors' remuneration		
– audit services	**2,500**	2,500
Gross rentals from investment properties	**(2,164)**	(2,574)
Less: Direct operating expenses incurred	**4**	2
	(2,160)	(2,572)
Employee benefit expenses (including Directors' remuneration)		
Salaries and allowances	**61,815**	58,955
Retirement scheme contributions	**6,088**	6,877
Other benefits	**878**	1,271
Total employee benefit expenses	**68,781**	67,103

* Costs of inventories include RMB64,815,000 (2020: RMB52,268,000 (restated)) relating to employee benefit expenses and depreciation, which are also included in the respective total amounts disclosed separately above.

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2021					
	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement Scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Executive director:						
Tong Fei	–	1,220	–	–	–	1,220
Non-executive directors:						
Wang Zhenyu	–	–	–	–	–	–
Zhang Jianxing (Acting Chairman)	–	–	–	–	–	–
Independent non-executive directors:						
Hu Yuming	100	–	–	–	–	100
Lin Lei	100	–	–	–	–	100
Zhang Xiaoya	100	–	–	–	–	100
	300	1,220	–	–	–	1,520

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' remuneration *(Continued)*

	2020					
	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement Scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Executive director:						
Tong Fei	–	1,262	–	–	–	1,262
Non-executive directors:						
Wang Zhenyu	–	–	–	–	–	–
Zhang Jianxing (Acting Chairman)	–	–	–	–	–	–
Independent non-executive directors:						
Hu Yuming	100	–	–	–	–	100
Lin Lei	100	–	–	–	–	100
Zhang Xiaoya	100	–	–	–	–	100
	300	1,262	–	–	–	1,562

No discretionary bonus, inducement fee, employer's contribution to retirement scheme or compensation for loss of office as directors was given to any of the directors during the year (2020: Nil).

No director has waived or agreed to waive any emolument paid by the Group during the year (2020: Nil).

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 included one director (2020: one) whose emolument is reflected in the analysis presented in Note 10(a) above.

The emoluments paid or payment to the four (2020: four) highest paid employees who are not director of the Company are as follows:

	2021	2020
	RMB'000	RMB'000
Salaries and other allowances	**3,960**	3,175
Retirement scheme contributions	**98**	93
Total	**4,058**	3,268

The emoluments of the four (2020: four) individuals with the highest emoluments who are not directors of the Company are within the following bands:

	2021	2020
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
	4	4

11. *INCOME TAX*

(a) Income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2021	2020
	RMB'000	RMB'000
Current Tax		
Provision for the year	**4,064**	908
(Over)/under-provision in respect of prior year	**(1,187)**	3,703
	2,877	4,611
Deferred tax		
Origination and reversal of temporary differences, net *(Note 26)*	**13,083**	17,671
	15,960	22,282
Continuing operations	**15,960**	22,282
Discontinuing operations	**–**	–
	15,960	22,282

(b) No provision for Hong Kong profit tax has been made as the Group had no taxable profits arising in Hong Kong for the years ended 31 December 2021 and 2020. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

The applicable PRC income tax rate is 25% (2020: 25%) for the Year. One major PRC subsidiary of the Company renewed the qualification of high and new technology enterprise in the PRC and is entitled to a preferential income tax rate of 15% (2020: 15%) for three years from 12 November 2020.

11. INCOME TAX *(Continued)*

(c) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2021 RMB'000	2020 RMB'000
Loss before taxation		
– Continued operations	**(86,770)**	(440,725)
– Discontinued operations	**13,779**	(10,651)
	(72,991)	(451,376)
Tax calculated at applicable tax rate of 25% (2020: 25%)	**(18,248)**	(112,844)
Tax effect of non-deductible expenses	**23,435**	83,324
Tax effect of income not taxable for tax purpose	**(7,739)**	–
Unrecognised tax losses	**19,849**	49,352
Effect of preferential tax treatments and tax exemptions	**(1,579)**	(2,487)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,429**	1,234
(Over)/under-provision in respect of prior year	**(1,187)**	3,703
Tax expense	**15,960**	22,282

12. DISCONTINUED OPERATION

On 25 November 2021, New Focus Lighting and Power Technology (Shanghai) Co., Ltd. ("New Focus Lighting & Power"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Liaoning Xin Tian Cheng Industrial Co., Limited ("Liaoning XTC"), Li Haidong and Chen Gaosen. Li Haidong was the chairman and general manager of Liaoning XTC and held approximately 27.64% equity interests in Liaoning XTC. Chen Gaosen was the then executive director and general manager of Zhejiang Autoboom Industry Co., Ltd.* (浙江歐特隆實業有限公司) (renamed as Zhejiang Autoboom Technology Co., Ltd.* (浙江歐特隆科技有限公司), "Zhejiang Autoboom"), a wholly-owned subsidiary of Liaoning XTC. Pursuant to the equity transfer agreement, New Focus Lighting & Power transferred its 40% and 10.098% equity interests held in Liaoning XTC to Li Haidong and Chen Gaosen (the "Equity Disposal of Liaoning XTC") at the transfer consideration of RMB1,600,000 and RMB400,000, respectively. After the completion of the equity disposal of Liaoning XTC on 1 December 2021, Liaoning XTC ceased to be a subsidiary of the Company.

* The English name of the Companies in the PRC are transliteration of their respective Chinese name which have not been registered.

	For the period from 1 January 2021 to 1 December 2021 RMB'000	2020 RMB'000
Loss from the retail services business for the period/year	**(6,091)**	(10,651)
Gain on disposal	**19,870**	–
Profit/(loss) for the period/year from Liaoning XTC	**13,779**	(10,651)

12. DISCONTINUED OPERATION *(Continued)*

Analysis of the results of the Liaoning XTC are set out below:

	For the period from 1 January 2021 to 1 December 2021 RMB'000	2020 RMB'000
Revenue	**12,808**	20,814
Cost of sales	**(9,428)**	(16,839)
Gross profit	**3,380**	3,975
Other revenue and gains or losses, net	**348**	499
Distribution costs	**(4,377)**	(6,286)
Administrative expenses	**(5,442)**	(8,589)
Finance costs	**–**	(250)
Loss before operations	**(6,091)**	(10,651)
Income tax expense	**–**	–
Loss for the period/year	**(6,091)**	(10,651)
Loss for the period/year attributable to:		
Owners of the Company	**(3,047)**	(5,432)
Non-controlling interests	**(3,044)**	(5,219)
	(6,091)	(10,651)

12. DISCONTINUED OPERATION *(Continued)*

Loss for the period/year from Liaoning XTC has been arrived at after charging:

	For the period from 1 January 2021 to 1 December 2021 RMB'000	2020 RMB'000
Cost of inventories	**9,428**	16,839
Depreciation of property, plant and equipment	**401**	670
Depreciation of right-of-use assets	**–**	856
Interest expenses	**–**	250
Loss on disposal of subsidiaries (Note 41)	**–**	4,113
Employee benefit expenses:		
Salaries and allowances	**2,364**	1,253
Retirement scheme contributions	**281**	378
Other benefits	**79**	214
Total employee benefit expenses	**2,724**	1,845

12. DISCONTINUED OPERATION *(Continued)*

Consideration from Liaoning XTC for the year ended 31 December 2021

	RMB'000
Consideration received	**2,000**
Analysis of assets and liabilities over which control was lost:	
Other intangible assets	**2,663**
Inventories	**2,636**
Trade receivables	**2,474**
Deposits, prepayments and other receivables	**6,956**
Cash and cash equivalents	**2,295**
Trade payables	**(11,029)**
Deferred tax liabilities	**(666)**
Accruals and other payables	**(40,308)**
Tax payable	**(692)**
Net liabilities disposed of	**(35,671)**
Gain on disposal of subsidiaries:	
Consideration receivable	**2,000**
Net liabilities disposed of	**35,671**
Non-controlling interests	**(17,801)**
Gain on disposal	**19,870**
Net cash outflow arising on disposal:	
Consideration received	**2,000**
Less: cash and cash equivalents balance disposed	**(2,295)**
	(295)
Cash flows for the period from discontinued operation were as follows:	
Net cash flows used in operating activities	**(844)**
Net cash outflows from discontinued operation	**(844)**

13. DIVIDEND

The Board did not recommend the any payment of a dividend for the year ended 31 December 2021 (2020: Nil).

