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CENTENARY UNITED HOLDINGS LIMITED

世紀聯合控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1959)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB2,051.8 million, representing an increase of approximately RMB139.1 million compared with the same period in 2020 (“YoY”).
- Revenue of sales of motor vehicles amounted to approximately RMB1,789.1 million, representing a YoY increase of approximately RMB133.5 million.
- Gross profit amounted to approximately RMB119.0 million, representing a YoY decrease of approximately RMB11.4 million.
- Profit attributable to the equity shareholders amounted to approximately RMB2.7 million, representing a YoY decrease of approximately RMB18.7 million.

RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Centenary United Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 (the “**Year 2021**” or the “**Year**”) together with comparative figures for the year ended 31 December in 2020 (the “**Year 2020**” or “**Previous Year**”) as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
REVENUE	4	2,051,803	1,912,684
Cost of sales		(1,932,841)	(1,782,285)
Gross profit		118,962	130,399
Other income and gains	4	38,995	21,878
Selling and distribution expenses		(60,282)	(50,935)
Administrative expenses		(69,684)	(52,868)
Other expenses, net		(8,804)	(276)
Finance costs	6	(10,870)	(14,656)
PROFIT BEFORE TAX	5	8,317	33,542
Income tax expense	7	(6,155)	(12,008)
PROFIT FOR THE YEAR		2,162	21,534
Attributable to:			
Owners of the parent		2,681	21,429
Non-controlling interests		(519)	105
		<i>RMB cents</i>	<i>RMB cents</i>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT			
Basic	9	0.53	4.29
Diluted	9	0.53	4.29

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>2,162</u>	<u>21,534</u>
OTHER COMPREHENSIVE INCOME		
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>57</u>	<u>408</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR	<u>57</u>	<u>408</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>2,219</u>	<u>21,942</u>
Attributable to:		
Owners of the parent	2,738	21,837
Non-controlling interests	<u>(519)</u>	<u>105</u>
	<u>2,219</u>	<u>21,942</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		164,332	129,629
Right-of-use assets		43,460	35,765
Other intangible assets		338	384
Deferred tax assets		541	1,086
		<hr/>	<hr/>
Total non-current assets		208,671	166,864
CURRENT ASSETS			
Inventories	<i>10</i>	215,591	299,520
Trade receivables	<i>11</i>	9,110	12,128
Prepayments, other receivables and other assets		209,286	188,472
Pledged deposits		94,211	108,674
Cash and cash equivalents		65,028	39,396
		<hr/>	<hr/>
Total current assets		593,226	648,190
CURRENT LIABILITIES			
Trade and bills payables	<i>12</i>	141,245	195,470
Contract liabilities		47,407	61,392
Other payables and accruals		40,078	52,577
Interest-bearing bank and other borrowings		214,618	107,166
Amount due to a director	<i>14</i>	14,000	—
Tax payable		22,578	20,503
		<hr/>	<hr/>
Total current liabilities		505,926	437,108
NET CURRENT ASSETS			
		87,300	211,082
TOTAL ASSETS LESS CURRENT LIABILITIES			
		295,971	377,946

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		—	99,500
Lease liabilities		<u>32,713</u>	<u>22,550</u>
Total non-current liabilities		<u>32,713</u>	<u>122,050</u>
Net assets		<u>263,258</u>	<u>255,896</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	4,558	4,515
Reserves		<u>257,114</u>	<u>249,276</u>
Equity attributable to owners of the parent		<u>261,672</u>	<u>253,791</u>
Non-controlling interests		<u>1,586</u>	<u>2,105</u>
Total equity		<u>263,258</u>	<u>255,896</u>

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**”) since 18 October 2019 (the “**Listing**”). 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 and service of motor vehicles and provision of services in the People’s Republic of China (the “**PRC**”).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) (which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations) issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

Other than as explained below regarding the impact of Amendment to IFRS 16, the adoption of the above revised standards has had no significant financial effect on these consolidated financial statements.

Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any

reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB3,870,000 (2020:RMB6,095,000) has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

3. OPERATING SEGMENT INFORMATION

The Group principally engages in the sale of motor vehicles and provision of auto services in the PRC.

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

Geographical information

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS

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

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Types of goods or services		
Sale of motor vehicles	1,789,059	1,655,623
Other integrated auto services	<u>262,744</u>	<u>257,061</u>
Total revenue from contracts with customers	<u><u>2,051,803</u></u>	<u><u>1,912,684</u></u>
Timing of revenue recognition		
Transferred at a point in time	1,838,568	1,734,829
Transferred over time	<u>213,235</u>	<u>177,855</u>
Total revenue from contracts with customers	<u><u>2,051,803</u></u>	<u><u>1,912,684</u></u>

(ii) *Performance obligations*

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

Sales of goods

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

Provision of services

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

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

Other income and gains

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Bank interest income	800	1,579
Government grants released (<i>note (a)</i>)	3,176	3,247
Gain on disposal of property, plant and equipment	3,465	1,389
Others (<i>note (b)</i>)	<u>31,554</u>	<u>15,663</u>
	<u>38,995</u>	<u>21,878</u>

Notes:

- (a) Government grants released represented the funds from the PRC government authorities for hosting vehicle exhibitions and other promotional activities. There were no unfulfilled conditions or contingencies in relation to the grants.
- (b) Others mainly included commission income from releasing vehicle mortgages for the customers, commission income from third party financing institutions for vehicle financing and advertisement support received from automobile manufacturers for advertising activities.

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		72,461	62,930
Pension scheme contributions		13,265	4,765
		<u>85,726</u>	<u>67,695</u>
Cost of inventories sold (<i>note (a)</i>)		1,797,363	1,666,583
Cost of services provided		135,478	115,702
Depreciation of property, plant and equipment		20,119	14,764
Depreciation of right-of-use assets		9,142	9,064
Amortisation of other intangible assets		46	46
Equity-settled share option expense		3,076	1,211
Auditor's remuneration		1,300	1,300
Gain on disposal of property, plant and equipment		(3,465)	(1,389)
(Reversals)/impairment of trade receivables (<i>note (b)</i>)	<i>11</i>	(31)	64
Write-down of inventories to net realisable value		635	950
Interest income		(800)	(1,579)
Stock loss (<i>note (b)</i>)		7,392	—
		<u>7,392</u>	<u>—</u>

Notes:

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank and other borrowings	9,699	12,698
Interest on lease liabilities	1,171	1,958
	<u>10,870</u>	<u>14,656</u>

7. INCOME TAX

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

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

Hong Kong Profits Tax

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

PRC Corporate Income Tax (“CIT”)

Certain subsidiaries of the Group operating in Mainland China were certified as small and micro-sized enterprises (“SMEs”) in 2021. They enjoyed a 87.5% 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 years ended 31 December 2021 and 31 December 2020.

