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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)**

## **KEY FINDINGS AND RESULTS OF INTERNAL CONTROL REVIEW**

This announcement is made by Centenary United Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 11 March 2022 in relation to the alleged misappropriation of certain transaction funds of Zhongshan Century Jaguar Automobile Co., Ltd.\* (中山市世紀捷虎汽車有限公司), a subsidiary of the Company by a former employee of the Group (the “**Announcement**”). Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

## **KEY FINDINGS OF INTERNAL CONTROL REVIEW**

The Company engaged Moore Advisory Services Limited as an independent internal control consultant (the “**Internal Control Consultant**”) in April 2022 to conduct a review of the Group’s internal control policies and procedures focusing on the Incident and provide corresponding recommendations for rectification in order to improve the Group’s internal control (the “**Internal Control Review**”).

\* *For identification purpose only*

The key internal control findings identified by the Internal Control Consultant during the Internal Control Review, the corresponding recommendations for rectification (the “**Rectification Recommendations**”), the Company’s response and remediation status are summarised as follows:

Key Findings	Rectification Recommendations	Company’s Response and Remediation Status
<i>Sales and Accounts Receivable Management — Auto Sales Business</i>		
<p>1. (a) The Group did not regularly review and revise the New Vehicle Sales Process Management System.</p> <p>(b) Zhongshan Century Jaguar did not mandate the implementation of daily business activities in accordance with the system, and the actual implementers were not clear about the relevant rules of the system, resulting in failure to follow the system.</p> <p>(c) In the sales management improvement plan, the implementers of some processes were department heads/the financial manager, and the persons in charge were unclear, which is inconsistent with the job responsibilities clarified in practice.</p>	<p>The Group should improve the system management process from the following aspects:</p> <ul style="list-style-type: none"> <li>• Formally issue the management system, and regularly organize training sessions to integrate the system into the daily work of employees;</li> <li>• Periodically review the system to maintain its continued effectiveness;</li> <li>• Open a feedback channel to allow employees to reflect the needs of revision of the system;</li> <li>• Revise the Sales Management Process to clarify the implementer of each process in the improvement plan, and assign the responsibilities in each process to specific individuals;</li> <li>• Add price fixing, discount approval management, sales contract management, and invoicing application approval process into the Sales Management Process;</li> <li>• Strictly follow the indicators for system evaluation, and impose penalties such as fines and warnings on employees who do not follow the rules.</li> </ul>	<p>The Group has improved the system management process as recommended by the Internal Control Consultant and implemented it as required. The management will review the system every year, and the system can be revised according to the actual process needs after consultation with the management.</p>

Key Findings	Rectification Recommendations	Company's Response and Remediation Status
2. After sales consultants of Zhongshan Century Jaguar signed contracts with customers, they failed to keep the written Form of Approval of Prices beyond Authority.	Zhongshan Century Jaguar should ask sales consultants to keep all the Forms of Approval of Prices beyond Authority, which should be filed and managed after the signing of contracts.	Zhongshan Century Jaguar stipulates sales consultants' and managers' relevant authority over prices, and the store manager should sign the Form of Approval of Prices beyond Authority that will be filed with contracts.
3. The sales contract template used by Zhongshan Century Jaguar was revised in mid-March 2022, but no paper trails and meeting minutes for revision were left to verify if the contract template has been approved.	The Company should keep relevant paper trails or meeting minutes when revising the contract, in a bid to ensure that the contract has been approved by the legal department and management to avoid unnecessary disputes.	The Group has strengthened the approval records for relevant contract revision, which have been approved and confirmed by the legal department, the business department and the President's office.
4. For vehicles delivered during non-working hours, sales assistants of Zhongshan Century Jaguar told logistics drivers to hand over the keys of vehicles to the doorkeeper. The next day, sales assistants went to the security room to pick up the keys and sign for registration. However, the doorkeeper is not an internal employee of Zhongshan Century Jaguar.	Sales assistants should sign and receive the keys in person upon delivery of vehicles, and put them in a locker; or negotiate with manufacturers to deliver vehicles during working hours to reduce unnecessary asset management risks.	Zhongshan Century Jaguar has re-amended the Sales Process Management, requiring to sign for cars in store. The sales assistant receives the vehicle inspection information in the factory system and the logistics driver calls the sales assistant in advance to communicate the collection time. The logistics company has to deliver the vehicle during office hours, and the information officer will receive the vehicle and carry out the inspection. After the inspection, the information officer will stamp the Vehicle Inspection Form and sign the New Vehicle Information Handover Registration Form to confirm the completion.

