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CENTENARY UNITED HOLDINGS LIMITED

世紀聯合控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1959)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS:

The Group's revenue for the six months ended 30 June 2022 amounted to approximately RMB777.5 million, representing a decrease of approximately 20.6% as compared to the six months ended 30 June 2021.

The Group's gross profit for the six months ended 30 June 2022 amounted to approximately RMB53.4 million, representing an increase of approximately 18.7% as compared to the six months ended 30 June 2021. Gross profit margin increased to 6.9% from 4.6% for the six months ended 30 June 2022.

Loss attributable to owners of the Company amounted to approximately RMB7.2 million for the six months ended 30 June 2022, as compared to approximately RMB7.9 million for the six months ended 30 June 2021.

Basic loss per share was approximately RMB1.43 cents for the six months ended 30 June 2022, as compared to approximately RMB1.58 cents for the six months ended 30 June 2021.

RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Centenary United Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2021 (the “**Previous Period**”) as set out below:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		For the six months ended	
		30 June	
		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
CONTINUING OPERATIONS			
REVENUE	4	777,458	979,587
Cost of sales		<u>(724,064)</u>	<u>(934,587)</u>
Gross profit		53,394	45,000
Other income and gains	4	19,248	15,333
Selling and distribution expenses		(31,210)	(30,774)
Administrative expenses		(37,377)	(33,097)
Other expenses		(3,837)	(332)
Finance costs	6	<u>(5,728)</u>	<u>(5,795)</u>
LOSS BEFORE TAX	5	(5,510)	(9,665)
Income tax (expense)/credit	7	<u>(2,331)</u>	<u>1,531</u>
LOSS FOR THE PERIOD		<u>(7,841)</u>	<u>(8,134)</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR
LOSS (Continued)**

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Attributable to:		
Owners of the parent	(7,238)	(7,921)
Non-controlling interests	(603)	(213)
	<u>(7,841)</u>	<u>(8,134)</u>
 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted	9 <u>RMB(1.43) cents</u>	<u>RMB(1.58) cents</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2022

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	<u>(7,841)</u>	<u>(8,134)</u>
OTHER COMPREHENSIVE INCOME		
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>6</u>	<u>79</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>6</u>	<u>79</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(7,835)</u>	<u>(8,055)</u>
Attributable to:		
Owners of the parent	<u>(7,232)</u>	<u>(7,842)</u>
Non-controlling interests	<u>(603)</u>	<u>(213)</u>
	<u>(7,835)</u>	<u>(8,055)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	30 June 2022	31 December 2021
		RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	181,929	164,332
Right-of-use assets		100,845	43,460
Other intangible assets		315	338
Deferred tax assets		643	541
		<hr/>	<hr/>
Total non-current assets		283,732	208,671
CURRENT ASSETS			
Inventories	11	312,273	215,591
Trade receivables	12	7,099	9,110
Prepayments, other receivables and other assets	13	207,442	209,286
Pledged deposits		49,744	94,211
Cash and cash equivalents		43,634	65,028
		<hr/>	<hr/>
Total current assets		620,192	593,226
CURRENT LIABILITIES			
Trade and bills payables	14	115,388	141,245
Contract liabilities		47,094	47,407
Other payables and accruals		57,083	40,078
Interest-bearing bank and other borrowings	15	164,521	214,618
Amount due to a director	17	168,500	40,000
Tax payable		20,219	22,578
		<hr/>	<hr/>
Total current liabilities		572,805	505,926
NET CURRENT ASSETS		<hr/> 47,387	<hr/> 87,300
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 331,119	<hr/> 295,971

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

30 June 2022

		30 June 2022	31 December 2021
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		<u>74,135</u>	<u>32,713</u>
Total non-current liabilities		<u>74,135</u>	<u>32,713</u>
Net assets		<u>256,984</u>	<u>263,258</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	4,558	4,558
Reserves		<u>251,443</u>	<u>257,114</u>
Equity attributable to owners of the parent		256,001	261,672
Non-controlling interests		<u>983</u>	<u>1,586</u>
Total equity		<u>256,984</u>	<u>263,258</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 October 2018. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are mainly engaged in the sale of motor vehicles and provision of services in the People’s Republic of China (the “**PRC**” or “**Mainland China**”).

2.1 BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021. The unaudited interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The adoption of the above revised IFRSs has no significant financial effect on the interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

The Group principally engages in the sale and service of motor vehicles in Mainland China.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the Reporting Period, the Group operated within one geographical segment because most of its revenue was generated in Mainland China and most of its long-term assets/capital expenditure were located/incurred in Mainland China. Accordingly, no further geographical segment information is presented.

Information about major customers

No revenue from sales of motor vehicles or provision of services to a single customer amounted to 10% or more of total revenue of the Group during the Reporting Period.

4. REVENUE, OTHER INCOME AND GAINS

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

Revenue from contracts with customers

(i) *Disaggregated revenue information from contracts with customers*

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of motor vehicles	654,167	856,278
Others	123,291	123,309
	<u>777,458</u>	<u>979,587</u>
Total revenue from contracts with customers	<u>777,458</u>	<u>979,587</u>
Timing of revenue recognition		
Transferred at a point in time	667,514	877,909
Transferred over time	109,944	101,678
	<u>777,458</u>	<u>979,587</u>
Total revenue from contracts with customers	<u>777,458</u>	<u>979,587</u>

(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Sales of goods

The performance obligation is satisfied upon delivery of the merchandised products and payment in advance is generally required.

Provision of services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon provision of the service and customer acceptance.

The unsatisfied performance obligations are expected to be satisfied within one year.

Other income and gains

	For the six months ended	
	30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	1,009	875
Government grants released (<i>note (a)</i>)	183	599
Gain on disposal of property, plant and equipment	1,407	903
Others (<i>note (b)</i>)	16,649	12,956
	<hr/>	<hr/>
	19,248	15,333
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) Government grant released represented the funds for stable employment. There were no unfulfilled conditions or contingencies in relation to the grants.
- (b) Others mainly included commission income from releasing vehicle mortgage for the customers, commission income for automotive explosion-proof membrane, commission income from third party financing institution for vehicle financing and advertisement support received from automobile manufacturers for the advertising activities.

5. LOSS BEFORE TAX

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

	<i>Note</i>	For the six months ended	
		30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		37,734	33,398
Pension scheme contributions		7,180	6,793
		44,914	40,191
Cost of inventories sold (<i>note (a)</i>)		653,661	872,065
Cost of services provided		70,403	62,522
Depreciation of property, plant and equipment		13,315	9,272
Depreciation of right-of-use assets		9,463	4,381
Equity-settled share option expense		1,561	1,219
Amortisation of other intangible assets		23	23
Auditor's remuneration		895	650
Gain on disposal of property, plant and equipment		(1,407)	(903)
Reversal of impairment of trade receivables (<i>note (b)</i>)	12	(20)	(19)
(Reversal of write-down of)/write-down of inventories to net realisable value		(499)	1,113
Interest income		(1,009)	(875)
Stock loss (<i>note (b), note (c)</i>)		2,395	—

Notes:

- (a) Inclusive of (reversal of write-down of)/write-down of inventories to net realisable value.
- (b) Included in "Other expenses" in the consolidated statements of profit or loss.