14. LOSS PER SHARE

Basic loss per share

Continuing and discontinued operations

The basic loss per share from continuing and discontinued operations is based on the loss for the year attributable to ordinary equity holders of the Company from continuing and discontinued operations of RMB84,795,000 (2020: RMB466,748,000) and the weighted average number of ordinary shares of 6,767,636,000 (2020: 6,767,636,000) during the year ended 31 December 2021.

Continuing operations

The computation of the basic loss per share from continuing operations is based on the loss for the year attributable to ordinary equity holders of the Company from continuing operations of RMB101,618,000 (2020: RMB461,316,000 (restated)) and the weighted average number of ordinary shares of 6,767,636,000 (2020: 6,767,636,000) during the year ended 31 December 2021.

Discontinued operations

As at 31 December 2021, the computation of the basic earnings/(loss) per share from discontinued operation is based on the profit for the period attributable to ordinary equity holders of the Company from discontinued operations of RMB16,823,000 (2020: loss of RMB5,432,000) and the weighted average number of ordinary shares of 6,767,636,000 (2020: 6,767,636,000) during the year ended 31 December 2021.

Diluted (loss)/earnings per share

Continuing and discontinued operations

For the years ended 31 December 2021 and 2020, the computation of diluted (loss)/earnings per share from continuing and discontinued operations were the same as the basic loss/earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Building RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
Net carrying amount as at 1 January 2020	–	42,785	11,261	30,998	6,916	12,802	104,762
Additions	–	–	293	1,844	1,244	389	3,770
Disposals	–	–	(635)	(776)	(718)	(562)	(2,691)
Depreciation charge for the year	–	(3,482)	(4,196)	(8,550)	(2,359)	(2,670)	(21,257)
Disposal of subsidiaries	–	–	(46)	(236)	(744)	(567)	(1,593)
Net carrying amount as at 31 December 2020 and 1 January 2021	–	39,303	6,677	23,280	4,339	9,392	82,991
Additions	2,510	–	162	1,264	1,366	1,992	7,294
Disposals	–	–	(1,001)	(588)	(1,392)	(891)	(3,872)
Depreciation charge for the year	–	(3,398)	(2,838)	(3,213)	(1,095)	(3,706)	(14,250)
Impairment *(Note 17)*	–	–	(1,296)	(2,721)	(627)	(1,868)	(6,512)
Disposal of subsidiaries *(Note 41)*	–	–	(1,704)	(253)	(1,244)	(178)	(3,379)
Net carrying amount as at 31 December 2021	**2,510**	**35,905**	**–**	**17,769**	**1,347**	**4,741**	**62,272**
At 31 December 2020:							
Cost	–	83,376	20,891	154,249	20,058	62,087	340,661
Accumulated depreciation and impairment	–	(44,073)	(14,214)	(130,969)	(15,719)	(52,695)	(257,670)
	–	39,303	6,677	23,280	4,339	9,392	82,991
At 31 December 2021:							
Cost	2,510	83,376	13,248	148,253	13,478	54,512	315,377
Accumulated depreciation and impairment	–	(47,471)	(13,248)	(130,484)	(12,131)	(49,771)	(253,105)
	2,510	35,905	–	17,769	1,347	4,741	62,272

The Group's certain property, plant and equipment with aggregate net carrying amount of RMB33,648,000 (2020: RMB39,303,000) was pledged to secure the bank borrowing of the Group as detailed in Note 23.

16. *RIGHT-OF-USE ASSETS*

Right-of-use assets:

	Leasehold land and land use rights RMB'000	Leased properties RMB'000	Total RMB'000
Cost			
At 1 January 2020	20,547	126,524	147,071
Additions *(note)*	–	254	254
Disposal of subsidiaries	–	(901)	(901)
At 31 December 2020 and 1 January 2021	20,547	125,877	146,424
Additions *(note)*	–	7,487	7,487
Lease modification *(note)*	–	(117,853)	(117,853)
Lease termination	–	(5,962)	(5,962)
At 31 December 2021	**20,547**	**9,549**	**30,096**
Accumulated depreciation and impairment			
At 1 January 2020	6,378	10,431	16,809
Charge provided for the year	493	9,673	10,166
Disposal of subsidiaries	–	(101)	(101)
At 31 December 2020 and 1 January 2021	6,871	20,003	26,874
Charge provided for the year	493	2,502	2,995
Lease modification *(note)*	–	(13,584)	(13,584)
Lease termination	–	(5,962)	(5,962)
Impairment *(Note 17)*	–	6,340	6,340
At 31 December 2021	**7,364**	**9,299**	**16,663**
Net carrying amount			
At 31 December 2021	**13,183**	**250**	**13,433**
At 31 December 2020	13,676	105,874	119,550

16. RIGHT-OF-USE ASSETS *(Continued)*

Right-of-use assets: *(Continued)*

note:

Amount includes right-of-use assets resulting from new lease entered.

The Group's interests in leasehold land and land use rights were held outside Hong Kong under medium term leases.

During the year, Covid-19 has played a critical role negatively on the disruption of the business operation overall in PRC, the Group was negotiated with certain lessors to shorten or terminate the leases. As the date of modification, the carrying amount of right of use assets and lease liabilities were approximately RMB104,269,000 and RMB108,436,000 respectively and the gain on lease modification of approximately RMB4,167,000 was recognised in profit or loss during the year.

The Group's leasehold land of RMB12,097,000 (2020: RMB13,676,000) was pledged to secure the bank borrowings of the Group as detailed in Note 23.

17. IMPAIRMENT TESTING ON PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

For the year ended 31 December 2021, the recoverable amount of automobile dealership and service business ("4S") has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 13.12%. 4S's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

For the year ended 31 December 2021, as the poor result of the Group's 4S business resulted from the rising raw material prices and the COVID-19 pandemic resurgence, coupled with intensifying industrial competition and cancellation of many orders over extended delivery deadlines caused by the industry chips issue. The Directors considered it was an indication that the property, plant and equipment and right-of-use assets of 4S business may be impaired. The directors have assessed the recoverable amount of CGU based on the valuation report issued by an independent professional valuer, the carrying amount of the CGU exceeds its recoverable amount. The Directors have consequently determined full impairment of property, plant and equipment and right-of-use assets directly related to 4S amounting to RMB6,512,000 and RMB6,340,000 respectively.

18. INVESTMENT PROPERTIES

	2021	2020
	RMB'000	RMB'000
At 1 January	**47,077**	48,639
Change in fair value *(Note 7)*	**85**	(1,562)
At 31 December	**47,162**	47,077

All investment properties of the Group are located outside Hong Kong, of which investment properties of RMB24,080,000 (2020: RMB24,070,000) and RMB23,082,000 (2020: RMB23,007,000) are held under long and medium terms respectively.

As at 31 December 2021, the fair value of investment properties of RMB47,162,000 (2020: RMB47,077,000) has been arrived at on the basis of a valuation carried out on the respective dates by Shanghai Jiace Real Estate Appraisal Co., Ltd., an independent firm of professionally qualified valuers recognised by the relevant PRC association of valuers with recent experience in the location and category of property being valued, on the following basis.

The valuation was arrived of by reference to (i) market evidence of transaction price for similar properties, (ii) current rent of properties being held under existing tenancies and the reversionary income potential of tenancies, and (iii) the value of the land, together with the replacement costs of industrial buildings.

Details of the property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, are set out in Notes 7 and 32.

Certain investment properties were pledged to secure the bank borrowings of the Group as detailed in Note 23.

18. INVESTMENT PROPERTIES *(Continued)*

Information about fair value measurements using significant unobservable input

The following table shows the valuation techniques used in the determination of fair values for investment properties and unobservable inputs used in the valuation models.