CIT of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in the PRC during the reporting period.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current — the PRC		
Charge for the year	5,610	12,777
Deferred income tax	545	(769)
	<u>6,155</u>	<u>12,008</u>
Total tax charge for the year	<u>6,155</u>	<u>12,008</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate of the majority of the Group's subsidiaries to the tax expense at the effective tax rate for each of the reporting period is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before tax	<u>8,317</u>	<u>33,542</u>
Tax at the statutory tax rate of 25%	2,079	8,386
Lower tax rates enacted by local authority	(1,758)	—
Expenses not deductible for tax	69	2,220
Tax losses utilised from previous periods	—	(354)
Tax effect of tax losses not recognised	5,765	1,756
	<u>6,155</u>	<u>12,008</u>
Tax charge at the effective rate	<u>6,155</u>	<u>12,008</u>

8. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interim — Nil (2020: HK2 cent) per ordinary share	<u>—</u>	<u>8,893</u>

No dividend has been declared by the Company during the the year ended 31 December 2021.

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculations of the basic earnings per share amount are based on the profit for the Year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 503,018,000 (2020: 500,000,000) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent for the year ended 31 December 2021. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per Share amounts presented for the year ended 31 December 2020 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic earnings per Share amounts presented.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent	<u>2,681</u>	<u>21,429</u>
Shares		
Weighted average number of ordinary shares in issue during the year	503,018	500,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	<u>5,082</u>	<u>—</u>
	<u>508,100</u>	<u>500,000</u>
	<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share:		
Basic	<u>0.53</u>	<u>4.29</u>
Diluted	<u>0.53</u>	<u>4.29</u>

10. INVENTORIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Vehicles	208,863	292,687
Accessories	<u>6,728</u>	<u>6,833</u>
	<u>215,591</u>	<u>299,520</u>

At 31 December 2021, the Group's inventories with a carrying amount of approximately RMB33,632,000 (2020: RMB11,398,000) were pledged as security for the Group's interest-bearing bank and other borrowings.

11. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	9,202	12,251
Impairment	<u>(92)</u>	<u>(123)</u>
	<u>9,110</u>	<u>12,128</u>

Trade receivables of the Group represented proceeds receivable from the sale of motor vehicles and the provision of services. The Group's trading terms with its customers normally require payment in advance, except for certain customers 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 was no significant concentration of credit risk as at 31 December 2021. Trade receivables were interest-free and unsecured as at 31 December 2021.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	8,939	11,092
3 to 12 months	171	1,036
	<u>9,110</u>	<u>12,128</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	123	59
Impairment losses, net (<i>note 5</i>)	(31)	64
	<u>92</u>	<u>123</u>

As at 31 December 2021

	Invoice date Within 3 months	Invoice date 3 to 12 months	Total
ECL rate	1%	1%	1%
Gross carrying amount (<i>RMB'000</i>)	9,029	173	9,202
ECLs (<i>RMB'000</i>)	90	2	92

As at 31 December 2020

	Invoice date Within 3 months	Invoice date 3 to 12 months	Total
ECL rate	1%	1%	1%
Gross carrying amount (<i>RMB'000</i>)	11,204	1,047	12,251
ECLs (<i>RMB'000</i>)	112	11	123

The Group has applied the simplified approach to provide for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days of ageing. The expected loss rate of trade receivables is assessed to be approximately 1%. There was no significant change in the ECL rates during the reporting period, mainly because no significant changes in the historical default rates of trade receivables, economic conditions and performance and behaviour of the customers were noted, based on which the ECL rates are determined.

12. 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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	121,618	171,955
3 to 12 months	19,627	23,515
	<u>141,245</u>	<u>195,470</u>

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

The Group's bills payable are secured by the pledged deposits of approximately RMB83,169,000 as at 31 December 2021 (2020: RMB97,606,000).

13. SHARE CAPITAL

Shares

	2021	2020
Authorised:		
2,000,000,000 ordinary shares of HK\$0.01 each as at 31 December 2021 and 2020	<u><u>HK\$20,000,000</u></u>	<u><u>HK\$20,000,000</u></u>
Issued and fully paid:		
505,202,000 ordinary shares of HK\$0.01 each as at 31 December 2021 and 500,000,000 ordinary shares of HK\$0.01 each as at 31 December 2020	<u><u>HK\$5,052,020</u></u>	<u><u>HK\$5,000,000</u></u>
Equivalent to	<u><u>RMB4,558,000</u></u>	<u><u>RMB4,515,000</u></u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
Issue of shares at 4 October 2018 (date of incorporation) (<i>note (a)</i>) and 31 December 2018	7,500	—*
Capitalisation issue (<i>note (b)</i>)	374,992,500	3,386
Initial public offering (<i>note (c)</i>)	<u>125,000,000</u>	<u>1,129</u>
At 31 December 2020	500,000,000	4,515
Share options exercised (<i>note (d)</i>)	<u>5,202,000</u>	<u>43</u>
At 31 December 2021	<u><u>505,202,000</u></u>	<u><u>4,558</u></u>

* Less than RMB1,000.

Notes:

- (a) The Company was incorporated in the Cayman Islands on 4 October 2018 with authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each and issued share capital of HK\$75 divided into 7,500 ordinary shares of HK\$0.01 each.

- (b) On 16 September 2019, a written resolution was passed by the Company's sole shareholder to increase the authorised share capital of the Company from HK\$380,000 divided into 38,000,000 shares to HK\$20,000,000 divided into 2,000,000,000 shares by the creation of an addition of 1,962,000,000 shares, each ranking pari passu with the Company's shares then in issue in all respects.