- (c) In early March 2022, the management of the Company found that a legally dismissed employee of the Group (who was once a salesperson of Zhongshan Century Jaguar, a wholly-owned subsidiary of the Company) (the “**Former Employee**”), was suspected to have misappropriated car assets of Zhongshan Century Jaguar. Zhongshan Century Jaguar immediately reported the Former Employee’s suspected misappropriation to the Chinese police authorities and immediately dismissed him according to law. The Company was informed that the Former Employee has been criminally detained by the relevant Chinese police authorities. A stock loss of RMB2.4 million has been recognised as other expenses for the six months ended 30 June 2022. The incident is still under investigation by the Chinese police authorities.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended	
	30 June	
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	3,677	5,023
Interest on lease liabilities	2,051	772
	<u>5,728</u>	<u>5,795</u>

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“**BVI**”), the entities of the Group which were incorporated in the Cayman Islands and the BVI are not subject to any income tax.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Reporting Period.

PRC Corporate Income Tax (“CIT”)

Certain subsidiaries of the Group operating in Mainland China were certified as small and micro-sized enterprises (“SMEs”) in 2022. They enjoyed an 87.5% reduction of the first RMB1,000,000 of taxable income, a 75% reduction of taxable income between RMB1,000,000 and RMB3,000,000 and the preferential CIT rate of 20%.

Pursuant to the CIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the six months ended 30 June 2022 and 30 June 2021.

CIT of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the Reporting Period.

	For the six months ended	
	30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current — the PRC		
Charge for the period	2,820	1,150
Deferred income tax	(489)	(2,681)
	<u>2,331</u>	<u>(1,531)</u>
Total tax charge/(credit) for the period	<u>2,331</u>	<u>(1,531)</u>

8. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted loss per share amount are based on the loss for the Reporting Period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 505,202,000 (six months ended 30 June 2021: 500,887,000) in issue during the Reporting Period.

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

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2022 and 30 June 2021 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation: <i>(RMB'000)</i>	<u><u>(7,238)</u></u>	<u><u>(7,921)</u></u>
Shares		
Weighted average number of ordinary shares in issue during the period in the basic loss per share calculation <i>(in thousand)</i>	<u><u>505,202</u></u>	<u><u>500,887</u></u>
	<i>RMB cents</i>	<i>RMB cents</i>
Loss per share:		
Basic and diluted	<u><u>(1.43)</u></u>	<u><u>(1.58)</u></u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired assets at a cost of approximately RMB34,916,000 (six months ended 30 June 2021: RMB 19,685,000).

Assets with a net book value of approximately RMB4,004,000 were disposed of by the Group during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB4,679,000), resulting in a net gain on disposal of approximately RMB1,407,000 (six months ended 30 June 2021: RMB903,000).

11. INVENTORIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Vehicles	296,766	208,863
Accessories	15,507	6,728
	<u>312,273</u>	<u>215,591</u>

At 30 June 2022, the Group's inventories with a carrying amount of approximately RMB35,885,000 (as at 31 December 2021: RMB33,632,000), were pledged as security for the Group's interest-bearing bank and other borrowings.

12. TRADE RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	7,171	9,202
Impairment	(72)	(92)
	<u>7,099</u>	<u>9,110</u>

Trade receivables of the Group represented proceeds receivable from the sale of motor vehicles and the provision of services. The Group's trading terms with its customers normally require payment in advance, except for certain of provision of services where credit is allowed. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control management system to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risk as at 30 June 2022. Trade receivables were interest-free and unsecured as at 30 June 2022.

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	6,748	8,939
3–12 months	351	171
	<u>7,099</u>	<u>9,110</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
At beginning of period/year	92	123
Reversal of impairment (<i>note 5</i>)	(20)	(31)
At end of period/year	<u>72</u>	<u>92</u>

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Advances to suppliers	140,080	153,398
Deposit	10,223	4,610
Value added taxes recoverable	46,030	38,274
Prepayments	4,159	4,696
Other receivables	6,950	8,308
	<u>207,442</u>	<u>209,286</u>

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. In view of the fact that the Group's deposits and other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its deposits and other receivable balances. Other receivables are non-interest-bearing and not secured with collateral.

Other receivables were settled within 12 months and had no historical default, the financial assets included in the above balances were categorised in stage 1 at the end of the Reporting Period. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the Reporting Period, the Group estimated the expected loss rate for other receivables is minimal.

14. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables of the Group, based on the invoice date, as at the end of the Reporting Period, is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	103,000	121,618
3 to 12 months	12,388	19,627
	<u>115,388</u>	<u>141,245</u>

The trade and bills payables are non-interest-bearing and are normally settled on a 90 to 180 days' term.

The Group's bills payables are secured by the pledged deposits of approximately RMB38,702,000 as at 30 June 2022 (as at 31 December 2021: RMB83,169,000).

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
	(%)			(%)		
Current						
Bank loans	4.05–5.655	July 2022 to June 2023	130,040	4.00–5.655	February to March 2022	193,000
— secured						
Other loans	3.00	September 2022 to January 2023	34,481	4.20	September to December 2022	21,618
— secured						
Total			164,521			214,618

Notes:

- (a) As at 30 June 2022 and 31 December 2021, the Group's bank and other borrowings are all denominated in RMB.
- (b) The Group's bank and other borrowings are secured by:
- (i) certain of the Group's merchandised goods amounting to approximately RMB35,885,000 (note 11) as at 30 June 2022 (as at 31 December 2021: RMB33,632,000);
 - (ii) the Group's buildings, which a net carrying amount of approximately RMB6,674,000 as at 30 June 2022 (as at 31 December 2021: RMB7,022,000);
 - (iii) the Group's right of use assets, which a net carrying amount of approximately RMB9,846,000 as at 30 June 2022 (as at 31 December 2021: RMB10,097,000); and
 - (iv) a pledged deposit of approximately RMB10,000,000 as at 30 June 2022 (as at 31 December 2021: RMB10,000,000).
 - (v) certain buildings and leasehold lands held by the Group's related parties as at 30 June 2022.