As at 31 December 2021

	Fair value Hierarchy	Valuation techniques	Fair Value RMB'000	Significant unobservable Inputs	Sensitivity
(1)	Level 3	Income approach	24,080	Monthly market rent, taking into account the different location, and individual factors, such as frontage and size, between the comparable and the property, at an average of RMB37.2 per sqm per month.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
(2)	Level 3	Income approach	23,082	Monthly market rent, taking into account the different location, and individual factors, such as frontage and size, between the comparable and the property, at an average of RMB143.87 per sqm per month.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

As at 31 December 2020

	Fair value Hierarchy	Valuation techniques	Fair Value RMB'000	Significant unobservable Inputs	Sensitivity
(1)	Level 3	Income approach	24,070	Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, at an average of RMB36.0 per sqm per month.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
(2)	Level 3	Income approach	23,007	Monthly market rent, taking into account the differences location, and individual factors, such as frontage and size, between the comparable and the property, at an average of RMB140.06 per sqm per month.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

19. OTHER INTANGIBLE ASSETS

	Trademarks RMB'000
At 1 January 2020, 31 December 2020 and 1 January 2021	2,663
Disposal of a subsidiary	(2,663)
At 31 December 2021	–
At 31 December 2021:	
Cost	231,768
Disposal of a subsidiary *(Note 12)*	(231,768)
Accumulated amortisation and impairment	(229,105)
Disposal of a subsidiary *(Note 12)*	229,105
Net carrying amount	–
At 31 December 2020:	
Cost	231,768
Accumulated amortisation and impairment	(229,105)
Net carrying amount	2,663

Included in the above intangible assets are certain trademarks.

As at end of reporting period, trademarks with cost of RMB Nil (2020: RMB231,768,000) have indefinite useful lives as they are considered renewable at minimal costs.

20. INTERESTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2021 and 2020 are as follows:

Company name	Country/place and date of incorporation/ establishment	Legal form of entities for those established in the PRC	Registered capital/share capital	Issued and fully paid up capital	Percentage of attributable equity interest	Principal activities/place of operation
Interests directly held:						
Perfect Progress Investments Limited ("Perfect Progress")	The British Virgin Islands 8 April 2002	–	US$50,000 Ordinary shares	US$500	100%	Investment holding/ Hong Kong
New Focus Auto Tech International Limited	The British Virgin Islands 2 April 2007	–	US$1 Registered capital	US$1	100%	Sale of automobile accessories/ Hong Kong
New Focus Auto Autolife Holdings Limited	Hong Kong 16 November 2010	–	HK$10,000 Registered capital	HK$1	100%	Investment/ Hong Kong
Interests indirectly held:						
New Focus Lighting and Power Technology (Shanghai) Co., Ltd. ("New Focus Lighting & Power")	The PRC 24 April 2001	Wholly-owned foreign enterprise	US$67,800,000 Registered capital	US$67,800,000	100%	Manufacture and sale of automile Accessories/ The PRC
Shandong New Focus Longsheng Auto Parts Co. Ltd.	The PRC 26 April 2006	Limited liability company	US$4,012,700 Registered Capital	US$4,012,700	58.99%	Manufacture and sale of automobile accessories/ The PRC
Ningbo Meishan Bonded Port Area Chifeng Investment Management Co., Ltd.	The PRC 29 August 2016	Limited liability company	Registered capital RMB39,860,000	RMB39,860,000	100%	Investment holdings/ The PRC
Inner Mongolia Chuangying Automobile Co., Ltd.	The PRC 9 February 2018	Limited liability company	RMB627,339,666 Registered capital	RMB627,339,666	100%	Distribution of automobile insurance and financial products; sales of automobile products/ The PRC

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.

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Liaoning XTC	The PRC	**–**	49.902%	**(3,044)**	(5,315)	**–**	(14,757)
Longsheng	The PRC	**41.01%**	41.01%	**164**	365	**14,454**	14,290
Individually immaterial subsidiaries with non-controlling interests				**(1,276)**	(1,960)	**208**	1,119
				(4,156)	(6,910)	**14,662**	652

20. INTERESTS IN SUBSIDIARIES *(Continued)*

The following tables listed out the information relating to Liaoning XTC and Longsheng, the subsidiaries of the Group which have a material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

Liaoning XTC

	2021 RMB'000	2020 RMB'000
NCI percentage	–	49.902%
Current assets	–	21,907
Non-current assets	–	3,819
Current liabilities	–	(55,610)
Non-current liabilities	–	(692)
Net liabilities	–	(30,576)
Carrying amount of NCI	–	(14,757)
Revenue	**12,808**	20,814
Loss for the year	**(6,091)**	(10,651)
Total comprehensive loss	**(6,091)**	(10,651)
Loss attributable to NCI	**(3,044)**	(5,315)
Cash flows used in operating activities	**(844)**	(2,142)
Cash flows generated from investing activities	–	439
Cash flows used in financing activities	–	(254)

Above financial information represents the consolidated financial information of Liaoning XTC. During the year ended 31 December 2021, Liaoning XTC was disposed. The details of disposal were set out in Note 12.

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Longsheng

	2021 RMB'000	2020 RMB'000
NCI percentage	**41.01%**	41.01%
Current assets	**51,701**	47,899
Non-current assets	**18,965**	18,542
Current liabilities	**(35,419)**	(31,595)
Net assets	**35,247**	34,846
Carrying amount of NCI	**14,454**	14,290
Revenue	**84,064**	78,005
Profit for the year	**401**	891
Total comprehensive income	**401**	891
Profit attributable to NCI	**164**	365
Cash flows generated from operating activities	**1,935**	3,063
Cash flows used in investing activities	**(2,226)**	(740)
Cash flows used in financing activities	**(2,339)**	(541)

21. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**42,246**	30,758
Work-in-progress	**20,804**	30,140
Finished goods	**28,271**	14,519
Merchandise goods	**40,528**	56,118
	131,849	131,535

The Group's certain inventories with aggregate net carrying amount of RMB5,589,000 (2020: RMB Nil) was pledged to secure the bank borrowing of the Group as detailed in Note 23.

22. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) Trade receivables

	2021 RMB'000	2020 RMB'000
Trade receivables	**153,693**	163,685
Less: allowance for ECL	**(9,983)**	(2,477)
	143,710	161,208

(i) The credit period to the Group's customers ranged from 0 to 360 days.

(ii) The ageing analysis of trade receivables at the end of reporting period, before net of allowance of expected credit losses, by invoice date is as follows:

	2021 RMB'000	2020 RMB'000
Current to 30 days	**58,371**	47,991
31 to 60 days	**36,083**	48,154
61 to 90 days	**15,708**	19,202
Over 90 days	**43,531**	48,338
	153,693	163,685

(iii) Details of ECL assessment are set out in Note 37(a).

22. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(b) Deposits, prepayments and other receivables

	2021	2020
	RMB'000	RMB'000
Loan receivables *(note (i))*	**164,652**	206,036
Prepayments	**40,207**	68,173
Deposits and prepayments for 4S dealership business	**2,843**	4,209
Value-added tax recoverable	**5,163**	6,318
Rebate receivables from suppliers	**28,169**	35,453
Others *(note (ii))*	**661,450**	660,816
	902,484	981,005
Less: allowance for ECL *(note iii)*	**(319,814)**	(325,639)
	582,670	655,366

notes:

(i) *Loan receivables*

The Group's loan receivables which arise from providing secured corporate loans with the interest rate of 5% (2020: unsecured loan at 5%) per annum and the loan period were within 1 year (2020: within 1 year). The loan receivables were secured by the Group's other borrowings of approximately RMB110,327,000. According to the tripartite agreement between the Group, debtor of the loan receivables and the creditor of other borrowing, the liabilities of the other borrowing will be released if the loan receivables cannot be recovered by the Group. As at 31 December 2021 and 2020, all borrowers were independent third parties.