On 23 September 2019, a written resolution was passed by the Company's shareholders, approving (i) the increase of the authorised share capital to HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each; and (ii) the capitalisation of share premium into 374,992,500 ordinary shares by applying HK\$3,749,925 (equivalent to RMB3,386,000) to pay up in full at par for allotment and issue to the then existing shareholders in proportion to their respective shareholdings in the Company as of the date immediately preceding the Listing.

- (c) On 18 October 2019, the Company issued 125,000,000 shares in its initial public offering at the price of HK\$1.08 per share.
- (d) The subscription rights attaching to 5,202,000 share options were exercised at the subscription price of HK\$0.48 per share, resulting in the issue of 5,202,000 shares for a total cash consideration, before expenses, of HK\$2,497,000 (equivalent to RMB2,067,000). An amount of HK\$903,000 (equivalent to RMB750,000) was transferred from the share option reserve to share capital upon the exercise of the share options.

14. RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Name and relationship of the related parties

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

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

(b) Outstanding balance with related party

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

	2021 RMB'000	2020 RMB'000
Non-trade		
Mr. Law Hau Kit	<u>40,000</u>	<u>—</u>

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

(c) **Transactions with related parties**

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

(1) *Sales of goods to related parties*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Zhongshan New Century Car Rental Co., Ltd.*	4,144	—
Mr. Law Hau Kit	—	269
Huichuang Financial Leasing (Zhuhai) Co., Ltd.*	242	66
	<u>4,386</u>	<u>335</u>

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

(2) *Services provided to related parties*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Zhongshan Dongri Automobile Co., Ltd.*	240	—
Huichuang Financial Leasing (Zhuhai) Co., Ltd.*	2	51
	<u>242</u>	<u>51</u>

(3) *Rental fee paid to related parties*

	2021 RMB'000	2020 <i>RMB'000</i>
Zhongshan Dongri Automobile Co., Ltd.*	579	142
Zhongshan New Century Pioneering Automobile Co., Limited*	<u>1,245</u>	<u>293</u>
	<u>1,824</u>	<u>435</u>

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

- (d) During the years 2021 and 2020, the Group did not identify any personnel as key management other than the directors of the Group.

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Given the still tough fight against the COVID-19 pandemic (the “**Pandemic**”), the economic environment was unpredictable in 2021. The repeated spread of the Pandemic, a shortage of chips and the skyrocketing price of raw materials all brought a lot of uncertainty to the development of the automobile industry. Despite factors such as national policies and the market, the industry was still able to overcome difficulties. After three consecutive years of decline, China’s automobile market finally returned to positive growth in 2021, ushering in a year of recovery. According to the statistical analysis of the China Association of Automobile Manufacturers (“**CAAM**”), the sales volume of vehicles in China was 26.2 million units in 2021, representing a year-on-year increase of 3.8%, showing a trend of steady growth.

As the best performer in the automobile industry in 2021, the new energy market maintained amazingly fast growth. According to data from the CAAM, the sales volume of new energy passenger vehicles in China reached 3.5 million units in 2021, a year-on-year increase of 157.5%. The market share of these vehicles increased to 13.4%, representing an increase of 8.0% compared with 2020.

2021 was also a year when the used vehicle market made breakthroughs. With the introduction of various favourable policies, the scale of used vehicle transactions has continued to grow. Data from the China Automobile Dealers Association (the “**CADA**”) showed that the transaction volume of used vehicles nationwide was 17.6 million units in 2021, an increase of 22.6% compared with 2020, which was even faster than the growth rate of the sales volume of new vehicles.

BUSINESS REVIEW

In the Year 2021, the Group recorded a revenue of approximately RMB2,051.8 million, an increase of approximately RMB139.1 million compared with the Year 2020. The gross profit decreased by 8.7% from approximately RMB130.4 million for the Year 2020 to approximately RMB119.0 million for the Year 2021.

Headquartered in Zhongshan City, Guangdong Province, the Group is located in the centre of the Guangdong-Hong Kong-Macao Greater Bay Area (the “**Greater Bay Area**”). Zhongshan is a hub city along the Shenzhen-Zhongshan Bridge under construction. In the Year 2021, the Group has up to 27 operated outlets, among which 9 outlets were newly opened in 2021, and up to 17 brands authorised by automobile manufacturers, including Jaguar Land Rover, FAW-Volkswagen, Volkswagen New Jetta, Beijing Hyundai, Dongfeng Venucia, Cadillac, Buick, Chevrolet, FAW Toyota, Dongfeng Nissan, and new energy vehicle brands including GAC Aion, Dongfeng New Energy, Leapmotor, ORA, EVHouse, Sehol and Volkswagen ID that are authorised in the Year 2021. The Group also strived to develop used vehicles, new businesses, including construction of insurance and charging network and ride-hailing services. The Group was awarded as one of the “Top 20 Automobile Dealer Groups of Guangdong Province in 2021” (2021年度廣東省汽車經銷商集團20強) in the appraisal of top 100 enterprises in automobile circulation industry of Guangdong Province.

SALES OF MOTOR VEHICLES

In the Year 2021, the sales of motor vehicles (comprising new vehicles and used vehicles) were approximately RMB1,789.1 million, representing an increase of 8.1% compared to approximately RMB1,655.6 million for the Year 2020.

SALES OF NEW VEHICLES

In the Year 2021, the Group’s revenue from sales of new vehicles amounted to approximately RMB1,737.6 million (14,650 vehicles in total), representing an increase of 6.9% from RMB1,625.6 million (14,523 vehicles in total) for the Year 2020. Benefiting from factors such as the policy environment, supply chain ecosystem, market demand, the sales of new energy vehicles also recorded a strong increase. A total of 278 new energy vehicles were sold, generating a revenue of approximately RMB33.0 million during the Year 2021.

SALES OF USED VEHICLES

In the Year 2021, due to the severe impact of the Pandemic and a global shortage of automotive chips, many vehicle companies reduced or stopped production, resulting in a short supply of new vehicles and an increase in the market demand for used vehicles. During the Year 2021, the Group sold 1,236 used vehicles (Year 2020: 786), with sales revenue amounting to approximately RMB51.4 million, representing an increase of 71.3% compared with approximately RMB30.0 million in the Year 2020.