16. SHARE CAPITAL

Shares

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Authorised:		
2,000,000,000 ordinary shares of HKD0.01 each as at 30 June 2022 and 31 December 2021	<u>HK\$20,000,000</u>	<u>HK\$20,000,000</u>
Issued and fully paid:		
505,202,000 ordinary shares of HK\$0.01 each as at 30 June 2022 and 31 December 2021	<u>HK\$5,052,020</u>	<u>HK\$5,052,020</u>
Equivalent to	<u>RMB4,558,000</u>	<u>RMB4,558,000</u>

No share options were exercised for the six months ended 30 June 2022. For the year ended 31 December 2021, the subscription rights attaching to 5,202,000 share options were exercised at the subscription price of HK\$0.48 per share, resulting in the issue of 5,202,000 shares for a total cash consideration, before expenses, of HK\$2,497,000 (equivalent to RMB2,067,000). An amount of HK\$903,000 (equivalent to RMB750,000) was transferred from the share option reserve to share capital upon the exercise of the share options in the previous year.

17. RELATED PARTY TRANSACTIONS AND BALANCES

The directors are of the view that the following companies are related parties that had material transactions or balances with the Group during the year:

(a) Name and relationship of a related party

Name	Relationship
Mr. Law Hau Kit	Director of the Company
Zhongshan New Century Car Rental Co., Ltd.* (中山市創世紀汽車租賃有限公司) (Note)	Controlled by a director of the Company
Zhongshan Dongri Automobile Co., Ltd.* (中山市東日汽車有限公司)	Controlled by a director of the Company
Zhongshan New Century Pioneering Automobile Co., Limited* (中山市創世紀汽車有限公司)	Controlled by a director of the Company
Huichuang Financial Leasing (Zhuhai) Co., Ltd.* (滙創融資租賃(珠海)有限公司)	Controlled by a director of the Company

Note: On 7 June 2021, the shares Mr. Law Hau Kit interested in Zhongshan New Century Car Rental Co., Ltd. (“**New Century Rental**”), which amounted to 80% of shareholding out of the total shares, have been 100% acquired by independent third parties. New Century Rental ceased to be an entity controlled by Mr. Law Hau Kit. Hence, New Century Rental is no longer considered as a related party of the Group.

(b) Outstanding balances with related parties

As disclosed in the consolidated statements of financial position, the Group had outstanding balance with its related party as follows:

Amount due to a director

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-trade		
Mr. Law Hau Kit	<u>168,500</u>	<u>40,000</u>

The outstanding balance with a related party is unsecured, interest-free and repayable on demand.

(c) Transactions with related parties

In addition to the transactions disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the Reporting Period:

(1) Sales of goods to related parties

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Zhongshan New Century Car Rental Co., Ltd.*	—	4,144
Huichuang Financial Leasing (Zhuhai) Co., Ltd.*	—	242
	<u>—</u>	<u>4,386</u>

The prices for the above sales of goods were determined according to the published prices and conditions offered to other customers of the Group.

(2) *Services provided to related parties*

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Huichuang Financial Leasing (Zhuhai) Co., Ltd.*	—	2
	<u>—</u>	<u>2</u>

(3) *Rental fee paid to related parties*

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Zhongshan Dongri Automobile Co., Ltd.*	—	579
Zhongshan New Century Pioneering Automobile Co., Limited*	—	1,245
	<u>—</u>	<u>1,824</u>

The prices for the above services were determined according to the published prices and conditions offered to other customers of the Group.

During the Reporting Period, certain subsidiaries leased the buildings and leasehold lands owned by Zhongshan Dongri Automobile Co., Ltd. and Zhongshan New Century Pioneering Automobile Co., Limited with nil consideration under rent concessions.

- (d) During the Reporting Periods, the Group did not identify any personnel as key management other than the directors of the Group.

* *The English names of all the above companies represent the best effort made by the directors of the Company (the “Directors”) to translate the Chinese names as these companies have not been registered with any official English names.*

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2022, due to various factors such as pandemic lockdown and control measures, the Ukrainian crisis and supply chain disruptions, the domestic economic development was exposed to a complicated and challenging environment as well as distinctly heightened uncertainties, and various economic growth indicators were under heavy pressure. The domestic automobile market also experienced ups and downs in the first half of 2022. As the automobile industry is one of the important pillars of the domestic economy, the added value of the automobile manufacturing industry accounted for approximately 7% of the overall industrial added value, and the retail sales of automobiles accounted for approximately 10% of the total retail sales of consumer goods in China. The development of automobiles and related industries are closely related to the overall economic performance, and plays an important role in promoting economic development and boosting social employment.

According to the data released by the China Association of Automobile Manufacturers (CAAM), domestic auto production and sales in the first half of 2022 fell by 3.7% and 6.6% year on year respectively, mainly due to the tight or even disrupted automobile supply chains in mid and late March, resulting in a plunge in monthly production and sales. Since April, China has launched a series of automobile-related policies, including halving taxes on purchase of certain passenger vehicles, issuing RMB90 billion loans for trucks to state-owned automakers, and promoting new-energy vehicles (NEVs) in rural areas in 2022, all of which have vitalised the automobile market. With policy support, the automobile market has shown strong resilience. In June, automobile production and sales recorded a year-on-year growth of 28.2% and 23.8% respectively, reflecting the full normalisation of the supply chain of the automobile industry, accelerated production of automakers and crystal recovery of auto consumption.

NEVs had stellar performance in adversity in the first half of 2022. Both production and sales volumes rose by 120% to 2.661 million and 2.6 million units respectively. The sales of NEVs accounted for 21.7% of the total new car sales, which indicates that the target of 20% share of NEV sales by 2025 proposed by the State Council has been achieved ahead of schedule. High production and sales volumes are recorded. It reflects that China gradually leads the world in NEV development. A number of multinational auto giants began to focus on the Chinese market to adjust their development strategy for NEVs. The PRC government actively launched many policies to promote the development of NEVs, creating a good development environment for the vehicles. In addition, with the improvement of technology, it is easier for consumers to accept NEVs in terms of mileage and charging convenience.

According to the forecast of CAAM, the sales volume of vehicles in China is expected to exceed 27 million in 2022, a year-on-year increase of approximately 3%, of which NEV sales are expected to hit a record high of 5.5 million, a year-on-year increase of more than 56%.

BUSINESS REVIEW

During the Reporting Period, the Group recorded revenue of approximately RMB777.5 million, a decrease of approximately 20.6% from the Previous Period. Gross profit increased by 18.7% to approximately RMB53.4 million, while gross profit margin rose by 50.0% year on year to approximately 6.9%.

Headquartered in Zhongshan City, Guangdong Province, the Group is located at the center of the Guangdong-Hong Kong-Macao Greater Bay Area (“**Greater Bay Area**”). It is positioned as the most distinctive and diversified automaker in the Greater Bay Area. During the Reporting Period, the Group operated a total of 30 outlets in Zhongshan, Foshan, Jiangmen and other cities in the Greater Bay Area, one insurance agency company, three used-vehicle trading centres, and a company engaged in the construction of charging stations and operation of ride-hailing business. In addition to the above-mentioned 30 outlets currently in operation, the Group opened 4 NEV stores in July 2022. Another 3 NEV stores are still under construction and are expected to open before the third quarter of this year. By then, the total number of stores the Group operates will reach 37.