(ii) *Other*

As at 31 December 2021, the other receivables mainly present the gross amount due from former related parties of amount RMB563,012,000 (2020: RMB613,481,000) which were pledged by the equity shares and creditor's right which the fair value of those collateral pledged were approximately RMB328,212,000 (2020: RMB327,814,000) and allowance for ECL amount of RMB234,800,000 (2020: RMB285,667,000) has been made on these amount due from former related parties.

(iii) Details of ECL assessment are set out in Note 37(a).

23. BANK AND OTHER BORROWINGS

	2021 RMB'000	2020 RMB'000
Secured:		
Bank loans	**168,784**	153,771
Other borrowings	**68,638**	56,033
	237,422	209,804
Unsecured:		
Bank loans	**5,612**	8,612
Other borrowings	**131,327**	122,328
	136,939	130,940
Total bank and other borrowings	**374,361**	340,744
Bank borrowings are repayable as follows:		
On demand or within on year	**264,035**	286,595
More than one year but not exceeding two years	**–**	–
More than two years but not exceeding five years	**110,326**	54,149
	374,361	340,744

As at 31 December 2021, the banking facilities are secured by (i) the Group's certain property, plant and equipment with an aggregate net carrying amount of RMB33,648,000 (2020: RMB39,303,000); (ii) the Group's certain right-of-use asset of RMB12,097,000 (2020: RMB13,676,000); (iii) the Group's certain investment properties of RMB47,162,000 (2020: RMB47,077,000); (iv) the Group's certain inventory of RMB5,589,000 (2020: RMB Nil); and (v) corporate guarantees provided by the Company and its subsidiaries.

On 25 September 2019, a bank ("Assignor") signed the debt assignment with a third party ("Assignee") and agreed to transfer the debt included the interest payable of the Group to the Assignee. As at 31 December 2021, the principal of amount RMB48,223,000 (2020: RMB56,033,000) are secured by the pledge of the properties and land, repayable on demand and bear fixed interest rates of 6.09% (2020: 6.09%) per annum.

On 31 December 2021, the Group, a creditor of the other borrowings with the loan amount of approximately RMB110,327,000 and a debtor of loan receivables with the amount of approximately RMB122,640,000 entered into a tripartite agreement in regarding the loan receivables. For the details, please refer to Note 22(b)(i).

23. BANK AND OTHER BORROWINGS *(Continued)*

As at 31 December 2021, secured borrowings from other financial institutions which for the loans obtained from the auto finance companies of the respective automobile manufacturers for purchase of motor vehicles, are secured, interest-bearing with annual rates ranging from 3.20% to 6.09% (2020: 6.09% to 10.80%).

All of the bank and other borrowings bear fixed interest rates ranging from 3.20% to 24.08% per annum (2020: 2.00% to 28.00%).

	2021	2020
	RMB'000	RMB'000
Bank and other borrowings of the Group were denominated in		
RMB	**258,967**	232,419
United States dollars ("USD")	**115,394**	108,325
	374,361	340,744

24. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Trade payables

The ageing analysis of trade payables of the Group at the end of reporting period by invoice date is as follows:

	2021	2020
	RMB'000	RMB'000
Current to 30 days	**71,672**	170,169
31 to 60 days	**25,676**	19,353
61 to 90 days	**20,187**	10,408
Over 90 days	**128,952**	83,584
	246,487	283,514

The average credit period for the Group's trade creditors is 60 days.

24. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES *(Continued)*

(b) Accruals and other payables

	2021	2020
	RMB'000	RMB'000
Payroll payable	**15,599**	20,413
Other taxes payable	**11,273**	12,194
Others	**96,358**	135,711
Deposit received for 4S dealership business	**12,085**	11,461
Interest payable	**28,589**	21,533
	163,904	201,312

(c) Contract liabilities

	2021	2020
	RMB'000	RMB'000
Contract liabilities	**44,413**	68,949

Revenue recognised during the year that was included in the contract liabilities balance at the beginning of the year was approximately RMB32,913,000 (2020: RMB52,369,000). The Group receives a deposit in advance which give rise to contract liabilities at the start of a contract until the revenue recognised on the relevant contract exceeds the amount of the deposit. During the years ended 31 December 2021 and 2020, certain 4S business stores in PRC were closed due to the COVID-19. The Directors expect the contract liabilities will be recognised as revenue within one year.

24. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES *(Continued)*

(c) Contract liabilities *(Continued)*

Movement in contract liabilities:

	2021 RMB'000	2020 RMB'000
At 1 January	**68,949**	82,016
Consideration received	**8,377**	39,302
Revenue recognised	**(32,913)**	(52,369)
At 31 December	**44,413**	68,949

25. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Lease liabilities payables:		
– Within one year	**2,796**	11,224
– More than one year but not more than two years	**2,600**	8,958
– More than two years but not later than five years	**–**	23,786
– More than five years	**–**	66,098
	5,396	110,066
Less: A mount due for settlement within 12 months shown under current liabilities	**(2,796)**	(11,224)
Amount due for settlement after 12 months show under non-current liabilities	**2,600**	98,842

The weighted average incremental borrowing rates applied to lease liabilities range from 4.21% to 4.61% (2020: 4.13% to 4.61%).

26. DEFERRED TAX

The movements in deferred tax assets/(liabilities) are as follows:

Deferred tax assets

	Tax losses RMB'000	Accrued expenses RMB'000	Deferred income RMB'000	Allowances and provisions RMB'000	Total RMB'000
At 1 January 2020	33,251	4,540	779	4,296	42,866
Recognised in profit of loss *(Note 11)*	(18,061)	–	–	–	(18,061)
Disposal of subsidiaries *(Note 41)*	(7,240)	–	(779)	–	(8,019)
At 31 December 2020 and 1 January 2021	7,950	4,540	–	4,296	16,786
Recognised in profit of loss *(Note 11)*	(7,950)	(1,896)	–	(3,258)	(13,104)
At 31 December 2021	**–**	**2,644**	**–**	**1,038**	**3,682**

At the end of the reporting period, the Group has unused tax losses of RMB341,885,000, (2020: RMB358,639,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB Nil (2020: RMB31,800,000) of such losses. No deferred tax asset has been recognised in respect of RMB341,885,000 (2020: RMB326,839,000) due to the unpredictability of future profit streams. The years of expiry of the tax losses unrecognised is as below:

	2021 RMB'000	2020 RMB'000
Year of expiry of PRC entities		
2021	**–**	9,223
2022	**9,828**	27,510
2023	**45,714**	43,439
2024	**67,542**	91,671
2025	**139,405**	154,996
2026	**79,396**	–
	341,885	326,839

26. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Other intangible assets RMB'000	Fair value gain on investment properties RMB'000	Accrued subsidy income RMB'000	Total RMB'000
At 1 January 2020	(474)	(10,189)	(192)	(10,855)
Recognised in profit or loss *(Note 11)*	–	390	–	390
At 31 December 2020 and 1 January 2021	(474)	(9,799)	(192)	(10,465)
Recognised in profit or loss *(Note 11)*	–	(21)	–	(21)
Disposal of subsidiaries *(Note 12)*	474	–	192	666
At 31 December 2021	**–**	**(9,820)**	**–**	**(9,820)**

The above recognised deferred tax assets and liabilities cannot be set off.

A 10% PRC withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised was approximately RMB4,204,000 as at 31 December 2021 (2020: RMB12,066,000).

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 **RMB'000**	2020 RMB'000
Financial assets at FVTOCI		
Unlisted equity securities, at fair value *(note (i))*	**–**	9,492

note:

(i) The Group invested unlisted equity securities at cost of RMB13,299,000. As at 31 December 2021, the fair value loss of unlisted equity securities, amounting to approximately RMB9,492,000 (2020: loss of RMB26,724,000) was recognised to other comprehensive income. These investments are not held for trading and represent the Group's equity interest in a private entity. The Directors have elected to designate the investments at FVTOCI.