The Group's three used vehicle marketplaces have been offering ownership transfer services and used vehicle trade-in services simultaneously for used vehicles sold by the Group and third-party used vehicle stores. During the Year 2021, the Group provided ownership transfer services for 8,078 used vehicles, an increase of 52.4% as compared with a total of 5,301 in the Year 2020.

During the Year 2021, the Group entered into a cooperation framework agreement on used vehicle trade-in service with Beijing Leading Automobile Sales Co., Ltd.* (北京勵鼎汽車銷售有限公司), an indirect wholly-owned subsidiary of Li Auto Inc. (Nasdaq: LI, HKEX: 2015) (“**Li Auto**”) to provide used vehicle acquisition service for Li Auto's customers.

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. In the Year 2021, revenue from comprehensive automobile services amounted to approximately RMB262.7 million, representing an increase of 2.2% compared with approximately RMB257.1 million in the Year 2020.

According to the statistics of the Ministry of Public Security, the number of motor vehicles in the country reached 395 million in 2021, exceeding 300 million for the very first time. Fuelled by favourable policies, China's new energy vehicle market has developed rapidly in recent years. In 2021, the number of new energy vehicles in China reached 7.8 million, an increase of 2.9 million compared with 2020, a YoY increase of 59.3%. Such a huge number of vehicles has laid a solid foundation for the vigorous development of the automobile aftermarket.

The Century United Big Data Intelligence System (“**CUBDIS**”) created by the Group effectively integrates data from sales and after-sales service platforms, optimises the Company's internal management mechanism and strengthens the Group's capability in compliance management so as to provide for the customers and expand one-stop comprehensive vehicles service which is seamlessly integrated, and actively expands sales networks and after-sales services.

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. The Group offers complex repair services and standard maintenance and car care services at its 4S dealership outlets, and quick fix services and standard maintenance and car care services at its quick fix service points.

In the Year 2021, revenue from repair services amounted to approximately RMB207.1 million (Year 2020: RMB177.9 million), accounting for approximately 10.1% of the total revenue, representing an increase of 16.4% compared with the Year 2020, and the gross profit margin increased from 36.1% in the Year 2020 to 38.0% in the Year 2021.

INSURANCE AGENCY SERVICES

In the Year 2021, revenue from the Group's insurance agency services decreased by 31.0% from approximately RMB21.0 million in the Year 2020 to approximately RMB14.5 million. The gross profit was approximately RMB13.6 million (Year 2020: approximately RMB20.1 million), down 32.3% compared to the Year 2020.

Guangdong Chuangcheng Car Insurance Agency Co., Ltd.* (廣東創誠汽車保險代理有限公司), a subsidiary of the Group, signed further cooperation agreements with the Zhongshan branches of nine insurance companies to provide customers with one-stop insurance services. Relying on its strong influence and solid customer base in Zhongshan, the Group further expanded its insurance agency business in the city.

OTHER SERVICES

The Group's gross profit of other services (mainly comprising vehicle licensing registration services and registration of title transfer of used vehicles) was approximately RMB14.4 million during the Year 2021, representing an increase of 41.2% from approximately RMB10.2 million of the Year 2020.

NEW-ENERGY VEHICLE RELATED SERVICES

During the Year 2021, the Group had taken the new-energy vehicle ("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. 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.

In the Year 2021, revenue from newly launched NEV related services amounted to approximately RMB6.1 million (Year 2020: nil), and gross profit from NEV related services amounted to approximately RMB1.8 million (Year 2020: nil).

PROSPECT

The Group has been keeping an eye on the development potential of the NEV market. The PRC government has introduced many policies to promote the development of new energy vehicles. The 14th Five-Year Plan mentioned a focus on strategic emerging industries such as new energy vehicles. According to the 14th Five-Year Plan, by 2035, pure electric vehicles will become the mainstream in the sales of new vehicles in mainland China, accounting for more than 50% of the total sales volume of new vehicles, and all vehicles used for public services will be electrically powered. Driven by an advocate for carbon peak and carbon neutrality, the sales volume of new energy vehicles ushered in explosive growth in 2021.

It can be seen that developing new energy automobiles has become an irresistible trend. Therefore, the Group announced in January 2022 to focus on the electric vehicle business as one of its key development strategies. The Group will develop businesses, including the electric vehicle brand dealership business, charging network business, online ride-hailing service with electric vehicles and used vehicle business.

ELECTRIC VEHICLE BRAND DEALERSHIP BUSINESS

Since 2021 up to now, the Group achieved rapid development in the electric vehicle brand dealership business. The Group secured cooperation with eight electric vehicle brands, namely, Aion New Energy, Leapmotor, Volkswagen ID, ORA, Dongfeng New Energy, EVHouse, Sehol New Energy and Arcfox, and has established various outlets. Its presence has expanded to cities in the Greater Bay Area such as Zhongshan, Jiangmen and Foshan. Among them, 27 outlets have opened, and the remaining 9 include GAC Aion's 4S and mall stores in Zhongshan, Ora's 4S and mall stores in Foshan, Sehol New Energy's 4S outlet in Zhongshan, and 4 Arcfox's 4S and mall stores in Zhongshan and Foshan, respectively, will be put into operation in 2022. The Group will strive to be the dealer of more competitive electric vehicle brands to further increase the proportion of the sales volume of electric vehicles in the overall sales volume of vehicles.

CHARGING NETWORK BUSINESS

As an important part of the infrastructure of new energy vehicles, the charging network is evolving amid the booming industry. According to the China Electric Vehicle Charging Infrastructure Promotion Alliance (EVCIPA), as of the end of 2021, the number of public and private charging piles in China totalled 2.617 million, a YoY increase of 70.1%. The PRC government's supporting policies have been improving. For example, the Implementation Opinions on Further Improving the Service Guarantee Capability of Electric Vehicle Charging Infrastructure proposes to construct various charging infrastructure in urban public areas, counties and townships, highways, companies, and parks. Benefiting from such policies, China has built the world's largest charging facility network.