The Group has up to 19 brands authorised by automobile manufacturers, among which 9 are pure electric vehicle brands, namely GAC Aion, Leapmotor, Great Wall ORA, Volkswagen ID, Dongfeng New Energy, EVH, SOL, ARCFOX and MARVEL R, and 10 are mid-to-high-end joint venture brands, namely Jaguar Land Rover, FAW-Volkswagen, Buick, Chevrolet, FAW Toyota, Dongfeng Nissan, Dongfeng Venucia, Cadillac, Beijing Hyundai and Volkswagen New Jetta.

SALES OF NEW VEHICLES

During the Reporting Period, the Group’s sales revenue of new vehicles was approximately RMB633.4 million (5,095 units in total), a decrease of approximately 24.0% as compared to approximately RMB833.2 million (7,079 units in total) recorded in the Previous Period. The decline in sales of new vehicles was mainly due to the implementation of anti-pandemic measures in various regions in China in the first half of this year, which had a certain impact on sales of traditional vehicles. This, coupled with the marked slowdown in the domestic economy which affected the purchasing power of small and medium-sized enterprises, put pressure on the overall sales performance.

Among the sales of new vehicles during the Reporting Period, the sales volume of gasoline vehicles and NEVs reached approximately 4,346 and 749 units respectively, accounting for 14.7%. It shows the Group's strength and determination to sell NEVs.

In the first half of 2022, the delivery by some automakers was delayed due to the pandemic, resulting in failure of shipment of part of orders of the Group. As the supply chain returned to normal, the production capacity of automakers stabilised. It is expected that the backlog of orders will be gradually completed in the second half of this year. As the pandemic gradually stabilises and economic activities return to the growth track, the overall vehicle sales in the second half of this year are expected to be increased as the passenger vehicle market further picks up.

SALES AND SERVICES OF USED VEHICLES

The Group sold 485 used vehicles during the Reporting Period, with sales revenue of approximately RMB20.8 million, a year-on-year decrease of 10.0% from approximately RMB23.1 million (487 units in total) as compared to the Previous Period. This was mainly due to the fact that as domestic economic activities slowed down in the first half of 2022, the demand in the automobile market decreased significantly, leading to the subdued purchasing power of used vehicles, and dragging on the sales performance of the used-vehicle market.

OTHER INTEGRATED AUTO SERVICES

As the most distinctive and diversified car service provider in the Greater Bay Area, the Group offers a series of after-sales services in addition to car sales, including repair and maintenance services, spare parts sales, insurance agency services, and other services. Revenue from integrated auto services amounted to approximately RMB123.3 million during the Reporting Period (Previous Period: RMB123.3 million), which was similar to that during the Previous Period and remained stable.

As of the end of 2021, car ownership in China exceeded the 300 million threshold for the first time. Following the years 2009 and 2020, China once again surpassed the United States and became the world's largest car production and sales country. The average car ownership per 1,000 people reached 214 units, which creates huge demand for repair and maintenance, car care, car accessories and other diversified service needs. The Group has developed the Centenary United Big Data Intelligence System (the "CUBDIS"), which helps the Company improve its internal management mechanisms and strengthen compliance management capabilities. The dynamic analysis of user experience has been made possible with the big data system. The Group improves customers' stickiness and loyalty and the overall business profitability for a sustainable closed-loop service ecosystem.

REPAIR SERVICES

The Group's repair services are comprised of repair and maintenance services, sales of spare parts, car care services and used vehicle warranty services. During the Reporting Period, revenue from repair services amounted to approximately RMB96.8 million (Previous Period: RMB101.7 million), accounting for approximately 12.5% of the total revenue, representing a slight decrease of 4.8% as compared with the Previous Period. The gross profit margin was 40.8%.

INSURANCE AGENCY SERVICES

For the Reporting Period, revenue from the Group's insurance agency services was approximately RMB3.6 million, a decline of approximately 45.5% from RMB6.6 million in the Previous Period. Gross profit dropped 49.2% year on year to approximately RMB3.1 million from RMB6.1 million in the Previous Period. The decline in revenue and gross profit from insurance agency services was mainly due to the decrease in sales of new vehicles and the reduction in rebate policies of insurance companies.

OTHER SERVICES

Other services of the Group mainly comprised of vehicle registration services, registration of title transfer of used vehicles, charging station business and ride-hailing services. Revenue from other services was approximately RMB22.9 million during the Reporting Period, a surge of approximately 52.7% from RMB15.0 million in the Previous Period. This was mainly due to the increase in revenue from the charging pile business and the ride-hailing business.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

PROSPECT AND OUTLOOK

Looking forward to the second half of 2022, with the stabilisation of the domestic economy, the passenger vehicle market will further recover, and NEVs are expected to maintain rapid growth. In order to seize the golden opportunity from the development of NEVs, the forward-looking Group began to establish an NEV-centric mobility model as early as 2019 and built its own presence in the NEV market. It operates four types of businesses, namely NEV sales, charging stations for NEVs, ride-hailing services and used vehicles, aiming to offer closed-loop services for NEV-centric mobility. With the accelerated "upgrade and replacement" of conventional fossil-fuel vehicles with NEVs and the gradual shift from policy-driven to market-driven trend, the NEV industry get onto the fast-growing track.

In order to grasp enormous market demand arising from NEV-centric mobility, the Group continues its deep dive into the NEV sales business. The Group managed to obtain the dealership of 9 popular electric vehicle brands in just over a year, accounting for 47% of the number of the Group's authorised brands. Furthermore, the Group also established strategic cooperation with world-renowned pioneers in the NEV industry to jointly explore the journey of NEV-centric mobility in China.

The Group has been engaging in the development of charging stations of NEVs. It established the charging pile brand "Zhangyu Charge" (章魚充) and forged strategic partnerships with a number of charging pile suppliers, offering a strong support with enhanced safety and reliability for its charging pile network. The Group strives to build 2,000 charging piles by 2024 and become one of the top three charging pile platform operators in the Greater Bay Area. Meanwhile, it will make all-round presence in the region. The Group's charging pile network will cover all cities in the Greater Bay Area in the future. During the Reporting Period, the Group built 39 charging stations and 192 charging piles, providing a total of 338 charging points, and 11 charging stations and 58 charging piles were under construction, which are expected to provide 116 charging points after completion.

In terms of ride-hailing services, the Group will adopt a multi-mode operation under which it will procure directly and rent NEVs to participate in the ride-hailing business. Revenues will be sourced from rent, operation and administrative management, with a view to facilitating the charging business while boosting the sales of NEVs.

