CENTENARY UNITED HOLDINGS LIMITED

世紀聯合控股有限公司

(incorporate in the Cayman Islands with limited liability)

Stock code : 1959

CENTENARY UNITED 世紀聯合

Annual Report 2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non- Executive Director

Mr. Woo King Hang *(Vice Chairman)*
(appointed on 20 May 2020)

Independent Non-Executive Directors

Mr. Li Wai Keung
Mr. Chang Eric Jackson *(retired on 20 May 2020)*
Mr. Hui Chun Tak *(appointed on 20 May 2020)*
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. Chang Eric Jackson *(retired on 20 May 2020)*
Mr. Hui Chun Tak *(appointed on 20 May 2020)*
Ms. Yan Fei

REMUNERATION COMMITTEE

Mr. Chang Eric Jackson *(Chairman)*
(retired on 20 May 2020)
Mr. Hui Chun Tak *(Chairman)*
(appointed on 20 May 2020)
Mr. Chen Shaoxing
Mr. Li Wai Keung

NOMINATION COMMITTEE

Mr. Law Hau Kit *(Chairman)*
Mr. Chang Eric Jackson *(retired on 20 May 2020)*
Mr. Hui Chun Tak *(appointed on 20 May 2020)*
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
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

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
Level 54, Hopewell Centre
183 Queen's Road East
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

STOCK CODE

1959

COMPANY'S WEBSITE

www.car2000.com.cn

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board (the "**Board**") of Directors (the "**Directors**" and each a "**Director**") and the management of Centenary United Holdings Limited ("**Centenary United**" or the "**Company**"), I am pleased to present the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**" or "**we**") for the year ended 31 December 2020 (the "**Year 2020**" or the "**Year**").

As the 4S dealership group with the longest history and the largest sales and service network in Zhongshan City, Guangdong Province, the Group creates an integrated service ecosystem that combines automotive sales, after-sales service, used vehicle sales and other value-added services. The Group kept abreast of the development trends in the automobile market and developed business with regard to new energy vehicles, integrated after-sales service and used vehicle transactions during the Year 2020.

Although its results declined in the first half of 2020 in the haze of the COVID-19 pandemic affecting the Chinese economy and the global economy in 2020, the Group was firmly developing its "one-stop integrated auto service ecosystem" with the greatest resilience and adjustment. Grasping market trends, we not only focused on the expansion of after-sales service and one-stop used vehicle transactions, but also tapped into the new energy vehicle sector, which enabled the Group to make desired progress as the overall Chinese economy entered a stage of steady recovery in the second half of 2020.

Amid the slowdown in sales of new vehicles in 2020, the Chinese government provided great support for the development of used vehicle business, which became a new growth point of China's auto market. The National Development and Reform Commission in April 2020 clearly called for efforts to lift limitations on the flow of used vehicles between provinces and cities. After falling close to zero in February 2020 due to the outbreak of the pandemic, used vehicle sales rebounded in March and rose for 10 straight months, with double-digit growth since August. After the State Council released a policy cutting the value-added tax on the sales of used vehicles to 0.5%, the sales of used vehicles even hit a new high of the year at the end of 2020. According to the statistics of the China Automobile Dealers Association, the total transaction volume of used vehicles nationwide stood at 14.3 million units in 2020, a year-on-year ("**YoY**") decrease of merely 3.9% with sales totalled RMB888.8 billion. We believe that used vehicles will become the 'new blue ocean' in the automobile industry. Hence, the Group has engaged itself vehicle services in advance, including evaluation, acquisition, maintenance and repair, online and offline sales, quality assurance, ownership transfer registration, insurance and maintenance.

As the pandemic was kept under control rapidly, China's economy that contracted in the first quarter saw a resilient growth in the fourth quarter of 2020 and grew 6.5% year on year. As for China's automobile market, data from the China Association of Automobile Manufacturers (CAAM) showed that the sales volume of passenger vehicles was 20.178 million units in 2020, down 6.0% year on year. The decline narrowed 3.6% compared with that of last year. Therefore, the domestic auto market still has unlimited business opportunities due to the economic rebound.

