

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 REPORT
2023



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Law Hau Kit
(Chairman and Chief Executive Officer)
Mr. Chen Huaquan
Ms. Li Huifang

Non-Executive Director

Mr. Woo King Hang, *JP (Vice Chairman)*

Independent Non-Executive Directors

Mr. Li Wai Keung
Mr. Hui Chun Tak
Ms. Yan Fei

AUTHORISED REPRESENTATIVES

Mr. Law Hau Kit
Mr. Chan Ngai Fan

JOINT COMPANY SECRETARY

Mr. Chan Ngai Fan
Ms. Liang Jiexin

AUDIT COMMITTEE

Mr. Li Wai Keung *(Chairman)*
Mr. Hui Chun Tak
Ms. Yan Fei

REMUNERATION COMMITTEE

Mr. Hui Chun Tak *(Chairman)*
Mr. Chen Huaquan
Mr. Li Wai Keung

NOMINATION COMMITTEE

Mr. Law Hau Kit *(Chairman)*
Mr. Hui Chun Tak
Ms. Yan Fei

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

No. 40, Rainbow Road
Western District
Zhongshan, Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1426, 14/F., Solo Building
41-43 Carnarvon Road
Tsim Sha Tsui, Kowloon
Hong Kong

AUDITOR

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

27/F, One Taikoo Place,

979 King's Road,

Quarry Bay, Hong Kong

STOCK CODE

1959

COMPANY'S WEBSITE

www.car2000.com.cn

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre,

16 Harcourt Road,

Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Zhongshan North Branch)

No. 4, Ganglong South Road

ICBC Building

Zhongshan, Guangdong Province

PRC

China Construction Bank (Zhongshan Shalang Branch)

No. 2, Jinhua South Road

Zhongshan, Guangdong Province

PRC

MANAGEMENT DISCUSSION AND ANALYSIS

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 2023 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2022 (the “**Previous Period**”).

INDUSTRY OVERVIEW

In the first half of 2023, pandemic control measures in China were significantly relaxed. Alongside this, preferential tax policies for the purchase of traditional fuel-powered vehicles were abolished, leading major auto brands to initiate a wave of price reductions. Additionally, numerous new-energy vehicle (“**NEV**”) models were launched. Consequently, the automotive market in China experienced heightened competition and underwent a shift from negative growth in the first quarter to positive growth in the second quarter. According to the China Association of Automotive Manufacturers (the “**CAAM**”), in the first half of 2023, the production and sales volumes of automobiles reached 13.248 million units and 13.239 million units, an increase of 9.3% and 9.8% year on year, respectively. In particular, the development of NEV sector continued to be impressive. In the first half of 2023, the production and sales volumes of NEVs in China reached 3.788 million units and 3.747 million units, representing an increase of 42.4% and 44.1% year on year respectively, with a penetration rate of 28.3%. According to the China Passenger Car Association, the penetration rate of NEVs is expected to reach 36% in 2023. The sales volume of NEVs continued to grow. The Group was committed to following the strategy of “Entering the Greater Bay Area, Embracing New Energy”, aiming to expand NEV sales and services network into the Guangdong-Hong Kong-Macao Greater Bay Area (the “**Greater Bay Area**”).

Opportunities for developing charging infrastructures emerged from the rapid growth of the NEV market. According to the information published by the China Electric Vehicle Charging Infrastructure Promotion Alliance, as of June 2023, charging piles of various types established nationwide exceeded 6.6 million units in total. Under the forecast of relevant national authorities, it is expected that by the end of 2025, the inventory of NEVs will reach over 60 million units. Assuming that the ratio of the number of vehicles to charging piles is 2:1, it is estimated that by the end of 2025, the country will need a total of 30 million charging piles. However, there is still a shortfall of over 20 million charging piles, indicating a significant market opportunity. The government has introduced numerous supportive policies to accelerate the construction of high-quality charging infrastructure systems. Therefore, the Group seized the opportunity and quickly constructed a network of charging stations in major cities of the Greater Bay Area, including Zhuhai, Dongguan, Foshan, Zhongshan, and Guangzhou.

BUSINESS REVIEW

During the Reporting Period, the Group recorded revenue of approximately RMB730.3 million, a decrease of approximately 6.1% from the Previous Period. Gross profit decreased by approximately 37.7% to approximately RMB33.3 million, while gross profit margin decreased to approximately 4.6% from approximately 6.9% for the six months ended 30 June 2023.

Headquartered in Zhongshan City, Guangdong Province, the Group is located at the center of the Greater Bay Area as a leading provider of diversified vehicle mobility services in the Greater Bay Area. During the Reporting Period, the Group operated a total of 37 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 online ride-hailing business.

The Group has up to 20 brands authorised by automobile manufacturers, among which 10 are pure electric vehicle brands, namely GAC Aion, Hyper, Leapmotor, Great Wall ORA, Volkswagen ID, Dongfeng New Energy, EVH, JAC Yiwei New Energy, 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 MOTOR VEHICLES

During the Reporting Period, the sales of motor vehicles (comprising new vehicles and used vehicles) were approximately RMB598.4 million, representing a decrease of approximately 8.5% compared to approximately RMB654.2 million for the Previous Period.

SALES OF NEW VEHICLES

During the Reporting Period, the Group's sales revenue of new vehicles was approximately RMB590.8 million (5,027 units in total), a decrease of approximately 6.7% as compared to approximately RMB633.4 million (5,095 units in total) recorded in the Previous Period. The decline in sales of new vehicles was mainly due to the intensified competition in the automobile market. 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.

SALES OF USED VEHICLES

The Group sold 234 used vehicles during the Reporting Period, with sales revenue of approximately RMB7.6 million, a year-on-year decrease of approximately 63.5% from approximately RMB20.8 million (485 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 2023, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INTEGRATED AUTO SERVICES

As a 4S dealership group providing one-stop car services, the Group offers a series of one-stop services such as after-sales services and customer feedback in addition to car sales. Other integrated auto services provided by the Group include repair and maintenance services, sales of spare parts, insurance agency services and other services. During the Reporting Period, revenue from comprehensive automobile services amounted to approximately RMB131.9 million, representing an increase of approximately 7.0% compared with approximately RMB123.3 million during the Previous Period.

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 RMB94.4 million (Previous Period: RMB96.8 million), accounting for approximately 12.9% of the total revenue, representing a decrease of approximately 2.5% as compared with the Previous Period. The gross profit margin was approximately 35.6%.

INSURANCE AGENCY SERVICES

For the Reporting Period, revenue from the Group's insurance agency services was approximately RMB4.7 million, an increase of approximately 30.6% from approximately RMB3.6 million in the Previous Period. Gross profit dropped 26.4% year on year to approximately RMB2.2 million from approximately RMB3.1 million in the Previous Period.