According to the latest information received by the Group, the investee company corresponding to the investment has serious operating problems and thus the Group reduced the fair value of these investments to zero after referring to the professional valuation report issued by an independent professional qualified valuer.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 **RMB'000**	2020 RMB'000
Listed securities held for trading:		
– Equity securities listed in Shenzhen stock exchange	**880**	–

During the year ended 31 December 2021, the Group's outstanding trade receivable of RMB2,199,000 were settled by the listed securities of its fair value amounted to RMB930,000 in according to the insolvency administrator order. The difference between the outstanding trade receivables and the value of listed securities of RMB1,269,000 was impaired during the year ended 31 December 2021.

29. SHARE CAPITAL

	2021		2020	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised				
Ordinary shares of HK$0.1 each:				
At beginning of the year	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Increase the authorised ordinary shares during the year *(note)*	**10,000,000**	**1,000,000**	–	–
At end of the year	**20,000,000**	**2,000,000**	10,000,000	1,000,000

29. SHARE CAPITAL *(Continued)*

	2021			2020		
	Number of shares	**Amount**	**Amount**	Number of shares	Amount	Amount
	'000	**HK$'000**	**RMB'000**	'000	HK$'000	RMB'000
Issued and fully paid:						
At beginning and end of the year	**6,767,636**	**676,764**	**556,286**	6,767,636	676,764	556,286

note:

On 13 September 2021, the Company pass an extraordinary general meeting to increase the authorised share capital of the Company from HK$1,000,000,000 divided into 10,000,000,000 ordinary shares of HK$0.1 each to HK$2,000,000,000 divided into 20,000,000,000 ordinary shares of HK$0.1 each by the creation of an additional 10,000,000,000 ordinary shares.

30. RESERVES

(i) Reserves of the Group

(a) *Share premium*

The balance represents the excess of consideration received for issue of shares over the corresponding par value of the issued shares. The application of the share premium account is governed by the applicable laws of the Cayman Islands.

(b) *Statutory reserve fund*

The Group's subsidiaries established in the PRC are required to transfer no less than 10% of the profit after taxation, as determined in accordance with the applicable PRC accounting standards, to statutory reserve fund until the fund aggregates to 50% of their respective registered capital. The statutory reserve fund can only be used, upon approval by the respective board of directors, to offset accumulated losses or increase capital

(c) *Enterprise expansion fund*

In accordance with the Law of the People's Republic of China on Chinese-foreign Equity Joint Venture and the articles of association of a subsidiary, a subsidiary shall appropriate 5% of its annual statutory net profit (after offsetting any prior years' losses) to enterprise expansion fund.

(d) *Capital redemption reserve*

Capital redemption reserve occurs when shares of a company are redeemed or purchased wholly out of the Company's profits, the amount by which the Company's issued share capital is diminished on cancellation of the shares redeemed or purchased, shall be transferred to the capital redemption reserve. If the shares are redeemed or purchased wholly or partly out of the proceeds of a fresh issue, and the aggregate amount of those proceeds is less than the aggregate nominal value, the amount of the difference shall be transferred to the capital redemption reserve.

30. RESERVES *(Continued)*

(i) Reserves of the Group *(Continued)*

(e) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies in Note 4.

(f) Others

Others comprise the share option reserve, property revaluation reserve, and fair value reserve.

The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company and other parties recognised in accordance with the accounting policy in Note 4.

The property revaluation reserve represents the gains/losses arising on the revaluation of property (other than investment property). The balance on this reserve is wholly undistributable.

The fair value reserve represents the cumulative net change in the fair value of financial assets at fair value through other comprehensive income held at the end of the reporting period.

(ii) Reserves of the Company

	Share premium	Contributed surplus	Exchange reserve	Others	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	1,482,219	84,242	5,360	308	(1,260,931)	311,198
Total comprehensive income/(loss) for the year	–	–	13,244	–	(616,450)	(603,206)
At 31 December 2020 and 1 January 2021	1,482,219	84,242	18,604	308	(1,877,381)	(292,008)
Total comprehensive income/(loss) for the year	–	–	4,550	–	(114,985)	(110,435)
At 31 December 2021	**1,482,219**	**84,242**	**23,154**	**308**	**(1,992,366)**	**(402,443)**

31. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates and are deposited with creditworthy financial institutions with no recent history of default.

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	340,744	110,066	450,810
Changes from financing cash flows:			
Proceeds from loans and borrowings	240,061	–	240,061
Repayment of borrowings	(190,913)	–	(190,913)
Interest paid	(16,281)	–	(16,281)
Repayment of lease liabilities	–	(6,269)	(6,269)
Total changes from financing cash flows	32,867	(6,269)	26,598
Exchange adjustments	(2,087)	–	(2,087)
Other non-cash changes:			
Interest expense	23,337	2,548	25,885
Accrued interest	(9,690)	–	(9,690)
Addition of lease liabilities	–	7,487	7,487
Disposal of subsidiaries	(10,810)	–	(10,810)
Lease modification	–	(108,436)	(108,436)
Total other changes	2,837	(98,401)	(95,564)
Balance at 31 December 2021	**374,361**	**5,396**	**379,757**

31. CASH AND CASH EQUIVALENTS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities: *(Continued)*

	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance at 1 January 2020	489,982	117,959	607,941
Cash used in operations:			
Decrease in loans and other borrowings for retail services	(102,894)	–	(102,894)
Total cash used in operation	(102,894)	–	(102,894)
Changes from financing cash flows:			
Proceeds from loans and borrowings	518,663	–	518,663
Repayment of borrowings	(550,621)	–	(550,621)
Interest paid	(18,445)	–	(18,445)
Repayment of lease liabilities	–	(12,968)	(12,968)
Total changes from financing cash flows	(50,403)	(12,968)	(63,371)
Exchange adjustments	(6,576)	–	(6,576)
Other non-cash changes:			
Interest expense	37,805	5,075	42,880
Accrued interest	(19,360)	–	(19,360)
Addition of lease liabilities	–	254	254
Disposal of subsidiaries	(7,810)	(254)	(8,064)
Total other changes	10,635	5,075	15,710
Balance at 31 December 2020	340,744	110,066	450,810

32. COMMITMENTS

Operating lease arrangements

As leasor

As at 31 December 2021 and 2020, the Group leased at its investment properties under operating lease. As at the end of the reporting period, the total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**794**	1,560
In the second year	**794**	790
In the third year	**397**	720
In the fourth year	**–**	360
	1,985	3,430

Capital Commitments

	2021 RMB'000	2020 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided	**1,470**	–

33. RELATED PARTIES TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation in full and are not disclosed in this note. Except for disclosed elsewhere in the notes to financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) Transaction with related parties

(i) Transaction with key management personnel

Transaction with the members of key management during the year, including the remuneration for executive directors and non-executive directors as disclosed in Note 10(a), is as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other allowances	**3,495**	2,847
Retirement scheme contributions	**80**	64
	3,575	2,911

Total remuneration is included in "Employee benefit expenses" (see Note 9).

34. EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Company participate in defined contribution retirement schemes (the "Schemes") organised by the PRC municipal government authorities where the subsidiaries are registered whereby these PRC subsidiaries are required to make a contribution at the respective local rates of the eligible employees' salaries to the Schemes. The Group has accrued for the required pension fund contributions which are remitted to the respective social security offices when the contributions become due. The social security offices are responsible for making the benefit payments to the retired employee covered under the Schemes. The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

For years ended 31 December 2021 and 2020, there was no forfeiture of retirement benefits schemes contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) in the Group. As at 31 December 2021 and 2020, no forfeited contribution under the retirement benefits schemes of the Group is available to reduce the contribution payable in future years.

35. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company terminated the old share option scheme and adopted a new share option scheme (the "Scheme") pursuant to a shareholders' resolution passed on 25 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the Scheme include the Directors, employees, suppliers, customers and business or strategic alliance partners of the Group. The Scheme became effective on 25 June 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares which may be issued upon exercise of all share options granted and to be granted under the Scheme is 376,116,501 shares, representing 10% and 5.56% of the shares of the Company in issue as at the date of adoption of the Scheme and as at the date of this annual report, respectively, unless approval for refreshing the 10% limit from the Company's shareholders has been obtained. The maximum number of shares issued and may be issued under share options granted to each eligible participant in the Scheme (including both exercised and outstanding share options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. The grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to prior approval 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 associates, in the 12-month period up to and including the date of the grant of share options in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, are subject to shareholders' prior approval in a general meeting. The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a nominal consideration of HK$10 in total by the grantee. The exercise period of the share options granted is determined by the Board, save that such a period shall not be more than 10 years from the date of grant of the share options subject to the provisions for early termination as set out in the Scheme. Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum holding period or a performance target which must be achieved before a share option can be exercised.

35. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The exercise price of the share options shall be the highest of (i) the nominal value of a share of the Company on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of grant. Share options do not confer rights on the holders to dividends or to vote at general meetings. As at 31 December 2021, no options had been granted by the Company under the Scheme remained outstanding (2020: Nil) and no shares were available for issue under the Scheme (2020: Nil).

36. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of (i) debts, which includes the bank and other borrowings as disclosed in Note 23; (ii) cash and cash equivalents as disclosed in Note 31; (iii) equity attributable to equity shareholders of the Company, comprising share capital disclosed in Note 29 and reserves as disclosed in consolidated statement of changes in equity.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group manages the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The net debt to equity ratio at end of the reporting period was as follows:

	2021 **RMB'000**	2020 RMB'000
Debts	**374,361**	340,744
Cash and cash equivalents	**(38,929)**	(64,564)
Net debt position	**335,432**	276,180
Equity attributable to equity shareholders of the Company	**179,799**	294,390
Net debt to equity ratio	**186.6%**	93.8%

37. *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES*

The Group's major financial instruments include equity and debt investments, trade and other receivables, amounts due from former related parties, cash and cash equivalents, trade and other payables, bank and other borrowings and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, trade receivables, deposit and other receivables and amounts due from former related parties. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The Group assessed 12m ECL for such balance and considered the 12m ECL to be insignificant and therefore no loss allowance was recognised.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

As at 31 December 2021 and 2020, balances included in trade receivables, deposits and other receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

As at the end of the year, the top three debtors and the largest debtor accounted for approximately 26.06% and 10.62% (2020: 33.51% and 13.75%) of the Group's trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0 to 360 days from the date of billing. Normally, the Group does not obtain collateral from customers.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES *(Continued)*

(a) Credit risk *(Continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant Increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES *(Continued)*

(a) Credit risk *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

As at 31 December 2021

	Credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Provision for ECL RMB'000
Financial assets at amortised costs				
Trade receivables *(Note 22(a))*	**Low risk**	**Lifetime ECL (not credit-impaired)**	**140,567**	**(1,048)**
	Doubtful	**Lifetime ECL (not credit-impaired)**	**105**	**(4)**
	Loss	**Credit-impaired**	**13,021**	**(8,931)**
			153,693	**(9,983)**
Other financial assets/other items (including other receivables) *(Note 22(b))*	**Low risk**	**12-month ECL**	**84,907**	**(1,528)**
	Doubtful	**Lifetime ECL (not credit-impaired)**	**149,196**	**(28,049)**
	Loss	**Credit-impaired**	**623,011**	**(290,237)**
			857,114	**(319,814)**

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES *(Continued)*

(a) Credit risk *(Continued)*

As at 31 December 2020

	Credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Provision for ECL RMB'000
Financial assets at amortised costs				
Trade receivables *(Note 22(a))*	Low risk *(note (a))*	Lifetime ECL (not credit-impaired)	160,928	(1,425)
	Doubtful	Lifetime ECL (not credit-impaired)	893	(15)
	Loss	Credit-impaired	1,864	(1,037)
			163,685	(2,477)
Other financial assets/other items (including other receivables) *(Note 22(b))*	Low risk	12-month ECL	86,169	(1,328)
	Doubtful	Lifetime ECL (not credit-impaired)	205,547	(37,895)
	Loss	Credit-impaired	614,230	(286,416)
			905,946	(325,639)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES *(Continued)*

(a) Credit risk *(Continued)*

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables and other financial assets.

	2021			2020		
Internal credit rating	Average loss rate %	Trade receivables RMB'000	Allowance for ECL RMB'000	Average loss rate %	Trade receivables RMB'000	Allowance for ECL RMB'000
Low risk	**0.7**	**140,567**	**1,048**	0.9	160,928	1,425
Doubtful	**3.8**	**105**	**4**	1.7	893	15
Loss	**68.6**	**13,021**	**8,931**	55.6	1,864	1,037
		153,693	**9,983**		163,685	2,477

	2021			2020		
Internal credit rating	Average loss rate %	Other financial assets RMB'000	Allowance for ECL RMB'000	Average loss rate %	Other financial assets RMB'000	Allowance for ECL RMB'000
Low risk	**1.8**	**84,907**	**1,528**	1.5	86,169	1,328
Doubtful	**18.8**	**149,196**	**28,049**	18.4	205,547	37,895
Loss	**46.6**	**623,011**	**290,237**	46.6	614,230	286,416
		857,114	**319,814**		905,946	325,639

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES *(Continued)*

(a) Credit risk *(Continued)*

The closing loss allowances for including trade receivables, deposits and other receivables and amounts due from related parties as at 31 December 2021 and 2020 reconcile to the opening loss allowances as follows:

	Trade receivables RMB'000	**Other financial assets** RMB'000
At 1 January 2020	1,391	28,052
Allowance for ECL recognised in profit or loss during the year, net	1,086	297,587
At 31 December 2020 and 1 January 2021	2,477	325,639
Allowance/(reversal) of ECL recognised in profit or loss during the year, net		(5,664)
Disposal of subsidiaries	(22)	(161)
At 31 December 2021	**9,983**	**319,814**

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES *(Continued)*

(a) Credit risk *(Continued)*

For loan receivables, other receivables, deposits and amount due from former related parties, the Directors makes periodic individual assessment on the recoverability of loan receivables, other receivables, deposits and amount due from former related parties based on historical settlement records, past experience, the fair value of the collateral pledged, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. As at 31 December 2021 the Group assessed the ECL for other financial assets and provision of approximately RMB319,814,000 (2020: RMB325,639,000) which most of the impairment losses were related to amount due from Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (蒙古利豐鼎盛汽車有限公司) ("Lifeng Dingsheng") and its subsidiaries and associates (collectively, the "Lifeng Dingsheng Group"), which are primarily engaged in automobile dealership and service business in Inner Mongolia.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES *(Continued)*

(b) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities of the Group's financial liabilities at the end of reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

	Weighted average effective interest rate	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2021							
Bank and other borrowings	**7.82**	**374,361**	**413,020**	**265,737**	**–**	**147,283**	**–**
Trade payables	**–**	**246,487**	**246,487**	**246,487**	**–**	**–**	**–**
Other payables	**–**	**152,631**	**152,631**	**152,631**	**–**	**–**	**–**
Lease liabilities	**4.23**	**5,396**	**5,554**	**2,928**	**2,626**	**–**	**–**
Total		**778,875**	**817,692**	**667,783**	**2,626**	**147,283**	**–**
2020							
Bank and other borrowings	10.77	340,744	381,888	311,835	4,333	65,720	–
Trade payables	–	283,514	283,514	283,514	–	–	–
Other payables	–	189,118	189,118	189,118	–	–	–
Lease liabilities	4.53	110,066	154,163	15,147	13,450	35,912	89,654
Total		923,442	1,008,683	799,614	17,783	101,632	89,654

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES *(Continued)*

(c) Interest rate risk

Most of bank and other borrowings were issued at fixed rates which expose the Group to fair value interest rate risk.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily US$, HK$ and NTD.

The Group is also exposed to foreign currency exchange risk arising from the cash and cash equivalents denominated in US$.