KEY OPERATIONS IN 2020

Strived to catch up and reduce the impact of the pandemic on the results

Leveraging its sales and service network it established over years, leading market position and mature 4S dealership customer network and foundation in Zhongshan City, Guangdong Province, the Group's sales revenue from motor vehicles fell 7.5% year on year to RMB1,655.6 million during the Year 2020. With a decline in sales volume of passenger vehicles in China, the Group still sold 14,523 new vehicles, a YoY drop of 14.8%. The Group recorded total revenue of RMB1,912.7 million during the Year 2020, a decline of 7.7% from 2019. Its gross profit fell 27.4% from a year earlier to RMB130.4 million, and the net profit slumped 35.0% year on year to RMB21.4 million. The profit attributable to shareholders for the year amounted to RMB21.5 million, representing a decrease of approximately 35.2% compared with 2019. Despite the impact of the COVID-19, the Group made concerted efforts and achieved a desired growth in sales of used vehicles with the greatest adaptability and resilience and one-stop service advantages.

The Group opened new dealer outlets at a cautious and orderly pace during the Year 2020, including its first Cadillac 4S dealer outlet and first Volkswagen New Jetta 4S dealer outlet. It adhered to the strategy of focusing on selling new vehicles of Sino-foreign joint ventures and international luxury brands. The Group has opened 16 4S dealer outlets in total, and the authorised brands include Jaguar Land Rover, Cadillac, Dongfeng Nissan, Beijing Hyundai, FAW Toyota, FAW Volkswagen, Volkswagen New Jetta, Dongfeng Venucia, Buick and Chevrolet.

Under the impact of the Pandemic and macroeconomic conditions, revenue and profit attributable to the equity shareholders decreased inevitably for the Year 2020. However, with the Group's unremitting effort in managing its operations and finance, several financial indicators including inventories, interest-bearing bank and other borrowings, administrative expenses, finance costs and gearing ratio (total debt divided by total equity) have been decreased, while net current assets and cash and cash equivalents have been increased. The Group's strategy ensures its financial position is in a healthy condition which provides a solid foundation for the Group's future business development.

One-stop integrated auto services drove the growth of used vehicle business

One of its core long-term strategies is to integrate a comprehensive array of integrated auto services to create "a one-stop integrated auto service ecosystem", so as to cater the diverse needs of consumers when purchasing cars, increase customer loyalty, and improve the overall profitability of the business. In the context of the weak growth of new vehicle sales in China, the Group leveraged its long-standing unique operating advantages and customer network in Zhongshan to attract more new customers for used vehicle transactions, ownership transfer and after-sales service. It managed to increase the profit sources in adversity in 2020 through this strategy.

The Group's first used vehicle market centre has been offering ownership transfer services for used vehicles sold by itself and other used vehicle stores since March 2020. The centre offered ownership transfer services for more than 5,300 used vehicles at the end of 2020, a surge from over 1,000 units in the middle of the year, achieving remarkable results. As at the end of 31 December 2020, the sales volume of used vehicles rose 19.8% to 786 units, and the sales revenue jumped 60.0% year on year to RMB30.0 million. We believe that the growth trend of used vehicles will continue through 2021.

Accelerated the establishment of sales and service network of new energy vehicles

China aims to go carbon-neutral by 2060. The world's major automakers have a vision of an all-electric, zero-emissions future. Statistics from CAAM showed that the sales volume of new energy vehicles in China reached 1.206 million units in 2019, accounting for 55% of the world's total of 2.21 million units. China is currently the country with the largest number of new energy vehicles in the world. As the leading 4S dealership group in Zhongshan, the Group is concentrating on expanding its business in the new energy vehicle industry while developing integrated after-sales business, which has become its vital development long-term strategy in the future. The Group expects to seize the opportunities arising from the 'new four modernisations' of automobiles, namely electrification, networking, intelligence and sharing in order to dig deep into the integrated business of new energy vehicles.

A world-leading American new energy vehicle company has set foothold in Centenary United's Beijing Hyundai dealer outlet on No. 1–3, Chengnansi Road, Zhongshan in 2020. Following the new energy vehicle trends, the Group is building supercharger stations that are expected to come into operation in the second quarter of 2021. In the future, we expect to further expand our service network system of new energy vehicles, so as to attract new customers and increase profitability in other integrated auto services.

Dig deep into the auto aftermarket business via CUBDIS

As the largest 4S dealership group in Zhongshan, we established the Centenary United Big Data Intelligence System ("**CUBDIS**") based on the huge customer base and network. Our team consisting of professional information consultants began to test the system in a pilot outlet during the Year 2020 and will incorporate it into various service outlets in 2021. As at the end of the Year 2020, we had around 200,000 customers in Zhongshan, and approximately 60,000 followers on the official WeChat account. As the Group's aftermarket services for used vehicles and new energy vehicles have become increasingly mature and the operation of CUBDIS runs smoothly, the Group can obtain big data about customers such as information about customers' habits and preferences through car purchase, maintenance, repair, detailing and other services. The above data will be summarised and digitised and will enable the Group to adopt personalised marketing strategies, enhance customer service experience, improve the success rate of cross-selling, increase the depth and breadth of customer services, and enhance online marketing capabilities.