OTHER SERVICES

Other services of the Group mainly comprised of vehicle registration services, registration of title transfer of used vehicles, charging station business and online ride-hailing services. Revenue from other services was approximately RMB25.3 million during the Reporting Period, a surge of approximately 10.5% from approximately RMB22.9 million in the Previous Period. This was mainly due to the increase in revenue from the charging pile business.

NEW-ENERGY VEHICLE RELATED SERVICES

During the Reporting Period, the Group had taken the NEV related businesses as one of the key development strategies. Except actively acquiring the dealerships of different NEV brands, the Group also started developing different NEV related services. Furthermore, during the Reporting Period, the Group has newly established 35 charging stations and 268 charging piles, and provided a total of 386 charging spaces in cities in the Greater Bay Area, including Zhongshan, Zhuhai, Foshan, Guangzhou, Dongguan and Jiangmen. The Group's NEV related services are comprised of charging services fee generated from the electric vehicle charging network in the Greater Bay Area and rental and administrative fee from participating in the operation of the online ride-hailing business.

During the Reporting Period, revenue from newly launched NEV related services amounted to approximately RMB22.2 million (Previous Period: approximately 13.1 million), and gross profit from NEV related services amounted to approximately RMB1.2 million (Previous Period: approximately 1.1 million).

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

PROSPECT AND OUTLOOK

In the first half of the year, the macroeconomic conditions and consumer purchasing power showed a slower recovery than expected. Looking ahead to the second half of the year, the Chinese automotive market still faces certain challenges. However, in the long term, there is still enormous potential and room for growth in the Chinese automotive market. The government has introduced a series of policies to promote the growth of the automotive market. Following the Announcement on the Continuation of the Vehicle Purchase Tax Exemption Policy for New Energy Vehicles (《關於延續新能源汽車免徵車輛購置稅政策的公告》) in September 2022, several new policies have been issued this year, including the Implementation Opinion on Further Accelerating the Construction of Charging Infrastructure to Better Support the Marketing of New Energy Vehicles in Rural Areas for Rural Revitalization (《關於加快推進充電基礎設施建設更好支持新能源汽車下鄉和鄉村振興的實施意見》), the “Hundred Cities Linkage” Automotive Festival and the “Thousands of Counties and Towns” New Energy Vehicle Consumption Season (《「百城聯動」汽車節及「千縣萬鎮」新能源汽車消費季活動》), as well as Measures to Promote Automotive Consumption (《關於促進汽車消費的若干措施》) and Measures to Restore and Expand Consumption (《關於恢復和擴大消費的措施》). These policies aim to stimulate automotive consumption in the second half of the year. Additionally, with the diversification and continuous innovation of automotive products and the steady growth of the socio-economic factors, the Group believes that the future prospects of the automotive industry remain promising.

In the second half of the year, the Group will continue to expand its customer base and focus on key businesses such as the Greater Bay Area, “Mobility” services, the “new energy vehicle” sector, and “charging stations” with persistent efforts. As of 30 June 2023, the Group has successfully acquired 10 NEV brands and established 21 new energy sales outlets. Building upon our existing operating network, we will continue to prudently seek dealership rights for NEV brands with competitive potential. Furthermore, from January to June 2023, the Group has added 35 new charging stations, 268 charging piles, and 386 charging spaces (including those under construction). Compared to the Previous Period in 2022, the number of newly constructed charging stations and charging piles has nearly tripled. As of 30 June 2023, the Group has cumulatively constructed (including those under construction) 106 charging stations, 654 charging piles, and provided 1,106 charging spaces. Under the premise of continuously optimising construction efficiency and reducing station costs, the Group will continue to expand its charging network in the Greater Bay Area. This expansion aims to capture market share in the charging station network and leverage synergies to promote the sales of NEVs.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded revenue of approximately RMB730.3 million, representing a decrease of approximately RMB47.2 million or approximately 6.1% from that of approximately RMB777.5 million for the Previous Period. Sales of motor vehicles contributed approximately RMB598.4 million for the Reporting Period (Previous Period: approximately RMB654.2 million) of the Group's total revenue whereas other integrated auto services brought in revenue of approximately RMB131.9 million for the Reporting Period (Previous Period: approximately RMB123.3 million), representing approximately 81.9% (Previous Period: approximately 84.1%) and 18.1% (Previous Period: approximately 15.9%) 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 87.3% for the Reporting Period (Previous Period: approximately 89.8%). For the Reporting Period, the Group's cost of sales amounted to approximately RMB697.0 million, representing a decrease of approximately 3.7% as compared to that of approximately RMB724.1 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 RMB33.3 million for the Reporting Period, representing a decrease of approximately 37.6% as compared to that of approximately RMB53.4 million for the Previous Period. The decrease in gross profit was mainly attributable to the lower selling prices of motor vehicles due to intensified competition in the automobile market. Overall gross profit margin of the Group decreased to approximately 4.6% from approximately 6.9% for the Previous Period.

Other income and gains

Other income and gains increased by approximately RMB3.2 million, or 16.8%, from approximately RMB19.2 million for the Previous Period to approximately RMB22.5 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 RMB2.0 million, or 6.4%, from approximately RMB31.2 million for the Previous Period to approximately RMB33.2 million for the Reporting Period.

The increase in selling and distribution expenses for the Reporting Period was primarily due to the increase in advertising and office expenses 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 RMB42.4 million, representing an increase of approximately RMB5.0 million from the Previous Period. Such increase was mainly due to the combined effect of (i) the decrease in salary and wages of administrative staff of approximately RMB2.7 million; (ii) the increase in rental expense of approximately RMB8.0 million; (iii) the decrease in depreciation and amortization of fixed assets and right-of-use assets of approximately RMB5.9 million; (iv) the increase in repair and maintenance expenses of approximately RMB1.3 million and (v) the increase in sundry expenses of approximately RMB4.3 million.

Finance costs

For the Reporting Period, the Group's finance costs were approximately RMB5.1 million (Previous Period: approximately RMB5.7 million), which represented a slight decrease as compared to the Previous Period due to the decrease of interest rates.

Loss for the period

As a result of the foregoing, the Group's loss for the Reporting Period was approximately RMB28.1 million as compared to approximately RMB7.8 million for the Previous Period. The increase in loss is mainly attributable to (i) the decline in gross profit due to a drop in selling prices and sales volume as a result of the intensified competition in the automobile market; and (ii) there being several new businesses in the stage of expansion and development, including but not limited to the expansion of NEV sales stores and the construction of charging stations, coupled with the increasing depreciation cost of various new businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

For the Reporting Period, the income tax expense of the Group was approximately RMB0.6 million (Previous Period: approximately RMB2.3 million). The decrease was primarily attributable to the decrease in the Group's taxable profit for the Reporting Period.