Key Findings	Rectification Recommendations	Company's Response and Remediation Status
<p>5. (a) As stipulated in the Group's New Vehicle Sales Process Management System, the information on vehicles should be handed over to the cashier for safe custody. However, when sales assistants of Zhongshan Century Jaguar received the keys of new vehicles and the information on vehicles, they did not do as the Group requires.</p> <p>(b) Due to no written receipt record for information handover, the responsibility for custody cannot be attributed to specific individuals.</p>	<p>(a) Zhongshan Century Jaguar should create the Information Handover Form for the relevant personnel to record the details and time for handover of keys and information packages, so as to track the information storage.</p> <p>(b) Zhongshan Century Jaguar should, in strict accordance with the regulations of the Group, hand over the information on vehicles to the cashier for unified custody in the safe in the cashier room.</p>	<p>Zhongshan Century Jaguar has created the New Vehicle Information Handover Form, requiring the information on vehicles to be kept in the cashier room and signed and held by the cashier.</p>

<b>Key Findings</b>	<b>Rectification Recommendations</b>	<b>Company's Response and Remediation Status</b>
<p>6. After Zhongshan Century Jaguar's customers acquire all relevant information when they pick up vehicles, customers and sales consultants need to sign the Registration Information Signature Form for confirmation. However, there is neither record of the types of documents that sales consultants acquired or returned in the Registration Information Signature Form, nor the detailed list of customer information currently held by the cashier.</p>	<p>Zhongshan Century Jaguar should set up the Customer Information Registration Form and the Customer Information Requisition Form. The cashier should record each customer's information on the Customer Information Registration Form when receiving customer information, and fill in the name of the customer and the name of the document that sales consultants will acquire on the Customer Information Requisition Form, which should be signed and dated by sales consultants, and then be dated when sales consultants return it.</p>	<p>When the sales staff applies for the registration of the vehicle for the customer, he/she will register the time of collecting documents in the Registration Information Signature Form, check the type of documents returned in the signing form after returning documents, and mark the type of document taken when the vehicle is picked up, and the sales staff and the customer will sign together for confirmation.</p>

Key Findings	Rectification Recommendations	Company's Response and Remediation Status
<p>7. Sales assistants of Zhongshan Century Jaguar print the inventory information in the business system every day, check all vehicles and keys, and fill in and sign the inventory sheet and send it to sales managers for signature. However, a sample test found that there was no sales managers' signature on two out of the six samples.</p>	<p>Sales assistants and sales managers should sign the inventory sheet in time for confirmation. In case of the absence of sales managers, financial personnel can supervise the inventory and sign the inventory sheet.</p>	<p>Zhongshan Century Jaguar stipulates that sales assistants should print the inventory information in the business system every day, check all vehicles and keys, and fill in and sign the inventory sheet and send it to sales managers for signature.</p>
<p>8. Sales consultants of Zhongshan Century Jaguar fill in the Invoicing Application Form that is signed and confirmed by sales assistants, the sales manager and the financial manager, after which the cashier checks the contract amount and the payment received in the bank account and issues an invoice after confirmation. However, a sample test found that there are no corresponding contracts to the invoices of two samples.</p>	<p>Zhongshan Century Jaguar should carefully check the invoice amount and the contract amount when issuing the invoice, and keep the relevant contracts for follow-up audits.</p>	<p>Zhongshan Century Jaguar stipulates that sales consultants should fill in the Invoicing Application Form that should be signed and confirmed by sales assistants, the sales manager and the financial manager, after which the cashier should check the contract amount and the payment to be received in the bank account and issue an invoice after confirmation, subject to final approval of the vice president of the Company.</p>

Key Findings	Rectification Recommendations	Company's Response and Remediation Status
<i>Cash and Funds Management</i>		
<p>9. (a) The Group did not regularly review and revise the Financial Management System.</p> <p>(b) Zhongshan Century Jaguar did not mandate the implementation of daily business activities in accordance with the system, and the actual implementers were not clear about the relevant rules of the system, resulting in failure to follow the system.</p>	<p>The Group should improve the system management process from the following aspects:</p> <ul style="list-style-type: none"> <li>• Formally issue the management system, and regularly organize training sessions to integrate the system into the daily work of employees;</li> <li>• Periodically review the system to maintain its continued effectiveness;</li> <li>• Open a feedback channel to allow employees to reflect the needs of revision of the system;</li> <li>• Include compliance with the system into the indicators for performance appraisal, and impose penalties such as fines and warnings on employees who do not follow the system.</li> </ul>	<p>The Group has revised its financial system and will organize regular training.</p>

Key Findings	Rectification Recommendations	Company's Response and Remediation Status
<p>10. (a) At present, the chop management process of Zhongshan Century Jaguar is inconsistent with the requirements in the Group's Financial Management System.</p> <p>(b) The chop approval process in Sales Management in the Sales Process Management is inconsistent.</p> <p>(c) It was found on site that the special chops for business and contractual uses and the official chop of Zhongshan Century Jaguar were kept in the financial room, which were placed on the table during the working hours and were locked in the safe during the non-working hours.</p>	<p>(a) The Group should improve the chop management process from the following aspects:</p> <ul style="list-style-type: none"> <li>• Introduce the Application Form for Use of Chops, record the reasons for use, the type of the chop and the borrowing time, which should be signed and confirmed by the user's department head, financial person in charge and store manager;</li> <li>• Revise the chop management system in the Financial Management System, and add management procedures and approval procedures for non-financial chops;</li> <li>• Introduce the Chop Storage and Use Registration Form to register the use of chops;</li> <li>• Strictly follow the approval process for the use of chops, and use the chops only after the department manager and the store manager sign the Application Form for Use of Chops for confirmation, with the date of stamping indicated on the stamped document.</li> </ul>	<p>The Group has established policies and procedures for chop management and will implement the established measures.</p>