During the Year 2021, the Group cooperated with Guangzhou Wancheng Wanchong New Energy Technology Co., Ltd.* (廣州萬城萬充新能源科技有限公司) and Guangzhou TELD New Energy Co., Ltd.* (廣州特來電新能源有限公司), respectively. Such cooperation will facilitate the Group's construction of the electric vehicle charging network in the Greater Bay Area. During the Year 2021, the Group has built 21 charging stations in Zhongshan, Zhuhai, Foshan, Guangzhou and Dongguan, with a total of 121 charging bays. It plans to build around 60 charging stations with around 600 charging bays in 2022, which will help promote the all-round development of the Group's electric vehicle brand dealership business and online ride-hailing business.

ONLINE RIDE-HAILING SERVICE WITH ELECTRIC VEHICLES

As the economy continues to grow, infrastructure keeps improving, and the country becomes increasingly urbanised, mobility demand will continue to increase. With the advent of the era of artificial intelligence and the Internet of Things, online ride-hailing services with electric vehicles have become a major trend. In line with this trend, the Group participates in the online ride-hailing business by purchasing and leasing new energy vehicles. During the year under review, the Group purchased over 300 vehicles from GAC Aion for drivers who provide online ride-hailing services through the Ruqi Mobility Platform and 360 vehicles by stage from T3Go, preparing for drivers who provide online ride-hailing services through the T3Go Platform.

USED VEHICLE BUSINESS

The government is promoting the abolishment of all restrictions on the relocation of used vehicles, and promoting nationwide cross-provincial registration of used vehicle transactions to further expand the circulation of used vehicles. Stimulated by national favourable policies, the restrictions on relocation will be gradually loosened, the consumption potential of used vehicles will be further unleashed, and the market will grow faster, making the used vehicle business the growth engine of the automobile industry in the Greater Bay Area.

The Group unleashed the long-accumulated potential in one-stop services for used vehicles to the used-vehicle business of trade-ins of gasoline-powered cars for electric vehicles. For instance, the Group became the agent of several NEVs brands, aiming to enhance and expand the Group's services and provide a broader room for future development of its after-sales business to enhance business profitability.

The analysis of the CADA pointed out that in 2022, the automobile market would see a peak in the number of users who trade in for or purchase additional new vehicles. Revitalising existing used vehicles is the key to injecting vigour to the entire automobile market. The Group will seize this critical moment and strive to become the largest used vehicle service provider in Zhongshan by providing a unique one-stop service for used vehicles, including used vehicle acquisition, sales, ownership transfer, quality assurance, maintenance and repairs, and auto detailing, online platform and financial insurance and other diversified services.

With advances in information technologies, the way of promoting used vehicles is also changing. In the past, used vehicles were promoted through print media, traditional signages saying “vehicle collection”, and cards sent out in shopping malls, with printed slogan like “collect vehicles at a high price”. Now, we have internet media such as various online vehicle platforms, short videos and new media. The Group will also catch up with the pace and develop an online platform for used vehicles to increase its exposure in the used vehicle market.

With the Group’s successful experience in vehicles sales and after-sales service over these years, it seized the opportunity to develop business related to new energy vehicles and finally ranked the top of numerous dealerships. Combining the Group’s abundant practical experience with strategies, its earning will achieve a growth with the help of the development of the Group’s business of new energy vehicles.

In addition to the support of national policies, the “scheme for Hong Kong private cars travelling northbound to the Mainland” promoted by the Hong Kong Special Administrative Region (“港車北上”) also contributes to the development of new energy vehicles. The 2020 Policy Address in November 2020 mentioned that it would press ahead with the “Quota-free scheme for Hong Kong private cars travelling to Guangdong via the Hong Kong-Zhuhai-Macao Bridge (HZMB)”, which will allow eligible Hong Kong private cars to travel between Hong Kong and Guangdong via the HZMB without quota. In addition, in March 2021, the HKSAR Government announced the Hong Kong Roadmap on Popularisation of Electric Vehicles* (香港電動車普及化路線圖) to vigorously promote the adoption of electric vehicles. This Roadmap includes “charging network” as one of the six aspects from which it will take actions and mentions that the HKSAR Government will explore and expand how to provide charging support for Hong Kong vehicles in the mainland China when it implements the “scheme for Hong Kong private cars travelling northbound to the Mainland”. The Group expects that the transportation between mainland China and Hong Kong will gradually return to normal when the Pandemic eases, bringing more potential customers.

The above business strategies are closely related and will maximise synergistic effect and become the core competitiveness of the Group.

The Group will seize development opportunities in the Greater Bay Area, continue to transform itself for the new energy vehicle market, and seek new partners for larger market shares in various fields of new energy vehicles, thereby creating higher value for shareholders of the Company.

FINANCIAL REVIEW

Revenue

For the Year 2021, the Group recorded revenue of approximately RMB2,051.8 million, representing an increase of approximately RMB139.1 million or 7.3% from that of approximately RMB1,912.7 million for the Year 2020. Sales of motor vehicles contributed approximately RMB1,789.1 million for the Year 2021 (the Year 2020: RMB1,655.6 million) of the Group's total revenue whereas other integrated auto services brought in revenue of approximately RMB262.7 million for the Year 2021 (the Year 2020: RMB257.1 million), representing approximately 87.2% (the Year 2020: 86.6%) and 12.8% (the Year 2020: 13.4%) of the Group's total revenue, respectively. With the gradual recovery of the economy during the Year 2021, the overall sales performance of the Group improved the sales volume of new vehicles increased.

Cost of sales and gross profit margin

The Group's cost of sales primarily consists of cost of motor vehicles, cost of spare part and accessories, staff costs, depreciation and others. Cost of motor vehicles is the main cost of sales, accounting for approximately 92.5% for the Year 2021 (the Year 2020: 92.6%). For the Year, the Group's cost of sales amounted to approximately RMB1,932.8 million, representing an increase of approximately 8.4% as compared to that of approximately RMB1,782.3 million for the Previous Year. The increase was mainly due to the increase in cost of motor vehicles and spare parts, as well as the increase in staff costs owing to a drop in the total workforce.

The Group recorded gross profit of approximately RMB119.0 million for the Year, representing a decrease of approximately 8.7% as compared to that of approximately RMB130.4 million for the Previous Year. With the gradual economy recovery following the stabilisation of the pandemic, the automobile manufacturers have raised their sales target of 2021 for automobile dealers in general. To boost the Group's sales volume of new vehicles in achieving the year-end incentive rebates, the Group adopted a strategy of reducing the sales price of vehicles in the first half of 2021. At the end of 2021, the Group had obtained year-end incentive rebates from automobile manufacturers, however, the rebates could not fully offset the effect brought by the reduced sales price in the first half of the year, which in turn led to a decline in the Group's gross profit. Overall gross profit margin of the Group decreased to approximately 5.8% for the Year from approximately 6.8% for the Previous Year.