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 2023 was approximately 1.68 times (as at 31 December 2022: 1.47 times). The increase was mainly due to the decrease in equity due to the Group's loss during the Reporting Period.

The Group's pledged bank deposits and cash and cash equivalents balances as at 30 June 2023 amounted to approximately RMB56.8 million, representing a decrease of approximately RMB79.8 million as compared to that of approximately RMB136.6 million as at 31 December 2022.

The Group's interest-bearing bank and other borrowings as at 30 June 2023 were all denominated in Renminbi. The interest rates ranged from 1.78% to 4.00% per annum.

As at 30 June 2023, the Group's interest-bearing bank and other borrowings amounted to RMB189.9 million, representing an increase of 3.1% as compared to RMB184.2 million as at 31 December 2022. Short-term loans and borrowings amounted to approximately RMB189.9 million (as at 31 December 2022: approximately RMB184.2 million), and long-term loans and borrowings was nil (as at 31 December 2022: nil).

The Group's total equity attributable to owners of the parent was approximately RMB213.5 million as at 30 June 2023 (as at 31 December 2022: approximately RMB240.5 million). The capital of the Group mainly comprises share capital and reserves.

Capital expenditures and commitments

As at 30 June 2023, the capital commitments of the Group in connection with building expenditures was approximately RMB16.6 million (as at 31 December 2022: approximately RMB8.3 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 should they arise. Therefore, the Group did not engage in any derivative contracts to hedge its exposure against foreign exchange risk during the Reporting Period.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2023 (as at 31 December 2022: nil).

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

The Group did not hold any significant investments and had no material acquisitions or disposals during the Reporting Period and up to the date of this interim report.

As of the date of this interim report, the Group did not have any immediate plans for material investments or capital assets.

Pledge of assets

As at 30 June 2023, the Group's utilised banking facilities amounting to approximately RMB189.9 million (as at 31 December 2022: approximately RMB184.2 million) were secured by:

- (i) certain of the Group's merchandised goods amounting to approximately RMB74.0 million as at 30 June 2023 (as at 31 December 2022: approximately RMB63.6 million);
- (ii) the Group's buildings, which a net carrying amount of approximately RMB6.0 million as at 30 June 2023 (as at 31 December 2022: approximately RMB6.3 million);
- (iii) the Group's right of use assets, which a net carrying amount of approximately RMB9.3 million as at 30 June 2023 (as at 31 December 2022: approximately RMB9.6 million);

MANAGEMENT DISCUSSION AND ANALYSIS

- (iv) the Group's bills payable was secured by pledged deposits of approximately RMB27.5 million as at 30 June 2023 (as at 31 December 2022: approximately RMB53.3 million); and
- (v) pledged deposits for others of approximately RMB1.0 million as at 30 June 2023 (as at 31 December 2022: approximately RMB1.0 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had a total workforce of approximately 853 employees (as at 31 December 2022: 846). 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 share option scheme as incentives to Directors and eligible employees. Details of the share option schemes are set out under the paragraph headed "Share Option Scheme" below.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

As at 30 June 2023, the interests and short positions of Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) as recorded in the register required to be kept under section 336 and 352 of the SFO, or as notified the Company and the Stock Exchange pursuant to the Model Code, are as follows:

(i) Director’s interest in the Company

Name of Director	Capacity/nature	Number of Shares held/Interested in	Interest in underlying Shares pursuant to share option	Total	Long/short position	Approximate percentage of shareholding as at 30 June 2023
Mr. Law Hau Kit	Interest in a controlled corporation	373,916,000 (Note 1)	–	373,916,000	Long	74.01%
	Beneficial owner	–	6,000,000 (Note 2)	6,000,000	Long	1.19%
Mr. Chen Huaquan	Beneficial owner	–	2,780,000 (Note 2)	2,780,000	Long	0.55%
Ms. Li Huifang	Beneficial owner	–	1,900,000 (Note 2)	1,900,000	Long	0.38%
Mr. Woo King Hang	Beneficial owner	400,000	2,100,000 (Note 2)	2,500,000	Long	0.50%
Ms. Yan Fei	Beneficial owner	–	1,000,000 (Note 2)	1,000,000	Long	0.20%
Mr. Li Wai Keung	Beneficial owner	–	1,000,000 (Note 2)	1,000,000	Long	0.20%
Mr. Hui Chun Tak	Beneficial owner	200,000	800,000 (Note 2)	1,000,000	Long	0.20%

Notes:

- Chong Kit Limited is wholly owned by Mr. Law. Under the SFO, Mr. Law is deemed to be interested in the same number of Shares in which Chong Kit Limited is interested.
- The interest of each of Mr. Law, Mr. Chen, Ms. Li, Mr. Woo, Ms. Yan, Mr. Li and Mr. Hui in 6,000,000, 2,780,000, 1,900,000, 2,100,000, 1,000,000, 1,000,000 and 800,000 underlying Shares represents his/her interest in the share options granted by the Company to him/her on 21 May 2020 and 21 May 2021 under the share option scheme (the “Share Option Scheme”) adopted on 16 September 2019. For details, please refer to the table disclosing movements in the share options of the Company under the section headed “Share Option Scheme” in pages 18 to 23 of this report. Each of Mr. Law, Mr. Chen, Ms. Li, Mr. Woo, Ms. Yan, Mr. Li and Mr. Hui has confirmed that he/she will not exercise any Share Options if as a result of which the Company will not be able to comply with the public float requirement of the Listing Rules.

OTHER INFORMATION

(ii) Directors' interests in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/nature	Number of Shares held/interested in	Long/short position	Percentage of shareholding
Mr. Law Hau Kit	Chong Kit Limited (Note 1)	Beneficial owner	1	Long	100.00%

Note:

1. Chong Kit Limited holds more than 50% of the Shares. Therefore Chong Kit Limited is a holding company and an associated corporation of the Company.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

So far as the Directors are aware, as at 30 June 2023, the interest and short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO are as follows:

Substantial shareholders' interest in the Company

Name of shareholder	Capacity/nature	Number of Shares/ underlying Shares held/ interested in	Long/short position	Approximate percentage of shareholding as at 30 June 2023
Chong Kit Limited (<i>Note 1</i>)	Beneficial owner	373,916,000	Long	74.01%
Ms. Liu Yali (<i>Note 2</i>)	Interest of spouse	379,916,000	Long	75.20%

Notes:

- Chong Kit Limited is wholly owned by Mr. Law. Under the SFO, Mr. Law is deemed to be interested in the same number of Shares in which Chong Kit Limited is interested.
- Ms. Liu Yali is the spouse of Mr. Law. Under the SFO, Ms. Liu Yali will be deemed to be interested in the same number of Shares/underlying Shares in which Mr. Law is interested.