As far as the used-vehicle market is concerned, the Group will continuously bring the best of its existing resources in the second half of this year to boost the sales of NEVs and provide an entry for the replacement of used vehicles. Its one-stop used-vehicle complex in Zhongshan is expected to welcome more than 20 automobile dealers and contain over 250 booths displaying used vehicles to provide one-stop used vehicles services for customers. The services include acquisition, sales, ownership transfer, quality assurance, maintenance and repair, maintenance and care, online platform and financial insurance and others. The Group will focus on its three used-vehicle trading centres to offer related services for used vehicles it sells and third-party used-vehicle stores, in a bid to further consolidate its market position in the Greater Bay Area and build a unique used-vehicle trading platform.

The management of the Company believes that NEVs will become the market focus in the future. The Group's "Entering the Greater Bay Area, Embracing New Energy" strategy features three-track development of NEV sales, charging station of NEVs and ride-hailing services. As for NEV sales, it will focus on increasing sales outlets with outstanding talent teams, and making good use of the advantage of steady price difference of NEVs, and seizing the opportunities from market development to promote sales business. With the goal of completing the installation of 2,000 charging piles in three years, the Group endeavours to become one of the top three charging pile platform operators in the Greater Bay Area, in hope of contributing to earnings of the Group as soon as possible. Its ride-hailing services segment looks to benefit from the development of the Greater Bay Area by expanding its presence beyond Zhongshan and Zhuhai. Furthermore, as the Group will continuously enhance its development in the traditional vehicle business, it will leverage on the economic growth momentum in the second half of this year and the opportunities arising from policies to consistently create value for shareholders.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the Group recorded a revenue of approximately RMB777.5 million, representing a decrease of approximately RMB202.1 million or 20.6% from that of approximately RMB979.6 million for the Previous Period. Sales of motor vehicles contributed approximately RMB654.2 million for the Reporting Period (Previous Period: approximately RMB856.3 million) of the Group's total revenue whereas other integrated auto services brought in revenue of approximately RMB123.3 million for the Reporting Period (Previous Period: approximately RMB123.3 million), representing approximately 84.1% (Previous Period: approximately 87.4%) and 15.9% (Previous Period: approximately 12.6%) of the Group's total revenue, respectively. The decrease of revenue mainly derived from the decrease of sales of motor vehicles.

Cost of sales and gross profit margin

The Group's cost of sales primarily consists of (i) cost of motor vehicles, (ii) cost of spare parts and accessories, (iii) staff costs, (iv) depreciation, and (v) others. Cost of motor vehicles is the main source of cost of sales, accounting for approximately 89.8% for the Reporting Period (Previous Period: approximately 92.7%). For the Reporting Period, the Group's cost of sales amounted to RMB724.1 million, representing a decrease of approximately 22.5% as compared to that of approximately RMB934.6 million for the Previous Period. The decrease was mainly due to the decrease in demand of motor vehicles and spare parts.

The Group recorded gross profit of approximately RMB53.4 million for the Reporting Period, representing an increase of approximately 18.7% as compared to that of approximately RMB45.0 million for the Previous Period. The increase in gross profit was mainly attributable to the strong sales of NEVs during the Reporting Period which had a higher gross profit margin than the sales of traditional vehicles. Overall gross profit margin of the Group increased to approximately 6.9% for the Reporting Period from approximately 4.6% for the Previous Period.

Other income and gains

Other income and gains increased by approximately RMB3.9 million, or 25.5%, from approximately RMB15.3 million for the Previous Period to approximately RMB19.2 million for the Reporting Period, primarily attributable to the commission income from releasing vehicle mortgage for the customers, commission income for automotive explosion-proof membrane, commission income from third party financing institution for vehicle financing and advertisement support received from automobile manufacturers for the advertising activities.

Selling and distribution expenses

The Group's selling and distribution expenses slightly increased by approximately RMB0.4 million, or 1.3%, from approximately RMB30.8 million for the Previous Period to approximately RMB31.2 million for the Reporting Period.

The increase in selling and distribution expenses for the Year was primarily due to the increase in salary and wages as a result of the increased number of staff due to the development of NEV business as compared to the Previous Period.

Administrative expenses

Administrative expenses primarily consist of (i) salary and wages of administrative staff; (ii) rental expenses; (iii) depreciation and amortization of fixed asset; (iv) property repair and maintenance expenses; (v) sundry expenses such as utility expenses and telephone expenses; and (vi) bank charges. The Group's administrative expenses for the Reporting Period were approximately RMB37.4 million, representing an increase of approximately RMB4.3 million from the Previous Period. Such increase was mainly due to the combined effect of (i) the increase in salary and wages of administrative staff of approximately RMB2.8 million; (ii) the decrease of rental expense of approximately RMB1.3 million due to rent concession; (iii) the increase of depreciation and amortization of fixed assets and right-of-use assets of approximately RMB1.8 million and (iv) the increase in repair and maintenance expenses of approximately RMB0.4 million.

Finance costs

For the Reporting Period, the Group's finance costs were approximately RMB5.7 million (Previous Period: RMB5.8 million), which were similar as compared to the Previous Period due to the decrease of interest-bearing bank and other borrowings and the increase of lease liability.

Loss for the period

As a result of the foregoing, the Group's loss for the Reporting Period was approximately RMB7.8 million as compared to approximately RMB8.1 million for the Previous Period. The decrease in loss is mainly attributable to the strong sales of NEVs during the Reporting Period which had a higher gross profit margin than the sales of traditional vehicles.

Income tax expense/credit

For the Reporting Period, the income tax expense of the Group was approximately RMB2.3 million (Previous Period: income tax credit of approximately RMB1.5 million). The increase was primarily attributable to the increase in the Group's taxable profit for the six months ended 30 June 2022.

Liquidity, financial resources and capital structure

The Group continues to adhere to the principle of prudent financial management and generally meets its working capital requirements by cash flows generated from its operations and short term borrowings.

The Group's gearing ratio, which is total debt divided by total equity, as at 30 June 2022 was approximately 1.30 times (as at 31 December 2021: 0.97 times). The increase was mainly due to the increase of amount due to a director during the Reporting Period.

The Group's pledged bank deposits and cash and cash equivalents balances as at 30 June 2022 amounted to approximately RMB93.4 million, representing a decrease of approximately RMB65.8 million as compared to that of approximately RMB159.2 million as at 31 December 2021.

The Group's interest-bearing bank and other borrowings as at 30 June 2022 were all denominated in Renminbi. The interest rates ranged from 3.00% to 5.655% per annum.

As at 30 June 2022, the Group's interest-bearing bank and other borrowings amounted to RMB164.5 million, representing a decrease of 23.3% as compared to RMB214.6 million as at 31 December 2021. Short-term loans and borrowings amounted to approximately RMB164.5 million (as at 31 December 2021: RMB214.6 million), and long-term loans and borrowings was nil (as at 31 December 2021: nil).

The Group's total equity attributable to owners of the parent was approximately RMB256.0 million as at 30 June 2022 (as at 31 December 2021: approximately RMB261.7 million). The capital of the Group mainly comprises share capital and reserves.