The following table details the Group's exposure at the end of reporting period to currency risk arising from transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2021			2020		
	US$'000	**HK$'000**	**NTD'000**	US$'000	HK$'000	NTD'000
Trade and other receivables	**14,727**	**150,524**	**–**	11,960	151,000	168,240
Trade and other payables	**(160)**	**–**	**–**	(701)	–	(26)
Cash and cash equivalents	**4,767**	**7**	**–**	3,847	48	–
Bank and other borrowings	**(18,001)**	**–**	**–**	(16,599)	–	–
Overall net exposure	**1,333**	**150,531**	**–**	(1,493)	151,048	168,214

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES *(Continued)*

(d) Currency risk *(Continued)*

The following table indicates the approximate change in the Group's loss for the year and accumulated losses and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates a decrease in loss or an increase in profit and other equity where the RMB weakens against the relevant currency. For a strengthening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit or loss and other equity, and the balances below would be negative.

	2021		2020	
	Increase in foreign exchange rate	**Effect on loss for the year and accumulated losses RMB'000**	Increase in foreign exchange rate	Effect on profit/ (loss) for the year and accumulated losses RMB'000
US$	**5%**	**(56)**	5%	227
HK$	**5%**	**(6,285)**	5%	(6,356)
NTD	**5%**	**–**	5%	(1,889)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to each of the Group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the financial assets and financial liabilities as recognised in consolidated financial statements at 31 December 2021 and 2020 were approximate to their fair values.

(a) The fair values of financial assets and liabilities are determined as follows:

– The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

– The fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments and forecast on the financial performance and other measures of the acquirees under the contingent consideration arrangements. The directors are of the opinion that there are no reasonably possible alternative assumptions to the inputs in the fair value measurement.

(b) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(b) Fair value hierarchy *(Continued)*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021				
Financial assets at FVTPL	880	–	–	880
As at 31 December 2020				
Financial assets at FVTOCI	–	–	9,492	9,492

Sensitivity analysis

Financial assets at FVTOCI

For the year ended 31 December 2020, if the unobservable inputs of the respective unlisted equity instrument had been 10% higher/lower, loss for the year would decrease/increase by RMB2,815,000 while total equity would increase/decrease by approximately RMB2,815,000 as a result of the changes in fair value of financial assets at FVTOCI.

Financial assets at FVTPL

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. If the prices of the respective equity instruments had been 10% higher/lower, the profit for the year ended 31 March 2021 would increase/decrease by RMB88,000 as a result of the changes in fair value of investments at FVTPL.

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(b) Fair value hierarchy *(Continued)*

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTOCI RMB'000
At 1 January 2020	36,216
Net unrealised losses recognised in other comprehensive income during the year	(26,724)
At 31 December 2020 and 1 January 2021	9,492
Net unrealised losses recognised in other comprehensive income during the year	(9,492)
At 31 December 2021	–

Included in other comprehensive income is an loss of RMB9,492,000 (2020: RMB26,724,000) relating to financial assets at FVTOCI held at the end of the current reporting period and is reported as other reserve.

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(b) Fair value hierarchy *(Continued)*

	Fair value 2021 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial assets				
Financial assets at FVTPL	880	Level 1	Quoted bid prices in an active market	N/A

	Fair value 2020 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial assets				
Financial assets at FVTOCI	9,492	Level 3	Market Comparison	compound annual growth rate: –75%

There were no transfer between level 1, 2 and 3 during the years ended 31 December 2021 and 2020.

39. CONTINGENT LIABILITIES

At 31 December 2021 and 2020, the Group had no significant contingent liability.

40. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2021 RMB'000**	2020 RMB'000
Non-current asset			
Interest in subsidiaries		**122,474**	189,919
		122,474	189,919
Current assets			
Deposits, prepayments and other receivables		**122,814**	156,666
Cash and cash equivalents		**402**	5,505
		123,216	162,171
Current liabilities			
Accruals and other payables		**14,717**	19,632
Bank and other borrowings		**20,416**	68,180
		35,133	87,812
Net current assets		**88,083**	74,359
Total assets less current liabilities		**210,557**	264,278
Non-current liability			
Bank and other borrowings		**56,714**	–
		56,714	–
NET ASSETS		**153,843**	264,278
CAPITAL AND RESERVES			
Share capital	*29*	**556,286**	556,286
Reserves	*30(ii)*	**(402,443)**	(292,008)
TOTAL EQUITY		**153,843**	264,278

41. DISPOSAL OF SUBSIDIARIES

(i) Equity Disposal of Five Hulunbuir Companies

On 15 July 2021, Inner Mongolia Chuangying Auto Co., Ltd. ("Inner Mongolia Chuangying"), a subsidiary of the Company, entered into an equity transfer agreement with Inner Mongolia Zuolichi Auto Co., Ltd.* (內蒙古佐利馳汽車有限公司, "Zuolichi"). Pursuant to the equity transfer agreement, Zuolichi agreed to acquire 96% equity interests in Hulunbuir Lifeng Taidi Auto Sales Co., Ltd.* (呼倫貝爾市利豐泰迪汽車銷售有限公司), 96% equity interests in Hulunbuir Lifeng Wuling Automobile Sales and Services Co., Ltd.* (呼倫貝爾市利豐五菱汽車銷售服務有限公司), 96% equity interests in Hulunbuir Lifeng Tailing Automobile Sales and Services Co., Ltd.* (呼倫貝爾市利豐泰鈴汽車銷售服務有限公司), 96% equity interests in Hulunbuir Lifengtong Vehicle Store Co., Ltd* (呼倫貝爾市利豐通汽車行有限公司) and 96% equity interests in Hulunbuir Lifeng Tailai Auto Services Co., Ltd.* (呼倫貝爾市利豐泰萊汽車服務有限公司) held by Inner Mongolia Chuangying (the "Equity Disposal of Five Hulunbuir Companies") at the transfer consideration of RMB1,650,000, RMB1, RMB640,000, RMB1 and RMB1, respectively, totaling RMB2,290,003. After the completion of the Equity Disposal of Five Hulunbuir Companies on 5 July 2021, the abovementioned five companies ceased to be subsidiaries of the Company.

* The English name of the Companies in the PRC are transliteration of their respective Chinese name which have not been registered.

Consideration received:

	RMB'000
Total consideration	2,290

41. *DISPOSAL OF SUBSIDIARIES (Continued)*

(i) **Equity Disposal of Five Hulunbuir Companies** *(Continued)*

An analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	3,379
Inventories	1,986
Trade receivables	1,621
Deposits, prepayments and other receivables	14,514
Cash and cash equivalents	490
Trade payables	(2,344)
Accruals and other payables	(18,000)
Borrowings	(10,810)
Net liabilities disposed of	(9,164)
Gain on disposal of a subsidiary	
Transfer consideration	2,290
Net liabilities disposed of	9,164
Non-controlling interests	(365)
Gain on disposal	11,089
Net cash outflow arising on disposal:	
Cash received	–
Less: cash and cash equivalents balance disposed	(490)
	(490)

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

(ii) Disposal of Hinggan Lifeng Taiyu Motor Sales Co., Ltd (興安盟利豐泰宇汽車銷售有限公司, "Hinggan Taiyu")

On 2 July 2020, Inner Mongolia Chuangying, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Xilinguolemeng Lifeng Xinlu Second-hand Auto Vehicle Market Co., Ltd.* (錫林郭勒盟利豐心路舊機動車交易市場有限責任公司, "Lifeng Xinlu"). Pursuant to the equity transfer agreement, Lifeng Xinlu agreed to acquire 54.5% equity interests in Hinggan Taiyu held by Inner Mongolia Chuangying at the transfer consideration of approximately RMB4,410,000. After completion of the above equity disposal on 2 July 2020, Hinggan Taiyu ceased to be a subsidiary of the Company.

* The English name of the Companies in the PRC are transliteration of their respective Chinese names which have not been registered.