Save as disclosed above, as at 30 June 2023, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or Chief Executive of the Company) in the Shares or underlying Shares which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

UPDATE ON DIRECTORS' INFORMATION

- Mr. Chen Shaoxing has retired from the position of an executive Director with effect from 25 May 2023.
- Mr. Chen Huaquan has been appointed as an executive Director with effect from 25 May 2023.
- Mr. Woo King Hang has been appointed as the Justice of Peace of The Government of the Hong Kong Special Administrative Region of the People's Republic of China ("**HKSAR**") with effect from 1 July 2023 and has been appointed as a member of The Hong Kong Advisory Council on AIDS of the HKSAR with effect from 1 August 2023.

Save as disclosed above, there is no other changes in the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of the 2022 annual report of the Company and up to the date of this interim report.

OTHER INFORMATION

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.

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 number of options available for grant under the existing General Scheme Limit as at 1 January 2023 and 30 June 2023 and the maximum number of Shares of the Company which may be issued upon exercise of all options that may be granted under the existing General Scheme Limit was 5,500,000, representing approximately 1.09% of the issued share capital of the Company as at the date of this interim report.

During the six months ended 30 June 2023, no share option was granted under the Share Option Scheme. The number of Shares that may be issued in respect of options granted under the Share Option Scheme during the six months ended 30 June 2023 divided by the weighted average number of Shares in issue for the six months ended 30 June 2023 is therefore not applicable.

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 the 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 the Company for the time being.

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.

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 fulfilment of the vesting conditions of the share options, the share options are exercisable in the manner set out hereinbelow.

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.

OTHER INFORMATION

As at 30 June 2023, the Company had 31,318,000 share option outstanding under the Share Option Scheme, representing approximately 6.20% of the issued share capital of the Company as at the date of this interim report. The following table discloses movements in the share options of the Company during the Reporting Period:

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

OTHER INFORMATION

	Date of grant	Exercise period	Vesting period	Exercise price (HK\$)	Number of options at 01/01/2023	Movements during the six months ended 30 June 2023			Number of options at 30/06/2023
						Granted	Exercised	Lapsed	
Mr. Chen Huaquan	21/05/2020	21/05/2021 to 20/05/2025	21/05/2020 to 20/05/2021	0.48	580,000	–	–	–	580,000
			21/05/2022 to 20/05/2025	21/05/2020 to 20/05/2022	0.48	350,000	–	–	–
		21/05/2023 to 20/05/2025	21/05/2020 to 20/05/2023	0.48	350,000	–	–	–	350,000
	21/05/2021	21/05/2022 to 20/05/2026	21/05/2021 to 20/05/2022	0.81	600,000	–	–	–	600,000
			21/05/2023 to 20/05/2026	21/05/2021 to 20/05/2023	0.81	450,000	–	–	–
		21/05/2024 to 20/05/2026	21/05/2021 to 20/05/2024	0.81	450,000	–	–	–	450,000
							2,780,000	–	–
Ms. Li Huifang	21/05/2020	21/05/2022 to 20/05/2025	21/05/2020 to 20/05/2022	0.48	300,000	–	–	–	300,000
			21/05/2023 to 20/05/2025	21/05/2020 to 20/05/2023	0.48	300,000	–	–	–
	21/05/2021	21/05/2022 to 20/05/2026	21/05/2021 to 20/05/2022	0.81	520,000	–	–	–	520,000
			21/05/2023 to 20/05/2026	21/05/2021 to 20/05/2023	0.81	390,000	–	–	–
		21/05/2024 to 20/05/2026	21/05/2021 to 20/05/2024	0.81	390,000	–	–	–	390,000
							1,900,000	–	–

OTHER INFORMATION

	Date of grant	Exercise period	Vesting period	Exercise price (HK\$)	Number of options at 01/01/2023	Movements during the six months ended 30 June 2023			Number of options at 30/06/2023
						Granted	Exercised	Lapsed	
Mr. Woo King Hang	21/05/2020	21/05/2022 to 20/05/2025	21/05/2020 to 20/05/2022	0.48	300,000	–	–	–	300,000
		21/05/2023 to 20/05/2025	21/05/2020 to 20/05/2023	0.48	300,000	–	–	–	300,000
	21/05/2021	21/05/2022 to 20/05/2026	21/05/2021 to 20/05/2022	0.81	600,000	–	–	–	600,000
		21/05/2023 to 20/05/2026	21/05/2021 to 20/05/2023	0.81	450,000	–	–	–	450,000
		21/05/2024 to 20/05/2026	21/05/2021 to 20/05/2024	0.81	450,000	–	–	–	450,000
						2,100,000	–	–	–
Ms. Yan Fei	21/05/2020	21/05/2021 to 20/05/2025	21/05/2020 to 20/05/2021	0.48	200,000	–	–	–	200,000
		21/05/2022 to 20/05/2025	21/05/2020 to 20/05/2022	0.48	150,000	–	–	–	150,000
		21/05/2023 to 20/05/2025	21/05/2020 to 20/05/2023	0.48	150,000	–	–	–	150,000
	21/05/2021	21/05/2022 to 20/05/2026	21/05/2021 to 20/05/2022	0.81	200,000	–	–	–	200,000
		21/05/2023 to 20/05/2026	21/05/2021 to 20/05/2023	0.81	150,000	–	–	–	150,000
		21/05/2024 to 20/05/2026	21/05/2021 to 20/05/2024	0.81	150,000	–	–	–	150,000
						1,000,000	–	–	–