Capital expenditures and commitments

As at 30 June 2022, the capital commitments of the Group in connection with building expenditures was approximately RMB9.0 million (as at 31 December 2021: RMB5.8 million).

Foreign exchange

The Group mainly operates in the PRC and the majority of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Renminbi. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that the Group should have sufficient resources to meet foreign exchange requirement if they arise. Therefore, the Group did not engage in any derivative contracts to hedge its exposure to foreign exchange risk during the Reporting Period.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2022 (as at 31 December 2021: nil).

Significant Investments, Acquisitions and Disposals, Future Plan for Material Investments and Capital Assets

During the Reporting Period, Guangdong Centenary United New Energy Technology Co., Ltd. an indirect wholly-owned subsidiary of the Company, entered into the lease with the Zhongshan branch of Shanghai Jiaxing Automobile Service Co., Ltd. to rent 280 Changan Eado EV460 new-energy electrical vehicles for a term of 36 months for the Group to lease out to drivers of the T3 Mobility platform as ride-hailing vehicles on 2 March 2022. For details, please refer to the announcement of the Company dated 2 March 2022.

On 29 March 2022, Foshan Centenary Lianshun New Energy Automobile Co., Ltd., an indirect wholly-owned subsidiary of the Company, entered into a property lease agreement with Foshan Hezhan Yinghui Property Management Co., Ltd. on the leasing of part of the first floor of Block 1, No. 55, West Jili Avenue, Chancheng District, Foshan City for the Group's construction of a new-energy vehicle dealership store from 15 April 2022 to 10 June 2036. For details, please refer to the announcement of the Company dated 29 March 2022.

Save as disclosed above, the Group had no other material acquisitions or disposals during the Reporting Period.

Save as disclosed herein, as of the date of this announcement, the Group did not have other plans for material investments or capital assets.

Pledge of assets

As at 30 June 2022, the Group's utilised banking facilities amounting to approximately RMB164.5 million (as at 31 December 2021: RMB214.6 million) were secured by:

- (i) certain of the Group's merchandised goods amounting to approximately RMB35.9 million as at 30 June 2022 (as at 31 December 2021: RMB33.6 million);
- (ii) the Group's buildings, which had a net carrying amount of approximately RMB6.7 million as at 30 June 2022 (as at 31 December 2021: RMB7.0 million);
- (iii) the Group's right-of-use assets, which had a net carrying amount of approximately RMB9.8 million as at 30 June 2022 (as at 31 December 2021: RMB10.1 million);
- (iv) a pledged deposit of approximately RMB10.0 million as at 30 June 2022 (as at 31 December 2021: RMB10.0 million);
- (v) the Group's bills payable was secured by pledged deposits of approximately RMB38.7 million as at 30 June 2022 (as at 31 December 2021: RMB83.2 million); and
- (vi) pledged deposits for others of approximately RMB1.0 million as at 30 June 2022 (as at 31 December 2021: RMB1.0 million).

USE OF NET PROCEEDS FROM LISTING

The shares of the Company (the “Share(s)”) were listed on the Main Board of the Stock Exchange on 18 October 2019. The net proceeds from the Listing amounted to approximately HK\$105.2 million (the “Net Proceeds”).

As set out in the announcement of the Company dated 24 December 2021, the Board had resolved to change the use of the unutilised Net Proceeds as at 24 December 2021.

The following table sets out the intended use of Net Proceeds, the revised allocation of unutilised Net Proceeds as at 24 December 2021 and the actual amounts of Net Proceeds used up to 30 June 2022:

	Intended use of Net Proceeds as disclosed in the Prospectus (adjusted) <i>HK\$ million</i>	Utilised amount of Net Proceeds up to 24 December 2021 <i>HK\$ million</i>	Revised allocation of the unutilised Net Proceeds as at 24 December 2021 <i>HK\$ million</i>	Utilised amount of Net Proceeds after revised allocation from 25 December 2021 to 30 June 2022 <i>HK\$ million</i>	Unutilised amount of Net Proceeds after revised allocation as at 30 June 2022 <i>HK\$ million</i>
Organic growth of the Group’s network expansion	32.7	32.7	—	—	—
Selective acquisition	26.8	—	—	—	—
Expansion of the Group’s other integrated auto services	29.6	5.2	—	—	—
Big data analysis and online marketing	10.7	2.7	—	—	—
General working capital	5.4	5.4	—	—	—
Opening of NEV outlets in the Greater Bay Area	—	—	28.2	28.2	—
Further expansion of the network of charging stations in major cities in the Greater Bay Area	—	—	8.0	8.0	—
Acceleration of the launch of online ride-hailing services in the region	—	—	23.0	23.0	—
Total	105.2	46.0	59.2	59.2	—

- * The net proceeds from the Listing, after deducting the Listing expenses of approximately HK\$29.8 million, amounted to approximately HK\$105.2 million, which is slightly lower than the estimated net proceeds of approximately HK\$107.5 million as disclosed in the Prospectus. The difference of approximately HK\$2.3 million has been adjusted in the same manner and in the same proportion to the use of proceeds as disclosed in the section headed “Future Plans And Use Of Proceeds” in the Prospectus.

All the remaining unutilized Net Proceeds have been applied in the manner consistent with the proposed allocations as set out in the announcement of the Company dated 24 December 2021. For the reasons and benefits of updating the expected timetable for use of Net Proceeds and changing use of Net Proceeds, please refer to the announcement of the Company dated 24 December 2021 and the supplementary announcement of the Company dated 21 January 2022 for details.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total workforce of approximately 906 employees (as at 31 December 2021: 902). Most of the Group’s employees were located in China. The Group offered its staff with competitive remuneration packages. In addition, the Group conducts annual review on salary increment, discretionary bonuses and promotions based on the performance of each employee. During the Reporting Period, the Group did not experience any significant problems with its employees due to labour disputes nor did we experience any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

The Board has the general power of determining the Directors’ remuneration, subject to authorization of the shareholders of the Company at the annual general meeting each year. The remuneration of the executive Directors is subject to review by the remuneration committee (“**Remuneration Committee**”) of the Company, and their remuneration is determined with reference to the Directors’ qualifications, experience, duties, responsibilities and performance and results of the Group. As for the independent non-executive Directors’ remuneration, it is determined by the Board upon recommendation from the Remuneration Committee.

The Company has adopted a share option scheme as incentives to Directors and eligible employees. Details of the share option scheme are set out under the heading “Share Option Scheme” below.

OTHER INFORMATION

Update on suspected misappropriation of funds

Reference is made to the announcement of the Company dated 11 March 2022 in relation to the suspected misappropriation of funds of a subsidiary of the Company (the “**Misappropriation**”).