Other income and gains

Other income and gains increased by approximately RMB17.1 million, or 78.1%, from approximately RMB21.9 million for the Previous Year to approximately RMB39.0 million for the Year, primarily attributable to the increase in commission income from releasing vehicle mortgages for the customers and commission income from third party financing institutions for vehicle financing.

Selling and distribution expenses

Save as disclosed, the Group's selling and distribution expenses increased by approximately RMB9.4 million, or 18.5%, from approximately RMB50.9 million for the Previous Year to approximately RMB60.3 million for the Year.

The increase in selling and distribution expenses for the Year was primarily due to the decrease in salary and wages as a result of increase in salary and wages as a result of resuming of salary level for employees since the stabilization of the pandemic and the increased number of staff due to the development of new energy vehicle business as compared to the Previous Period.

Administrative expenses

Administrative expenses primarily consist of (i) salary and wages of administrative staff; (ii) rental expenses; (iii) depreciation and amortisation of fixed asset; (iv) property repair and maintenance expenses; (v) sundry expenses such as utility expenses and telephone expenses; (vi) taxation; and (vii) bank charges. The Group's administrative expenses for the Year were approximately RMB69.7 million, representing an increase of approximately RMB16.8 million from the Previous Year. Such increase was mainly due to the combined effect of (i) the increase in salary and wages of administrative staff of approximately RMB11.7 million; (ii) the increase of rental expense of approximately RMB3.1 million; (iii) the increase in sundry expenses such as utility expenses and telephone expenses of approximately RMB2.4 million and (iv) the increase in repair and maintenance expenses of approximately RMB0.7 million.

Finance costs

For the Year 2021, the Group's finance costs were approximately RMB10.9 million (the Year 2020: RMB14.7 million), representing a decrease of approximately RMB3.8 million or 25.9%, which was mainly due to the decrease of interest on bank and other borrowings.

Profit for the year

As a result of the foregoing, the Group's profit for the Year amounted to approximately RMB2.2 million, representing a decrease of approximately RMB19.3 million as compared with that of approximately RMB21.5 million for Previous Year.

Income tax expenses

For the Year 2021, the income tax of the Group was approximately RMB6.2 million (the Year 2020: RMB12.0 million). The decrease was primarily due to the decrease in taxable income. The effective tax rate for the Year and Previous year was approximately 74.0% and 35.8%, respectively.

The Group's effective tax rate was higher than the PRC statutory tax rate during the Year and Previous Year. The increase in the effective tax rate was primarily due to the decrease in the profit before tax for the year.

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 31 December 2021 was approximately 0.97 times (as at 31 December 2020: 0.8 times).

The Group's pledged bank deposits and cash and cash equivalents balances as at 31 December 2021 amounted to approximately RMB159.2 million, representing an increase of approximately RMB11.1 million as compared to that of approximately RMB148.1 million as at 31 December 2020.

The Group's bank borrowings as at 31 December 2021 were all denominated in Renminbi. The interest rates ranged from 4.0% to 5.7% per annum.

As at 31 December 2021, the Group's interest-bearing bank and other borrowings amounted to RMB214.6 million, representing an increase of 3.8% as compared to RMB206.7 million as at 31 December 2020. Short-term loans and borrowings amounted to approximately RMB214.6 million (the Year 2020: RMB107.2 million), and long-term loans and borrowings amounted to nil. (the Year 2020: RMB99.5 million).

Capital expenditures and commitments

As at 31 December 2021, the capital commitments of the Group in connection with building expenditures was approximately RMB5.8 million (as at 31 December 2020: RMB2.3 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 RMB. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that the Group should have sufficient resources to meet foreign exchange requirement if they arise. Therefore, the Group did not engage in any derivative contracts to hedge its exposure to foreign exchange risk during the Year 2021.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2021 (as at 31 December 2020: nil).

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

During the Year, Guangdong Centenary United New Energy Technology Co., Ltd.* (廣東世紀聯合新能源科技有限公司), an indirect wholly-owned subsidiary of the Company, has entered into certain purchase agreements with the sales branch of GAC Aion New Energy Automobile Co., Ltd to purchase of a total of no more than 400 new energy vehicles of GAC Aion at a consideration of RMB46,620,000. For details, please refer to the announcement of the Company dated 13 December 2021.

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

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

Pledge of assets

As at 31 December 2021, the Group's utilised banking facilities amounting to approximately RMB214.6 million (as at 31 December 2020: RMB206.7 million) were secured by:

- (i) certain of the Group's merchandised goods amounting to approximately RMB33.6 million as at 31 December 2021 (as at 31 December 2020: RMB11.4 million);
- (ii) the Group's buildings, which a net carrying amount of approximately RMB7.0 million as at 31 December 2021 (as at 31 December 2020: RMB7.7 million);
- (iii) the Group's right of use assets, which a net carrying amount of approximately RMB10.1 million as at 31 December 2021 (as at 31 December 2020: RMB10.6 million);
- (iv) pledged deposit of approximately RMB10.0 million for bank loans as at 31 December 2021 (as at 31 December 2020: RMB10.0 million);
- (v) the Group's bills payables were secured by pledged deposits of approximately RMB83.2 million for bills payables as at 31 December 2021 (as at 31 December 2020: RMB97.6 million);
- (vi) pledged deposits for others of approximately RMB1.0 million as at 31 December 2021 (as at 31 December 2020: RMB1.1 million).