OTHER INFORMATION

	Date of grant	Exercise period	Vesting period	Exercise price (HK\$)	Number of options at 01/01/2023	Movements during the six months ended 30 June 2023			Number of options at 30/06/2023
						Granted	Exercised	Lapsed	
Mr. Li Wai Keung	21/05/2020	21/05/2021 to 20/05/2025	21/05/2020 to 20/05/2021	0.48	200,000	–	–	–	200,000
			21/05/2022 to 20/05/2025	21/05/2020 to 20/05/2022	0.48	150,000	–	–	–
		21/05/2023 to 20/05/2025	21/05/2020 to 20/05/2023	0.48	150,000	–	–	–	150,000
	21/05/2021	21/05/2022 to 20/05/2026	21/05/2021 to 20/05/2022	0.81	200,000	–	–	–	200,000
			21/05/2023 to 20/05/2026	21/05/2021 to 20/05/2023	0.81	150,000	–	–	–
		21/05/2024 to 20/05/2026	21/05/2021 to 20/05/2024	0.81	150,000	–	–	–	150,000
							1,000,000	–	–
Mr. Hui Chun Tak	21/05/2020	21/05/2022 to 20/05/2025	21/05/2020 to 20/05/2022	0.48	150,000	–	–	–	150,000
			21/05/2023 to 20/05/2025	21/05/2020 to 20/05/2023	0.48	150,000	–	–	–
	21/05/2021	21/05/2022 to 20/05/2026	21/05/2021 to 20/05/2022	0.81	200,000	–	–	–	200,000
			21/05/2023 to 20/05/2026	21/05/2021 to 20/05/2023	0.81	150,000	–	–	–
		21/05/2024 to 20/05/2026	21/05/2021 to 20/05/2024	0.81	150,000	–	–	–	150,000
					800,000	–	–	–	800,000
Total Directors					15,580,000	–	–	–	15,580,000

OTHER INFORMATION

	Date of grant	Exercise period	Vesting period	Exercise price (HK\$)	Number of options at 01/01/2023	Movements during the six months ended 30 June 2023			Number of options at 30/06/2023
						Granted	Exercised	Lapsed	
Employees	21/05/2020	21/05/2021 to 20/05/2025	21/05/2020 to 20/05/2021	0.48	558,000	–	–	–	558,000
			21/05/2022 to 20/05/2025	0.48	2,490,000	–	–	–	2,490,000
		21/05/2023 to 20/05/2025	0.48	2,490,000	–	–	–	2,490,000	
	21/05/2021	21/05/2022 to 20/05/2026	21/05/2021 to 20/05/2022	0.81	4,300,000	–	–	220,000	4,080,000
			21/05/2023 to 20/05/2026	0.81	3,225,000	–	–	165,000	3,060,000
		21/05/2024 to 20/05/2026	21/05/2021 to 20/05/2023	0.81	3,225,000	–	–	165,000	3,060,000
			21/05/2021 to 20/05/2024	0.81	3,225,000	–	–	165,000	3,060,000
Total Employees					16,288,000	–	–	550,000	15,738,000
Total					31,868,000	–	–	550,000	31,318,000

Notes:

- (1) The closing price of the Shares on the trading day immediately before 21 May 2020 and 21 May 2021, on which the share options were granted, was HK\$0.445 per share and HK\$0.790 per share respectively.
- (2) 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.

- (3) 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.

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 2023 and up to the date of this report.

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 2023, 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 2022 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 report, 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 report.

OTHER INFORMATION

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 2023.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) has reviewed the unaudited interim results for the six months ended 30 June 2023 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. Ernst & Young, the Group’s external auditor, has carried out a review of the unaudited interim results for the six months ended 30 June 2023 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.

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

Law Hau Kit

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 28 August 2023

INDEPENDENT REVIEW REPORT



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To the board of directors of Centenary United Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 27 to 62, which comprises the condensed consolidated statement of financial position of Centenary United Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

28 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CONTINUING OPERATIONS			
REVENUE	4	730,287	777,458
Cost of sales		(697,019)	(724,064)
Gross profit		33,268	53,394
Other income and gains	4	22,474	19,248
Selling and distribution expenses		(33,200)	(31,210)
Administrative expenses		(42,414)	(37,377)
Other expenses		(2,517)	(3,837)
Finance costs	6	(5,138)	(5,728)
LOSS BEFORE TAX	5	(27,527)	(5,510)
Income tax expense	7	(578)	(2,331)
LOSS FOR THE PERIOD		(28,105)	(7,841)
Attributable to:			
Owners of the parent		(27,608)	(7,238)
Non-controlling interests		(497)	(603)
		(28,105)	(7,841)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	RMB(5.46) cents	RMB(1.43) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
LOSS FOR THE PERIOD	(28,105)	(7,841)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(7)	6
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(7)	6
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(28,112)	(7,835)
Attributable to:		
Owners of the parent	(27,615)	(7,232)
Non-controlling interests	(497)	(603)
	(28,112)	(7,835)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	196,740	194,646
Right-of-use assets		91,217	95,677
Other intangible assets		269	349
Deferred tax assets		2,334	792
Total non-current assets		290,560	291,464
CURRENT ASSETS			
Inventories	11	292,487	232,853
Trade receivables	12	17,659	14,674
Prepayments, other receivables and other assets	13	187,463	221,135
Pledged deposits	14	28,511	54,361
Cash and cash equivalents	14	28,281	82,229
Total current assets		554,401	605,252
CURRENT LIABILITIES			
Trade and bills payables	15	82,779	111,444
Contract liabilities	16	33,835	38,222
Other payables and accruals	17	59,845	59,025
Interest-bearing bank and other borrowings	18	189,928	184,212
Amount due to a director	22	170,700	170,700
Tax payable		24,129	21,496
Total current liabilities		561,216	585,099

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NET CURRENT (LIABILITIES)/ASSETS		(6,815)	20,153
TOTAL ASSETS LESS CURRENT LIABILITIES		283,745	311,617
NON-CURRENT LIABILITIES			
Lease liabilities		68,506	68,705
Deferred income		852	987
Total non-current liabilities		69,358	69,692
Net assets		214,387	241,925
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	4,558	4,558
Reserves	21	208,933	235,974
Equity attributable to owners of the parent		213,491	240,532
Non-controlling interests		896	1,393
Total equity		214,387	241,925

Law Hau Kit
Director

Chen Hua Quan
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent									
	Share capital RMB'000 Note 19	Share Premium* RMB'000 Note 21	Share option Reserve* RMB'000 Note 20	Other reserve* RMB'000 Note 21	Statutory surplus reserve* RMB'000 Note 21	Foreign currency translation Reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023 (audited)	4,558	103,214	5,894	(44,512)	36,812	(598)	135,164	240,532	1,393	241,925
Loss for the period:	-	-	-	-	-	-	(27,608)	(27,608)	(497)	(28,105)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(7)	-	(7)	-	(7)
Total comprehensive loss for the period	-	-	-	-	-	(7)	(27,608)	(27,615)	(497)	(28,112)
Issue of shares										
Transfer from retained profits	-	-	-	-	337	-	(337)	-	-	-
Equity-settled share option arrangements	-	-	574	-	-	-	-	574	-	574
At 30 June 2023 (unaudited)	4,558	103,214	6,468	(44,512)	37,149	(605)	107,219	213,491	896	214,387