Actions taken and findings

Following the discovery of the Misappropriation, the Company engaged Moore Advisory Services Limited as an independent internal control consultant (the “**Internal Control Consultant**”) in April 2022 to conduct an investigation on the Group’s internal control policies and procedures focusing on the Misappropriation and provide corresponding recommendations to address and rectify the weaknesses identified.

The Internal Control Consultant carried out an internal control review on sales management of vehicles, accounts receivable and cash management. A few issues relating to standardization of sales process, filing and documentation of sales record, company chop management and reconciliation of bank accounts were identified. Based on recommendations from the Internal Control Consultant, appropriate remedial measures have been established and implemented as at the date of this announcement to address the internal control deficiencies identified. The Internal Control Consultant is now conducting the final follow-up review on the Group’s implementation of remedial measures. An announcement detailing the above will be published by the Company in early September 2022.

Regarding the latest development of the Misappropriation, as previously announced, Zhongshan Century Jaguar Automobile Co., Ltd.* (中山市世紀捷虎汽車有限公司) (“**Zhongshan Century Jaguar**”) reported the Misappropriation of the legally dismissed employee who was involved in the Misappropriation (the “**Former Employee**”) to the Chinese police authorities, and the Former Employee has been criminally detained by the relevant Chinese police authorities in March 2022. In addition, Zhongshan Century Jaguar planned to recover the misappropriated funds from the Former Employee as well as claim for compensation from the relevant insurance company.

As at the date of this announcement, the Company was informed that (i) the Chinese police authorities have completed the criminal investigation of the Former Employee and transferred his case to The First Procuratorate of Zhongshan in June 2022. The first hearing was held on 9 August 2022, and as at the date of this announcement, the case was still pending for further trials; and (ii) the insurance company has rejected the relevant claims of Zhongshan Century Jaguar as the vehicles involved in the Misappropriation were not included in the compensation coverage (the “**Rejection of the Insurance Claim**”).

The Group has recognised other expenses of approximately RMB7.4 million in respect of the Misappropriation in the financial year ended 31 December 2021, and approximately RMB2.4 million has been recognised as other expenses for the six months ended 30 June 2022.

The Board is of the view that the Rejection of the Insurance Claim will not have a material adverse effect on the Group's financial position and business operations.

CHANGES SINCE 31 DECEMBER 2021

Save as disclosed in this announcement, there were no other significant changes in the Group's financial position or from the information disclosed under the section headed "Management Discussion and Analysis" in the Company's 2021 annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all code provisions (“**Code Provisions**”) and, where applicable, the recommended best practices of the Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2022, save for the deviations which are explained below:

In relation to provision C.2.1 of the CG Code where the roles of the Group’s chairman and chief executive officer (“**CEO**”) are both performed by Mr. Law. Provision C.2.1 of the CG Code requires that the roles of chairman and CEO should be separate and should not be performed by the same individual. Mr. Law has been responsible for overall strategic planning and management of the Group since the Group was founded in 1999. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, both of which comprise experienced and high-calibre individuals. The Board currently comprises three executive Directors (including Mr. Law), one non-executive Director and three independent non-executive Directors, and therefore has a strong independence element in its composition.

Save as disclosed above and those disclosed in the corporate governance report in the 2021 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the CG Code during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

Save for disclosed in this announcement, there was no material event which could have material impact to the Group’s operating and financial performance after the Reporting Period and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions conducted by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own Code of Conduct for securities transactions conducted by relevant Directors. All Directors of the Company have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2022.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 16 September 2019. The purpose of the Share Option Scheme is to provide any Director and full-time employees of any member of the Group (“**Participants**”) with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and the shareholders as a whole.

As at 30 June 2022, the Company had 33,198,000 share option outstanding under the Share Option Scheme, representing approximately 6.57% of the issued share capital of the Company as at the date of this announcement. Details of the share options of the Company (the “**Share Options**”) outstanding as at the date of this announcement are as follows:

Option type	Date of grant	Validity period	Exercisable period (Note)	Vesting period	Exercise price (HK\$)	Closing price of the Shares immediately before the date on which the Share Options were Granted (HK\$)
2020 Options	21/05/2020	5 years commencing from the date of grant	21/05/2021 to 20/05/2025 21/05/2022 to 20/05/2025 21/05/2023 to 20/05/2025	21/05/2020 to 20/05/2021 21/05/2020 to 20/05/2022 21/05/2020 to 20/05/2023	0.48	0.445
2021 Options	21/05/2021	5 years commencing from the date of grant	21/05/2022 to 20/05/2026 21/05/2023 to 20/05/2026 21/05/2024 to 20/05/2026	21/05/2021 to 20/05/2022 21/05/2021 to 20/05/2023 21/05/2021 to 20/05/2024	0.81	0.790

Note:

- (1) Pursuant to the terms of the Share Option Scheme, the period within which the Shares must be taken up under an option shall be the period of time to be notified by the Board to each grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant.
- (2) There is no general requirement on the minimum period for which an option must be held before an option can be exercised under the terms of the Share Option Scheme. Upon fulfillment of the vesting conditions of the Share Options, the Share Options are exercisable in the manner set out hereinbelow.
- (3) The 2020 Options, granted on 21 May 2020, are exercisable from 21 May 2021 to 20 May 2025 (both days inclusive) in the following manner:
 - (i). From 21 May 2021 to 20 May 2025: can exercise no more than 40% of the 2020 Options granted;
 - (ii). From 21 May 2022 to 20 May 2025: can exercise no more than 30% of the 2020 Options granted; and
 - (iii). From 21 May 2023 to 20 May 2025: can exercise no more than 30% of the 2020 Options granted.
- (4) The 2021 Options, granted on 21 May 2021, are exercisable from 21 May 2022 to 20 May 2026 (both days inclusive) in the following manner:
 - (i). From 21 May 2022 to 20 May 2026: can exercise no more than 40% of the 2021 Options granted;
 - (ii). From 21 May 2023 to 20 May 2026: can exercise no more than 30% of the 2021 Options granted; and
 - (iii). From 21 May 2024 to 20 May 2026: can exercise no more than 30% of the 2021 Options granted.

The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 50,000,000 (being 10% of the Shares in issue as at 18 October 2019 when the Shares first commenced dealing on the Stock Exchange) (the “**General Scheme Limit**”). Subject to the approval of shareholders in general meeting, the Company may refresh the General Scheme Limit to the extent that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of the Group as refreshed must not exceed 10% of the Shares in issue as at the date of approval provided that the options previously granted will not be counted for purpose of calculating the General Scheme Limit as renewed.

The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised, cancelled or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. The subscription price for Shares under the Share Option Scheme will be a price determined by the Board, but shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares on the date of grant.

The Share Option Scheme will remain in force for a period of 10 years from the date of Listing.

A non-refundable consideration of HK\$1.0 was paid by each grantee on acceptance of the Share Options within 14 days from the date of grant.