USE OF NET PROCEEDS FROM LISTING

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

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

The following table sets out the intended use of Net Proceeds, the revised allocation of unutilised Net Proceeds as at 24 December 2021, the actual amounts of Net Proceeds used up to 31 December 2021 and the expected timetable for utilisation of unutilised Net Proceeds:

	Intended use of Net Proceeds as disclosed in the Prospectus (adjusted) <i>HK\$ million</i>	Utilised amount of Net Proceeds up to 24 December 2021 <i>HK\$ million</i>	Revised allocation of the unutilised Net Proceeds as at 24 December 2021 <i>HK\$ million</i>	Utilised amount of Net Proceeds after revised allocation from 25 December 2021 to 31 December 2021 <i>HK\$ million</i>	Unutilised amount of Net Proceeds after revised allocation as at 31 December 2021 <i>HK\$ million</i>	Expected timetable for utilisation of unutilised Net Proceeds <i>HK\$ million</i>
Organic growth of the Group’s network expansion	32.7	32.7	—	—	—	N/A
Selective acquisition	26.8	—	—	—	—	N/A
Expansion of the Group’s other integrated auto services	29.6	5.2	—	—	—	N/A
Big data analysis and online marketing	10.7	2.7	—	—	—	N/A
General working capital	5.4	5.4	—	—	—	N/A
Opening of NEV outlets in the Greater Bay Area	—	—	28.2	—	28.2	On or before 31 December 2022
Further expansion of the network of charging stations in major cities in the Greater Bay Area	—	—	8.0	—	8.0	On or before 31 December 2022
Acceleration of the launch of online ride-hailing services in the region	—	—	23	—	23	On or before 31 December 2022
Total	<u>105.2</u>	<u>46.0</u>	<u>59.2</u>	<u>—</u>	<u>59.2</u>	

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

The remaining unutilized Net Proceeds as at 31 December 2021 were held in bank and it is intended that they will be applied in the manner consistent with the proposed allocations as set out in the announcement of the Company dated 24 December 2021. The expected timeline of full utilisation is based on the Directors’ best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions.

For the reasons and benefits of updating the expected timetable for use of Net Proceeds and changing use of Net Proceeds, please refer to the announcement of the Company dated 24 December 2021 and the supplementary announcement of the Company dated 21 January 2022 for details.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total workforce of approximately 902 employees (the Year 2020: 837). 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 Year, the Group did not experience any significant problems with its employees due to labour disputes nor did it experience any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

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

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

EVENTS AFTER THE BALANCE DATE

Suspected misappropriation of funds

As announced by the Board on 11 March 2022, the management of the Company found and reported to the Board in early March 2022 that a legally dismissed employee of the Group (who was once a salesperson of Zhongshan Century Jaguar Automobile Co., Ltd.* (中山市世紀捷虎汽車有限公司) (“**Zhongshan Century Jaguar**”), a wholly-owned subsidiary of the Company) (the “**Former Employee**”), was suspected to have misappropriated certain transaction funds of Zhongshan Century Jaguar (the “**Incident**”). As for the impact of the Incident on the Group’s consolidated annual results for the Year 2021, the Company needs to make a provision of approximately RMB7.4 million.

Zhongshan Century Jaguar immediately reported the Former Employee’s suspected misappropriation to the Chinese police authorities and immediately dismissed him according to law after an internal investigation. The Former Employee has also been criminally detained by the relevant Chinese police authorities. Zhongshan Century Jaguar is actively cooperating with the Chinese police authorities in their investigation and the related criminal proceedings and plans to recover the misappropriated funds from the Former Employee and other persons (if any) involved in the case as well as claim for compensation from the relevant insurance company. The Board will engage professional internal control consultant or team for operation and internal control improvement and will review the Group’s internal control system regularly to prevent the recurrence of similar incidents.

The Board’s current assessment is that the Incident had no impact on the day-to-day operations of the Group. The Board will continue to evaluate the impact of the Incident to the business operations of the Group.

Save as disclosed above, no event has occurred after 31 December 2021 and up to the date of this announcement which would have a material effect on the Group.

ANNUAL GENERAL MEETING

The annual general meeting (“**AGM**”) of the Company will be held on 20 June 2022. A notice convening the AGM together with the circular of the Company will be published on the Company’s website and the Stock Exchange website and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

DIVIDEND

The Board does not recommend the payment of any final dividend for the Year 2021 (Year 2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 14 June 2022 (Tuesday) to 20 June 2022 (Monday), both dates inclusive, during which period no transfer of its shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on 13 June 2022 (Monday).

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (“**CG Code**”) upon Listing and has complied with the code provisions since then and up to 31 December 2021, except in relation to provision A.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 A.2.1 (which has been renumbered as code provision C.2.1 with effect from January 1, 2022) 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.

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. After making specific enquires to all Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code during the period from the date of Listing until 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the date of Listing to 31 December 2021.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Year.

SHARE OPTION SCHEME

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

As at 31 December 2021, the Company had 34,248,000 share option outstanding under the Share Option Scheme, representing approximately 6.77% of the issued share capital of the Company as at the date of this announcement. Details of the share options outstanding as at the date of this announcement are as follows:

Option type	Date of grant	Exercisable period	Exercise price
2020 Options	21/05/2020	21/05/2021 to 20/05/2025	HK\$0.48
		21/05/2022 to 20/05/2025	HK\$0.48
		21/05/2023 to 20/05/2025	HK\$0.48
2021 Options	21/05/2021	21/05/2022 to 20/05/2026	HK\$0.81
		21/05/2023 to 20/05/2026	HK\$0.81
		21/05/2024 to 20/05/2026	HK\$0.81

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

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

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

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

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

The following table discloses movements in the share options of the Company during the Year 2021:

	Date of grant	Exercise period (Note 1)	Exercise price (HK\$)	Number of options at 01/01/2021	Movements during year ended 31 December 2021			Number of options at 31/12/2021
					Granted	Exercised	Lapsed	
Directors and Chief Executive								
Mr. Law Hau Kit	21/05/2020	21/05/2021 to 20/05/2025	0.48	1,200,000	—	—	—	1,200,000
		21/05/2022 to 20/05/2025	0.48	900,000	—	—	—	900,000
		21/05/2023 to 20/05/2025	0.48	900,000	—	—	—	900,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	—	1,200,000	—	—	1,200,000
		21/05/2023 to 20/05/2026	0.81	—	900,000	—	—	900,000
		21/05/2024 to 20/05/2026	0.81	—	900,000	—	—	900,000
				3,000,000	3,000,000	—	—	6,000,000