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent									Total equity RMB'000
	Share capital RMB'000 Note 19	Share Premium* RMB'000 Note 21	Share option Reserve* RMB'000 Note 20	Other reserve* RMB'000 Note 21	Statutory surplus reserve* RMB'000 Note 21	Foreign currency translation Reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non- controlling interests RMB'000	
At 1 January 2022 (audited)	4,558	103,214	3,537	(44,512)	36,006	(733)	159,602	261,672	1,586	263,258
Loss for the period:	–	–	–	–	–	–	(7,238)	(7,238)	(603)	(7,841)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	6	–	6	–	6
Total comprehensive income/(loss) for the period	–	–	–	–	–	6	(7,238)	(7,232)	(603)	(7,835)
Issue of shares	–	–	–	–	–	–	–	–	–	–
Transfer from retained profits	–	–	–	–	692	–	(692)	–	–	–
Equity-settled share option arrangements	–	–	1,561	–	–	–	–	1,561	–	1,561
At 30 June 2022 (unaudited)	4,558	103,214	5,098	(44,512)	36,698	(727)	151,672	256,001	983	256,984

* These reserve accounts comprise the reserves of RMB208,933,000 in the interim condensed consolidated statement of financial position as at 30 June 2023(30 June 2022: RMB251,443,000).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(27,527)	(5,510)
Adjustments for:			
Finance costs	6	5,138	5,728
Bank interest income	4	(758)	(1,009)
Gain on disposal of items of property, plant and equipment	4	(874)	(1,407)
Depreciation of property, plant and equipment	5	17,933	13,315
Depreciation of right-of-use assets/ recognition of prepaid land lease payments	5	11,364	9,463
Amortisation of other intangible assets	5	23	23
Government grant released		(135)	—
Write-down/(reversal) of Impairment of trade receivables	5	30	(20)
Write-down/(reversal) of inventories inventories to net realisable value	5	3,986	(499)
Remeasurement from early termination of a lease		7,558	—
Equity-settled share option expense	5	574	1,561
Covid-19-related rent concessions from lessors		—	(2,726)
		17,312	18,919
Increase in inventories		(63,620)	(96,183)
(Increase)/Decrease in trade receivables		(3,015)	2,031
Decrease in prepayments, other receivables and other assets		33,672	1,844
Decrease in pledged deposits		25,850	44,467
Decrease in trade and bills payables		(28,665)	(25,857)
(Decrease)/increase in other payables and accruals		(3,599)	1,360
Decrease in contract liabilities		(4,387)	(313)
Cash used in operations		(26,452)	(53,732)
Interest received		758	1,009
Income tax refund/(paid)		513	(4,792)
Net cash flows used in operating activities		(25,181)	(57,515)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net cash flows used in operating activities		(25,181)	(57,515)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(28,844)	(34,916)
Proceeds from disposals of items of property, plant and equipment		9,748	5,411
Net cash flows used in investing activities		(19,096)	(29,505)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(3,072)	(3,677)
New bank borrowings		248,208	167,941
Repayments of bank and other borrowings		(242,492)	(218,038)
Increase in amount due to share holders		—	128,500
Principal portion of lease payments		(12,308)	(9,106)
Net cash flows (used in)/from financing activities		(9,664)	65,620
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		82,229	65,028
Effect of foreign exchange rate changes, net		(7)	6
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		56,792	93,378
Less: Pledged deposits	14	(28,511)	(49,744)
Cash and cash equivalents as stated in the interim consolidated statement of financial position	14	28,281	43,634

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 2023 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 2022. 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.

Going concern basis

The Group recorded a consolidated loss of RMB28,105,000 for the six months ended 30 June 2023. As at 30 June 2023, the Group recorded net current liabilities of RMB6,815,000.

In view of these circumstances, the Directors have considered the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

(1) **Active negotiations with a director**

The Group has an amount of RMB170,700,000 due to a director, and the director has confirmed not to demand the Group to repay the amount within the coming 12 months.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

2.1 BASIS OF PRESENTATION (Continued)

Going concern basis (continued)

(2) *Improvement of the Group's operating cash flows*

The Group is taking measures to tighten cost control over various production costs and expenses with the aim to attain profitable and positive cash flow operations.

(3) *Active negotiation with banks to obtain adequate bank facilities to finance the Group's operations*

Subsequent to 30 June 2023 and up to the date of this report, the Group obtained an added bank facility of RMB35 million.

Taking into account the above, the directors considered that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due. Accordingly, the interim condensed consolidated financial statements of the Group have been prepared on a going concern basis.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Types of goods or services		
Sale of motor vehicles	598,369	654,167
Others	131,918	123,291
Total revenue from contracts with customers	730,287	777,458
Timing of revenue recognition		
Transferred at a point in time	620,480	667,514
Transferred over time	109,807	109,944
Total revenue from contracts with customers	730,287	777,458

(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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

Provision of services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion 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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	758	1,009
Government grants released (note (a))	3,767	183
Gain on disposal of property, plant and equipment	874	1,407
Others (note (b))	17,075	16,649
	22,474	19,248

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

5. LOSS BEFORE TAX

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

	Note	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		31,001	37,734
Pension scheme contributions		7,173	7,180
		38,174	44,914
Cost of inventories sold (note (a))		612,306	653,661
Cost of services provided		84,713	70,403
Depreciation of property, plant and equipment		17,933	13,315
Depreciation of right-of-use assets		11,364	9,463
Equity-settled share option expense		574	1,561
Amortisation of other intangible assets		23	23
Auditor's remuneration		895	895
Gain on disposal of property, plant and equipment		(874)	(1,407)
Write-down/(reversal) of impairment of trade receivables (note (b))	12	30	(20)
Write-down/(reversal) of inventories to net realisable value		3,986	(499)
Interest income		(758)	(1,009)
Stock loss (note (b) · note(c))		—	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 statement of profit or loss.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

5. LOSS BEFORE TAX (Continued)

Notes: (Continued)

- (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 case was closed and the Former Employee has been sentenced to prison and ordered to pay the compensation to Zhongshan Century Jaguar. The stock losses that have been recognised in six months ended 30 June 2022 was approximately RMB2.4 million.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023 RMB’000 (Unaudited)	2022 RMB’000 (Unaudited)
Interest on bank and other borrowings	3,072	3,677
Interest on lease liabilities	2,066	2,051
	5,138	5,728

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

7. INCOME TAX (Continued)

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 2023. They enjoyed a 75% reduction of the first RMB1,000,000 of taxable income, a 50% 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 2023 and 30 June 2022.