Consideration received:	RMB'000
Cash received	–
Deferred cash consideration	4,410
Total consideration received	4,410

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

(ii) Disposal of Hinggan Lifeng Taiyu Motor Sales Co., Ltd (興安盟利豐泰宇汽車銷售有限公司, "Hinggan Taiyu") *(Continued)*

An analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	651
Deferred tax assets	1,904
Inventories	455
Trade receivables	1,278
Deposits, prepayments and other receivables	22,617
Cash and cash equivalents	63
Trade payables	(383)
Accruals and other payables	(18,487)
Tax payables	(7)
Net assets disposed of	8,091

Loss on disposal of a subsidiary

Transfer consideration	4,410
Net assets disposed of	(8,091)
Non-controlling interests	3,681
Loss on disposal	–

Net cash outflow arising on disposal:	
Cash received	–
Less: cash and cash equivalents balance disposed	(63)
	(63)

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

(iii) Disposal of Hinggan Lifeng Taiyu Automobile Services Co., Ltd. (興安盟利豐泰裕汽車服務有限公司), Ulanhot Lifeng Taidi Automobile Sales and Services Co., Ltd.* (烏蘭浩特市利豐泰迪汽車銷售服務有限公司) and Hinggan Taihong Wuling Motor Sales Co., Ltd.* (興安盟泰宏五菱汽車銷售有限公司)

On 3 July 2020, Inner Mongolia Chuangying entered into an equity transfer agreement with Xilinguolemeng Zhongyi Trading Co., Ltd.* (錫林郭勒盟眾壹商貿有限公司, "Zhongyi Trading"). Pursuant to the equity transfer agreement, Zhongyi Trading agreed to acquire 54.5% equity interests in Ulanhot Lifeng Taidi Automobile Sales and Services Co., Ltd.*, 54.5% equity interests in Hinggan Taihong Wuling Motor Sales Co., Ltd.* and 100% equity interests in Hinggan Lifeng Taiyu Automobile Services Co., Ltd.* held by Inner Mongolia Chuangying (the "Equity Disposal of Three Companies") at the transfer consideration of approximately RMB990,000, RMB4,350,000 and RMB8,387,000, respectively, totalling approximately RMB13,727,000. After completion of the Equity Disposal of Three Companies on 3 July 2020, the above three companies ceased to be subsidiaries of the Company.

* The English name of the Companies in the PRC are transliteration of their respective Chinese names which have not been registered.

Hinggan Lifeng Taiyu Automobile Services Co., Ltd.

Consideration received:	RMB'000
Cash received	–
Deferred cash consideration	8,387
Total consideration received	8,387

An analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	537
Deferred tax assets	5,744
Inventories	807
Trade receivables	7,259
Deposits, prepayments and other receivables	5,727
Trade payables	(2,830)
Accruals and other payables	(8,807)
Tax payable	(50)
Net assets disposed of	8,387

Loss on disposal of a subsidiary

Transfer consideration	8,387
Net assets disposed of	(8,387)
Loss on disposal	–

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

(iii) Disposal of Hinggan Lifeng Taiyu Automobile Services Co., Ltd. (興安盟利豐泰裕汽車服務有限公司), Ulanhot Lifeng Taidi Automobile Sales and Services Co., Ltd.* (烏蘭浩特市利豐泰迪汽車銷售服務有限公司) and Hinggan Taihong Wuling Motor Sales Co., Ltd.* (興安盟泰宏五菱汽車銷售有限公司) *(Continued)*

Ulanhot Lifeng Taidi Automobile Sales and Services Co., Ltd.

Consideration received:	RMB'000
Cash received	–
Deferred cash consideration	990
Total consideration received	990

An analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	156
Deferred tax assets	360
Inventories	400
Trade receivables	1,128
Deposits, prepayments and other receivables	1,429
Cash and cash equivalents	11
Trade payables	(269)
Accruals and other payables	(1,376)
Tax payables	(23)
Net assets disposed of	1,816

Loss on disposal of subsidiaries

Transfer consideration	990
Net assets disposed of	(1,816)
Non-controlling interests	826
Loss on disposal	–

Net cash outflow arising on disposal:	
Cash received	–
Less: cash and cash equivalents balance disposed	(11)
	(11)

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

(iii) Disposal of Hinggan Lifeng Taiyu Automobile Services Co., Ltd. (興安盟利豐泰裕汽車服務有限公司), Ulanhot Lifeng Taidi Automobile Sales and Services Co., Ltd.* (烏蘭浩特市利豐泰迪汽車銷售服務有限公司) and Hinggan Taihong Wuling Motor Sales Co., Ltd.* (興安盟泰宏五菱汽車銷售有限公司) *(Continued)*

Hinggan Taihong Wuling Motor Sales Co., Ltd.

Consideration received:	RMB'000
Cash received	–
Deferred cash consideration	4,350
Total consideration received	4,350

An analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	39
Deferred tax assets	11
Inventories	177
Deposits, prepayments and other receivables	17,955
Bank and other borrowings, secured	(7,810)
Accruals and other payables	(2,322)
Trade payable	(66)
Tax payables	(1)
Net assets disposed of	7,983

Loss on disposal of a subsidiary

Transfer consideration	4,350
Net assets disposed of	(7,983)
Non-controlling interests	3,633
Loss on disposal	–

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

(iv) Disposal of Nanjing Autoboom Automotive Products Co., Limited (南京歐特隆汽車用品有限公司, "Nanjing Autoboom") (南京歐特隆)

On 1 April 2020, Zhejiang Autoboom, a non wholly-owned subsidiary of the Company, entered into an equity transfer agreement with 張津維 and 王鵬飛. Pursuant to the equity transfer agreement, 張津維 and 王鵬飛 agreed to acquire 100% equity interests in Nanjing Autoboom held by Zhejiang Autoboom at the transfer consideration of approximately RMB1,000,000. After completion of the above equity disposal on 1 April 2020, Nanjing Autoboom ceased to be a subsidiary of the Company.

Consideration received:	RMB'000
Cash received	–
Deferred cash consideration	1,000
Total consideration received	1,000

An analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	210
Right-of-use assets	800
Inventories	3,243
Trade receivables	4,844
Deposits, prepayments and other receivables	1,273
Cash and cash equivalents	1,561
Trade payables	(1,257)
Contract liabilities	(4,766)
Accruals and other payables	(541)
Lease liabilities	(254)
Net assets disposed of	5,113

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

(iv) Disposal of Nanjing Autoboom Automotive Products Co., Limited (南京歐特隆汽車用品有限公司, "Nanjing Autoboom")（南京歐特隆）*(Continued)*

Loss on disposal of a subsidiary

	RMB'000
Transfer consideration	1,000
Net assets disposed of	(5,113)
Loss on disposal	(4,113)
Net cash outflow arising on disposal:	
Cash received	–
Less: cash and cash equivalents balance disposed	(1,561)
	(1,561)

42. COMPARATIVES

Certain comparative amounts have been reclassified to conform with current year's presentation.

43. SUBSEQUENT EVENTS

The Directors are not aware of any significant events requiring disclosure that has taken place subsequent to 31 December 2021 and up to the date of this report.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2022.

FINANCIAL SUMMARY

For the year ended 31 December 2021

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

RESULTS

	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**728,142**	911,727	1,750,632	1,412,883	1,267,928
(Loss)/profit before taxation					
– from continuing operations	**(86,770)**	(451,376)	(207,350)	132,682	(371,338)
– from discontinued operations	**13,779**	–	(35,667)	(76,563)	–
Income tax	**(15,960)**	(22,282)	33,804	(2,314)	1,368
(Loss)/profit for the year	**(88,951)**	(473,658)	(209,213)	53,805	(369,970)
Attributable to:					
Equity shareholders of the Company	**(84,795)**	(466,748)	(191,108)	107,833	(315,465)
Non-controlling interests	**(4,156)**	(6,910)	(18,105)	(54,028)	(54,505)
	(88,951)	(473,658)	(209,213)	53,805	(369,970)

ASSETS AND LIABILITIES

	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,042,509**	1,291,232	1,937,231	2,570,157	1,380,184
Total liabilities	**(848,048)**	(1,018,377)	(1,125,632)	(1,584,733)	(1,162,257)
Net assets	**194,461**	272,855	811,599	985,424	217,927