The following table discloses movements in the Share Options during the Reporting Period:

Date of grant	Exercise period	Exercise price (HK\$)	Number of options at 01/01/2022	Movements during the six months ended 30 June 2022			Number of options at 30/06/2022	
				Granted	Exercised	Lapsed		
Directors and Chief Executive								
Mr. Law Hau Kit	21/05/2020	21/05/2021 to 20/05/2025	0.48	1,200,000	—	—	—	1,200,000
		21/05/2022 to 20/05/2025	0.48	900,000	—	—	—	900,000
	21/05/2023 to 20/05/2025	0.48	900,000	—	—	—	900,000	
21/05/2021	21/05/2022 to 20/05/2026	21/05/2022 to 20/05/2026	0.81	1,200,000	—	—	—	1,200,000
		21/05/2023 to 20/05/2026	0.81	900,000	—	—	—	900,000
	21/05/2024 to 20/05/2026	0.81	900,000	—	—	—	900,000	
				<u>6,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,000,000</u>
Mr. Chen Shaoxing	21/05/2020	21/05/2022 to 20/05/2025	0.48	300,000	—	—	—	300,000
		21/05/2023 to 20/05/2025	0.48	300,000	—	—	—	300,000
	21/05/2021	21/05/2022 to 20/05/2026	21/05/2022 to 20/05/2026	0.81	400,000	—	—	—
21/05/2023 to 20/05/2026			0.81	300,000	—	—	—	300,000
21/05/2024 to 20/05/2026		0.81	300,000	—	—	—	300,000	
				<u>1,600,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,600,000</u>

	Date of grant	Exercise period	Exercise price (HK\$)	Number of options at 01/01/2022	Movements during the six months ended 30 June 2022			Number of options at 30/06/2022
					Granted	Exercised	Lapsed	
Ms. Li Huifang	21/05/2020	21/05/2022 to 20/05/2025	0.48	300,000	—	—	—	300,000
		21/05/2023 to 20/05/2025	0.48	300,000	—	—	—	300,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	520,000	—	—	—	520,000
		21/05/2023 to 20/05/2026	0.81	390,000	—	—	—	390,000
		21/05/2024 to 20/05/2026	0.81	390,000	—	—	—	390,000
					<u>1,900,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Mr. Woo King Hang	21/05/2020	21/05/2022 to 20/05/2025	0.48	300,000	—	—	—	300,000
		21/05/2023 to 20/05/2025	0.48	300,000	—	—	—	300,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	600,000	—	—	—	600,000
		21/05/2023 to 20/05/2026	0.81	450,000	—	—	—	450,000
		21/05/2024 to 20/05/2026	0.81	450,000	—	—	—	450,000
					<u>2,100,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

	Date of grant	Exercise period	Exercise price (HK\$)	Number of options at 01/01/2022	Movements during the six months ended 30 June 2022			Number of options at 30/06/2022
					Granted	Exercised	Lapsed	
Ms. Yan Fei	21/05/2020	21/05/2021 to 20/05/2025	0.48	200,000	—	—	—	200,000
		21/05/2022 to 20/05/2025	0.48	150,000	—	—	—	150,000
		21/05/2023 to 20/05/2025	0.48	150,000	—	—	—	150,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	200,000	—	—	—	200,000
		21/05/2023 to 20/05/2026	0.81	150,000	—	—	—	150,000
		21/05/2024 to 20/05/2026	0.81	150,000	—	—	—	150,000
					<u>1,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Mr. Li Wai Keung	21/05/2020	21/05/2021 to 20/05/2025	0.48	200,000	—	—	—	200,000
		21/05/2022 to 20/05/2025	0.48	150,000	—	—	—	150,000
		21/05/2023 to 20/05/2025	0.48	150,000	—	—	—	150,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	200,000	—	—	—	200,000
		21/05/2023 to 20/05/2026	0.81	150,000	—	—	—	150,000
		21/05/2024 to 20/05/2026	0.81	150,000	—	—	—	150,000
					<u>1,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

	Date of grant	Exercise period	Exercise price (HK\$)	Number of options at 01/01/2022	Movements during the six months ended 30 June 2022			Number of options at 30/06/2022
					Granted	Exercised	Lapsed	
Mr. Hui Chun Tak	21/05/2020	21/05/2022 to 20/05/2025	0.48	150,000	—	—	—	150,000
		21/05/2023 to 20/05/2025	0.48	150,000	—	—	—	150,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	200,000	—	—	—	200,000
		21/05/2023 to 20/05/2026	0.81	150,000	—	—	—	150,000
		21/05/2024 to 20/05/2026	0.81	150,000	—	—	—	150,000
				<u>800,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>800,000</u>
Total Directors				<u>14,400,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,400,000</u>
Employees	21/05/2020	21/05/2021 to 20/05/2025	0.48	998,000	—	—	120,000	878,000
		21/05/2022 to 20/05/2025	0.48	3,150,000	—	—	390,000	2,760,000
		21/05/2023 to 20/05/2025	0.48	3,150,000	—	—	390,000	2,760,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	5,020,000	—	—	60,000	4,960,000
		21/05/2023 to 20/05/2026	0.81	3,765,000	—	—	45,000	3,720,000
		21/05/2024 to 20/05/2026	0.81	3,765,000	—	—	45,000	3,720,000
				<u>19,848,000</u>	<u>—</u>	<u>—</u>	<u>1,050,000</u>	<u>18,798,000</u>
Total Employees				<u>19,848,000</u>	<u>—</u>	<u>—</u>	<u>1,050,000</u>	<u>18,798,000</u>
Total				<u>34,248,000</u>	<u>—</u>	<u>—</u>	<u>1,050,000</u>	<u>33,198,000</u>

REVIEW BY AUDIT COMMITTEE

An Audit Committee meeting was held on 29 August 2022 and the Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2022 including the interim report and discussed with the management of the Company and is of the view that such financial information and report have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made with no disagreement by the Audit Committee of the Company. Ernst & Young, the Group's external auditor, has carried out a review of the unaudited interim results for the six months ended 30 June 2022 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules of at least 25% of the Company's total number of issued shares which was held by the public.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

The interim results announcement for the Reporting Period has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.car2000.com.cn), and the interim report for the Reporting Period containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the aforesaid websites of the Stock Exchange and the Company in due course.

ACKNOWLEDGEMENT

We would like to pay tribute to the management and all of our staff for their hard work and dedication, as well as our shareholders for their continuous support to the Group.

By order of the Board
Centenary United Holdings Limited
Law Hau Kit
*Chairman, Executive Director and
Chief Executive Officer*

Hong Kong, 29 August 2022

As at the date of this announcement, the executive Directors are Mr. Law Hau Kit, Mr. Chen Shaoxing and Ms. Li Huifang; the non-executive Director is Mr. Woo King Hang; and the independent non-executive Directors are Mr. Li Wai Keung, Mr. Hui Chun Tak and Ms. Yan Fei.