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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current — the PRC		
Charge for the period	2,121	2,820
Deferred income tax	(1,543)	(489)
Total tax charge for the period	578	2,331

8. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 2022: 505,202,000) 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 2023 and 30 June 2022 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	
	2023 (Unaudited)	2022 (Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation: (RMB'000)	(27,608)	(7,238)
Shares		
Weighted average number of ordinary shares in issue during the period in the basic loss per share calculation (in thousand)	505,202	505,202
	RMB cents	RMB cents
Loss per share: Basic and diluted	(5.46)	(1.43)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets at a cost of approximately RMB28,844,000 (30 June 2022: RMB34,916,000).

Assets with a net book value of approximately RMB8,817,000 were disposed of by the Group during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB4,004,000), resulting in a net gain on disposal of approximately RMB874,000 (six months ended 30 June 2022: RMB1,407,000).

11. INVENTORIES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Vehicles	276,993	221,636
Accessories	15,494	11,217
	292,487	232,853

At 30 June 2023, the Group's inventories with a carrying amount of approximately RMB74,023,000 (31 December 2022: RMB63,616,000), respectively, were pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 18 the financial statements.

12. TRADE RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	17,837	14,822
Impairment	(178)	(148)
	17,659	14,674

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

12. TRADE RECEIVABLES (Continued)

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 2023. Trade receivables were interest-free and unsecured as at 30 June 2023.

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	13,180	13,410
3–12 months	4,479	1,264
	17,659	14,674

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
At beginning of period/year	148	92
Reversal of impairment (note 5)	30	56
At end of period/year	178	148

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Advances to suppliers	118,472	160,761
Deposit	12,398	11,897
Value added taxes recoverable	44,660	38,529
Prepayments	5,202	3,740
Other receivables	6,731	6,208
	187,463	221,135

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cash and bank balances	56,792	136,590
Less: Pledged deposits:		
Pledged for bills payables	(27,472)	(53,316)
Others	(1,039)	(1,045)
	(28,511)	(54,361)
Cash and cash equivalents	28,281	82,229

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB55,432,000 (31 December 2022: RMB135,693,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and term deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

15. 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	71,967	96,920
3 to 12 months	10,812	14,524
	82,779	111,444

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 RMB27,472,000 as at 30 June 2023 (as at 31 December 2022:RMB53,316,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

16. CONTRACT LIABILITIES

The following table provides information about contract liabilities from contracts with customers:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contract liabilities:		
Advances from customers	33,835	38,222

The contract liabilities represent the Group's obligations to transfer goods or services to customers for which the Group has received consideration, or for which an amount of consideration is due from the customers.

Changes in contract liabilities during the reporting period are as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
At beginning of the period/year	38,222	47,407
Revenue recognised that was included in the contract liabilities at the beginning of the period/year	(38,222)	(47,407)
Increases due to cash received, excluding amounts recognised as revenue during the period/year	33,835	38,222
At end of the period/year	33,835	38,222

Contract liabilities included short-term advances received to deliver goods and render services.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

17. OTHER PAYABLES AND ACCRUALS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Lease liability	22,160	24,718
Payroll payable	5,905	6,516
Other taxes payable	627	671
Others	31,153	27,120
	59,845	59,025

The above balances are unsecured and non-interest bearing. The carrying amounts of other payables and accruals as at the end of each of the reporting periods approximated to their fair values due to their short term maturities.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans	3.50–4.00	September 2023 to June 2024	124,982	3.80–5.655	February to March 2023	159,980
– secured						
Other loans	1.78–3.00	August 2023 to December 2023	64,946	2.78–4.2	September to December 2023	24,232
– secured						
Total			189,928			184,212

Notes:

- (a) As at 30 June 2023 and 31 December 2022, 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 RMB74,023,000 (note 11) as at 30 June 2023 (as at 31 December 2022: RMB63,616,000);
 - (ii) the Group's buildings, which a net carrying amount of approximately RMB5,978,000 as at 30 June 2023 (as at 31 December 2022: RMB6,326,000);
 - (iii) the Group's right of use assets, which a net carrying amount of approximately RMB9,343,000 as at 30 June 2023 (as at 31 December 2022: RMB9,594,000);
 - (iv) certain buildings and leasehold lands held by the Group's related parties as at 30 June 2023.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

19. SHARE CAPITAL

Shares

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Authorised: 2,000,000,000 ordinary shares of HKD0.01 each as at 30 June 2023 and 31 December 2022	HK\$20,000,000	HK\$20,000,000
Issued and fully paid: 505,202,000 ordinary shares of HK\$0.01 each as at 30 June 2023 and 31 December 2022	HK\$5,052,020	HK\$5,052,020
Equivalent to	RMB4,558,000	RMB4,558,000

No share options were exercised for the six months ended 30 June 2023. 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\$3,400,000 (equivalent to RMB2,817,000). An amount of HK\$627,000 (equivalent to RMB574,000) was transferred from the share option reserve to share capital upon the exercise of the share options in the previous year.

20. SHARE OPTION SCHEME

On 21 May 2020 and 21 May 2021, the Company adopted two share option schemes (the “**Scheme**” or the “2020 Share Option Scheme” and “**2021 Share Option Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any invested entity.

The following share options were outstanding under the Scheme during the period:

	Six months ended 30 June 2023	
	Weighted average exercise price HK\$ per share	Number of options '000
At 31 December 2022 (Audited)	0.68	31,868
Forfeited for 2021 Share Option Scheme	0.81	(550)
At 30 June 2023 (Unaudited)	0.68	31,318

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

20. SHARE OPTION SCHEME (Continued)

	Six months ended 30 June 2022	
	Weighted average exercise price HK\$ per share	Number of options '000
At 31 December 2021 (Audited)	0.68	34,248
Forfeited for 2020 Share Option Scheme	0.48	(900)
Forfeited for 2021 Share Option Scheme	0.81	(150)
At 30 June 2022 (Unaudited)	0.68	33,198

No share options were exercised during the six months ended 30 June 2023 and the six months ended 30 June 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

20. SHARE OPTION SCHEME (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

As at 30 June 2023 (unaudited)

Name and category of participants	Number of share options '000	Exercise price* per share HK\$	Grant date of share option	Exercise period
Directors				
Mr. Law Hau Kit	1,200	0.48	21-5-2020	21-5-2021 to 20-5-2025
	900	0.48	21-5-2020	21-5-2022 to 20-5-2025
	900	0.48	21-5-2020	21-5-2023 to 20-5-2025
	1,200	0.81	21-5-2021	21-5-2022 to 20-5-2026
	900	0.81	21-5-2021	21-5-2023 to 20-5-2026
	900	0.81	21-5-2021	21-5-2024 to 20-5-2026
	6,000			
Mr. Chen Huaquan	320	0.48	21-5-2020	21-5-2021 to 20-5-2025
	480	0.48	21-5-2020	21-5-2022 to 20-5-2025
	480	0.48	21-5-2020	21-5-2023 to 20-5-2025
	600	0.81	21-5-2021	21-5-2022 to 20-5-2026
	450	0.81	21-5-2021	21-5-2023 to 20-5-2026
	450	0.81	21-5-2021	21-5-2024 to 20-5-2026
2,780				