	Date of grant	Exercise period (Note 1)	Exercise price (HK\$)	Number of options at 01/01/2021	Movements during year ended 31 December 2021			Number of options at 31/12/2021	
					Granted	Exercised	Lapsed		
Mr. Chen Shaoxing	21/05/2020	21/05/2021 to 20/05/2025	0.48	400,000	—	400,000	—	—	
		21/05/2022 to 20/05/2025	0.48	300,000	—	—	—	300,000	
		21/05/2023 to 20/05/2025	0.48	300,000	—	—	—	300,000	
	21/05/2021	21/05/2022 to 20/05/2026	0.81	—	400,000	—	—	400,000	
		21/05/2023 to 20/05/2026	0.81	—	300,000	—	—	300,000	
		21/05/2024 to 20/05/2026	0.81	—	300,000	—	—	300,000	
				1,000,000	1,000,000	400,000	—	1,600,000	
	Ms. Li Huifang	21/05/2020	21/05/2021 to 20/05/2025	0.48	400,000	—	400,000	—	—
			21/05/2022 to 20/05/2025	0.48	300,000	—	—	—	300,000
21/05/2023 to 20/05/2025			0.48	300,000	—	—	—	300,000	
21/05/2021		21/05/2022 to 20/05/2026	0.81	—	520,000	—	—	520,000	
		21/05/2023 to 20/05/2026	0.81	—	390,000	—	—	390,000	
		21/05/2024 to 20/05/2026	0.81	—	390,000	—	—	390,000	
				1,000,000	1,300,000	400,000	—	1,900,000	
Mr. Woo King Hang		21/05/2020	21/05/2021 to 20/05/2025	0.48	400,000	—	400,000	—	—
			21/05/2022 to 20/05/2025	0.48	300,000	—	—	—	300,000
	21/05/2023 to 20/05/2025		0.48	300,000	—	—	—	300,000	
	21/05/2021	21/05/2022 to 20/05/2026	0.81	—	600,000	—	—	600,000	
		21/05/2023 to 20/05/2026	0.81	—	450,000	—	—	450,000	
		21/05/2024 to 20/05/2026	0.81	—	450,000	—	—	450,000	

	Date of grant	Exercise period (Note 1)	Exercise price (HK\$)	Number of options at 01/01/2021	Movements during year ended 31 December 2021			Number of options at 31/12/2021	
					Granted	Exercised	Lapsed		
				1,000,000	1,500,000	400,000	—	2,100,000	
Ms. Yan Fei	21/05/2020	21/05/2021 to 20/05/2025	0.48	200,000	—	—	—	200,000	
		21/05/2022 to 20/05/2025	0.48	150,000	—	—	—	150,000	
		21/05/2023 to 20/05/2025	0.48	150,000	—	—	—	150,000	
	21/05/2021	21/05/2022 to 20/05/2026	0.81	—	200,000	—	—	200,000	
		21/05/2023 to 20/05/2026	0.81	—	150,000	—	—	150,000	
		21/05/2024 to 20/05/2026	0.81	—	150,000	—	—	150,000	
				500,000	500,000	—	—	1,000,000	
	Mr. Li Wai Keung	21/05/2020	21/05/2021 to 20/05/2025	0.48	200,000	—	—	—	200,000
			21/05/2022 to 20/05/2025	0.48	150,000	—	—	—	150,000
21/05/2023 to 20/05/2025			0.48	150,000	—	—	—	150,000	
21/05/2021		21/05/2022 to 20/05/2026	0.81	—	200,000	—	—	200,000	
		21/05/2023 to 20/05/2026	0.81	—	150,000	—	—	150,000	
		21/05/2024 to 20/05/2026	0.81	—	150,000	—	—	150,000	
				500,000	500,000	—	—	1,000,000	
Mr. Hui Chun Tak		21/05/2020	21/05/2021 to 20/05/2025	0.48	200,000	—	200,000	—	—
			21/05/2022 to 20/05/2025	0.48	150,000	—	—	—	150,000
	21/05/2023 to 20/05/2025		0.48	150,000	—	—	—	150,000	
	21/05/2021	21/05/2022 to 20/05/2026	0.81	—	200,000	—	—	200,000	

	Date of grant	Exercise period (Note 1)	Exercise price (HK\$)	Number of options at 01/01/2021	Movements during year ended 31 December 2021			Number of options at 31/12/2021
					Granted	Exercised	Lapsed	
		21/05/2023 to 20/05/2026	0.81	—	150,000	—	—	150,000
		21/05/2024 to 20/05/2026	0.81	—	150,000	—	—	150,000
				500,000	500,000	200,000	—	800,000
Total Directors				7,500,000	8,300,000	1,400,000	—	14,400,000
Employees	21/05/2020	21/05/2021 to 20/05/2025	0.48	4,800,000	—	3,802,000	—	998,000
		21/05/2022 to 20/05/2025	0.48	3,600,000	—	—	450,000	3,150,000
		21/05/2023 to 20/05/2025	0.48	3,600,000	—	—	450,000	3,150,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	—	6,680,000	—	1,660,000	5,020,000
		21/05/2023 to 20/05/2026	0.81	—	5,010,000	—	1,245,000	3,765,000
		21/05/2024 to 20/05/2026	0.81	—	5,010,000	—	1,245,000	3,765,000
Total Employees				12,000,000	16,700,000	3,802,000	5,050,000	19,848,000
Total				19,500,000	25,000,000	5,202,000	5,050,000	34,248,000

Note:

- (1) 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.

- (2) 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, at least 25% of the Company's issued share capital were held by the public as at the date of this announcement.

AUDIT COMMITTEE

The Company has an audit committee (the "**Audit Committee**") which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee has three members comprising three independent non-executive Directors, being Mr. Li Wai Keung ("**Mr. Li**"), Mr. Hui Chun Tak and Ms. Yan Fei. The Audit Committee is chaired by Mr. Li, who has appropriate professional qualifications and experience as required by Rule 3.10(2) of the Listing Rules.

The Audit Committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2021 and the financial statements for the year ended 31 December 2021 prepared in accordance with the IFRSs.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, Ernst & Young ("**EY**"), to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement for Year has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.car2000.com.cn), and the annual report for the Year 2021 containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the aforesaid websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our loyal shareholders, partners and customers for their continuous support and to our staff for their dedication.

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

Hong Kong, 31 March 2022

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