Key Findings	Rectification Recommendations	Company's Response and Remediation Status
<p>11. (a) Zhongshan Century Jaguar failed to establish the Bank Account Ledger to record the basic information and existing status of all of its bank accounts.</p> <p>(b) Zhongshan Century Jaguar did not create the Bank Reconciliation Statement based on the accounting reconciliation process as a document record of the reconciliation process.</p>	<p>(b) Zhongshan Century Jaguar should revise the approval process for use of chops in the Sales Process Management to ensure consistency, or follow the approval process for use of chops in the Group's revised Financial Management System. It should designate a special individual or several individuals from the financial office to take turns to manage the chops, in a bid to facilitate accountability.</p> <p>(c) The chops should be kept in the safe on a daily basis, and the key to the safe should be held by the chop custodian to avoid chop abuse.</p> <p>(a) Zhongshan Century Jaguar should set up the Bank Account Ledger to record the basic information and existing status of all of its bank accounts.</p> <p>(b) Zhongshan Century Jaguar should prepare the Bank Reconciliation Statement in a timely manner after each reconciliation, which should be signed and confirmed by the preparer and the reviewer.</p>	<p>Zhongshan Century Jaguar has established the Bank Account Ledger, and the accountant prepares the Bank Reconciliation Statement every month, which is signed and reviewed by the financial manager.</p>

Key Findings	Rectification Recommendations	Company's Response and Remediation Status
<p>12. Currently, sales assistants of Zhongshan Century Jaguar put the locker's key in a certain place in the office after work. If someone needs to temporarily borrow the key, sales assistants will inform him/her the storage place, and the borrower will collect the key of a vehicle and register the borrowing by himself/herself, which increases the risk of loss of the vehicle and the key.</p>	<p>Zhongshan Century Jaguar should establish a key borrowing management process and clarify the persons in charge of keys for working and non-working hours respectively. The persons in charge should keep a written record for handover of keys. If a key is borrowed during non-working hours, the person in charge of keys for non-working hours must be present to supervise the borrowing.</p>	<p>(a) Zhongshan Century Jaguar stipulates that sales assistants should keep the master keys of vehicles. When sales consultants borrow keys of vehicles, they need to fill in the Key Borrowing Registration Form to record the borrowing. After working hours, borrowing of keys is not allowed without reporting in advance.</p> <p>(b) Zhongshan Century Jaguar stipulates that if someone needs to borrow a key during non-working hours, he/she must report in advance, after which sales managers should ask him/her to put the key in the locker and supervise it on the spot to ensure the return of the key and the vehicle.</p>
<p>13. The settlement between Zhongshan Century Jaguar and suppliers is carried out in the form of advance payments, but no external confirmation has been made with suppliers.</p>	<p>Zhongshan Century Jaguar should conduct external reconciliation with suppliers at the end of each month, and obtain and retain the Reconciliation Statement signed and stamped by both parties.</p>	<p>Zhongshan Century Jaguar will obtain the Supplier Reconciliation Statement from the car manufacturer every month, and the Financial Manager will sign and confirm the relevant content.</p>

## **FOLLOW-UP REVIEW OF INTERNAL CONTROL**

The Internal Control Consultant completed the follow-up review of internal control on 26 August 2022. As at the date of this announcement, the Group: (i) has fully adopted and implemented the Rectification Recommendations; and (ii) has corrected the relevant deficiencies in the Group's internal control system.

## **OPINIONS OF THE AUDIT COMMITTEE AND THE BOARD OF DIRECTORS**

Having considered the report of the Internal Control Review and the remedial actions taken by the Group, both the audit committee of the Company and the Board are of the view that the enhanced internal control measures implemented by the Company based on the Rectification Recommendations are adequate and sufficient to address the key findings of the report of the Internal Control Review. The Group will implement the Rectification Recommendations on an ongoing basis so as to further strengthen its internal control system.

## **FURTHER UPDATES ON THE INCIDENT**

As stated in the Announcement, (i) Zhongshan Century Jaguar has reported the Former Employee to the police of the People's Republic of China (“**PRC**”) for the alleged misappropriation, and the relevant PRC police authorities have criminally detained the Former Employee in March 2022; and (ii) Zhongshan Century Jaguar plans to recover the misappropriated funds from the Former Employee and claim compensation from the insurance company.

The Company was informed that, as at the date of this announcement, (i) the PRC police have completed the criminal investigation into 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 the case is still pending further trial as at the date of this announcement; and (ii) the insurance company has rejected the claim of Zhongshan Century Jaguar because the vehicles involved in the Incident were not included in the compensation coverage (the “**Insurance Claim Rejection**”).

The Company has recognized other expenses of approximately RMB7.4 million in the 2021 fiscal year for the Incident, and is expected to recognize other expenses of approximately RMB2.4 million in the 2022 fiscal year. The Board is of the opinion that the Insurance Claim Rejection will not have a material adverse effect on the financial, operational or any other aspects of the Company.

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

Hong Kong, 1 September 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.*