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

20. SHARE OPTION SCHEME (Continued)

As at 30 June 2023 (unaudited) (Continued)

Name and category of participants	Number of share options '000	Exercise price* per share HK\$	Grant date of share option	Exercise period
Ms. Li Huifang	300	0.48	21-5-2020	21-5-2022 to 20-5-2025
	300	0.48	21-5-2020	21-5-2023 to 20-5-2025
	520	0.81	21-5-2021	21-5-2022 to 20-5-2026
	390	0.81	21-5-2021	21-5-2023 to 20-5-2026
	390	0.81	21-5-2021	21-5-2024 to 20-5-2026
	1,900			
Mr. Woo King Hang	300	0.48	21-5-2020	21-5-2022 to 20-5-2025
	300	0.48	21-5-2020	21-5-2023 to 20-5-2025
	600	0.81	21-5-2021	21-5-2022 to 20-5-2026
	450	0.81	21-5-2021	21-5-2023 to 20-5-2026
	450	0.81	21-5-2021	21-5-2024 to 20-5-2026
	2,100			

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

20. SHARE OPTION SCHEME (Continued)

As at 30 June 2023 (unaudited) (Continued)

Name and category of participants	Number of share options '000	Exercise price* per share HK\$	Grant date of share option	Exercise period
Ms. Yan Fei	200	0.48	21-5-2020	21-5-2021 to 20-5-2025
	150	0.48	21-5-2020	21-5-2022 to 20-5-2025
	150	0.48	21-5-2020	21-5-2023 to 20-5-2025
	200	0.81	21-5-2021	21-5-2022 to 20-5-2026
	150	0.81	21-5-2021	21-5-2023 to 20-5-2026
	150	0.81	21-5-2021	21-5-2024 to 20-5-2026
	1,000			
Mr. Li Wai Keung	200	0.48	21-5-2020	21-5-2021 to 20-5-2025
	150	0.48	21-5-2020	21-5-2022 to 20-5-2025
	150	0.48	21-5-2020	21-5-2023 to 20-5-2025
	200	0.81	21-5-2021	21-5-2022 to 20-5-2026
	150	0.81	21-5-2021	21-5-2023 to 20-5-2026
	150	0.81	21-5-2021	21-5-2024 to 20-5-2026
	1,000			

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

20. SHARE OPTION SCHEME (Continued)

As at 30 June 2023 (unaudited) (Continued)

Name and category of participants	Number of share options '000	Exercise price* per share HK\$	Grant date of share option	Exercise period
Mr. Hui Chun Tak	150	0.48	21-5-2020	21-5-2022 to 20-5-2025
	150	0.48	21-5-2020	21-5-2023 to 20-5-2025
	200	0.81	21-5-2021	21-5-2022 to 20-5-2026
	150	0.81	21-5-2021	21-5-2023 to 20-5-2026
	150	0.81	21-5-2021	21-5-2024 to 20-5-2026
	800			
Other Employees	558	0.48	21-5-2020	21-5-2021 to 20-5-2025
	2,490	0.48	21-5-2020	21-5-2022 to 20-5-2025
	2,490	0.48	21-5-2020	21-5-2023 to 20-5-2025
	4,080	0.81	21-5-2021	21-5-2022 to 20-5-2026
	3,060	0.81	21-5-2021	21-5-2023 to 20-5-2026
	3,060	0.81	21-5-2021	21-5-2024 to 20-5-2026
	15,738			
	31,318			

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

20. SHARE OPTION SCHEME (Continued)

No share options were granted for the six months ended 30 June 2023. The Group recognised a share option expense of HK\$627,000, equivalent to RMB574,000 for the six months ended 30 June 2023 (Six month ended 30 June 2022:HK\$1,884,000, equivalent to RMB1,561,000).

The fair value of equity-settled share options granted during the year ended 31 December 2021 and the year ended 31 December 2020 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	For the year ended 31 December	
	2021	2020
Dividend yield (%)	2.47	0.00
Expected volatility (%)	54.07	54.61
Risk-free interest rate (%)	0.68	0.40
Expected life of options (year)	5	5
Exercise multiple — Directors	3.34	3.34
Exercise multiple — Employees	2.86	2.86

The expected life of options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At the end of the reporting period, the Company had 31,318,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 31,318,000 additional ordinary shares of the Company and additional share capital of HK\$313,180 (equivalent to RMB289,000) (before issue expenses).

21. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on page 31 to 32 of this report.

Share premium

The share premium of the Group represents the capital contribution premium from its then shareholders.

Other reserve

The balance represented the reserve arising from the corporate reorganisation and the aggregate paid-in capital of the subsidiaries acquired, offset by investment costs in subsidiaries of the Company during the corporate reorganisation.

Statutory surplus reserve

Pursuant to the relevant laws and regulations in the PRC, the companies registered in the PRC shall appropriate a certain percentage of their net profit after tax (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to the reserve fund. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages. After making the appropriation to the statutory surplus reserve, the companies may also appropriate their profits for the period to the discretionary surplus reserve upon approval by the board of directors or the shareholders in a general meeting.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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22. 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 period:

(a) Name and relationship of a related party

Name	Relationship
Mr. Law Hau Kit	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

(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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-trade		
Mr. Law Hau Kit	170,700	170,700

The outstanding balance with a related party is unsecured, interest-free and repayable on demand, but will not be repaid within the coming 12 months.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

22. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) Transactions with related parties

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.

23. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial assets at amortised costs		
Trade receivables	17,659	14,674
Financial assets included in prepayments, other receivables and other assets	19,129	18,105
Pledged deposits	28,511	54,361
Cash and cash equivalents	28,281	82,229
	93,580	169,369

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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23. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial liabilities at amortised costs		
Trade and bills payables	82,779	111,444
Lease liabilities(non-current)	68,506	68,705
Financial liabilities included in other payables and accruals	53,313	51,838
Interest-bearing bank borrowings	189,928	184,212
Amount due to a director	170,700	170,700
	565,226	586,899

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalent, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, amount due from related companies, trade and bill payables, amount due to a director, amounts due to related parties, current interest-bearing bank borrowings and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the non-current interest-bearing borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing borrowings was assessed to be insignificant.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the treasury department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.