In terms of auto aftermarket business, Guangdong Chuangcheng Car Insurance Agency Co., Ltd* (廣東創誠保險代理有限公司) ("**Chuangcheng Insurance**"), our wholly-owned subsidiary that has a professional insurance agency license, recorded ideal results. We are one of the few 4S dealership groups with a professional insurance agency license in the region. By integrating the after-sales service networks of Centenary United's more than ten automobile brands, Chuangcheng Insurance provides customers with professional auto solutions and at the same time offers comprehensive insurance services, such as property insurance, liability insurance and personal insurance. Chuangcheng Insurance recorded revenue of RMB21.0 million during the Year 2020, a decline of 35.2% from 2019's RMB32.4 million.

Seek appropriate opportunities for selective mergers and acquisitions

As mentioned in the prospectus of the Company dated 30 September 2019 (the "**Prospectus**"), the Group planned to acquire one to two dealer outlet(s) in 2020 to expand the network. Due to the pandemic in 2020, we mulled over several appropriate acquisition targets. However, we are still seeking for potential acquisition opportunities in Zhongshan and the Greater Bay Area, aiming to apply its integrated auto service model in more cities in the Greater Bay Area.

PROSPECTS

Reconstruct Centenary United with innovation, green economy and good mobility

2021 is the turning point for recovery of the auto market. The Department of Informatization and Industry Development under the State Information Center forecast that the domestic demand for vehicles and passenger vehicles will grow approximately 3.2% and 7.5%, respectively, in 2021. As China will rely mainly on internal circulation of economy, the Group will grasp the opportunities arising from the "new four modernisations" in the automobile industry to develop in integrated after-sales service and expand the business in used vehicles and new energy vehicles via CUBDIS. The Group will reconstruct itself with innovation, green economy and good mobility for grasping future opportunities in the industry. Business trips in China were limited due to the pandemic in 2020. However, we believe that vehicle usage for business trips will resume in 2021. In general, mainly new energy vehicles will be used as vehicles for business purposes. The trend will boost the sales of new energy vehicles and enlarge the scale of after-sales repair and charging facilities.

In 2021, the Group will expand the new energy vehicle business in many aspects, such as marketing of new energy vehicle brands, sales of used new energy vehicles, and charging stations. The Group will incorporate our existing value-added services, including one-stop after-sales repair service, insurance agency services, used vehicle aftermarket service, used vehicle condition and price evaluation, and acquisition into the field of new energy vehicle business. In the future, Centenary United will establish a charging station network in Zhongshan and even the Greater Bay Area to support the development of new energy vehicle business. In addition, we will conduct market evaluation and research, and actively develop new energy vehicle mobility business in the future, so as to enter the business travel market.

Chuangcheng Insurance, the Group's subsidiary, held a relocation ceremony in February 2021. The relocation marks the upgrade of its office environment. It will create a one-stop "insurance supermarket". Chuangcheng Insurance signed a strategic cooperation agreement with ten partners, including the Zhongshan branches of People's Insurance Company of China, China Life Insurance Company, Ping An Insurance and China Pacific Insurance, at the relocation ceremony. It is committed to becoming a first-class risk management service provider for insurance protection, wealth accumulation and health management, in order to provide customers with a full range of insurance services.

As mentioned in the 2020 Policy Address, the Government will implement a "Quota-free scheme for Hong Kong private cars travelling to Guangdong via the Hong Kong-Zhuhai-Macao Bridge" under the plan for the Guangdong-Hong Kong-Macao Greater Bay Area. The scheme will allow eligible Hong Kong private cars to travel to and from the Guangdong Province via the Hong Kong-Zhuhai-Macao Bridge without regular quota. Centenary United, a Hong Kong listed company, will take advantage of its unique advantages in the Greater Bay Area and make use of its cost advantage and network in Hong Kong to introduce businesses involving Hongkongers to the Pearl River Delta region.

Looking into the future, China's auto industry will still face both challenges and opportunities under the new normal of the pandemic. In order to reduce the risk of virus transmission associated with public transportation, citizens may consider more about driving their own cars, thus stimulating rigid demand for passenger vehicles. In the meantime, users put forward higher requirements for cleanliness, maintenance and durability of vehicles. With energy use efficiency taken into account, new energy vehicles that can save fuel costs will become more popular. As a Hong Kong listed company, it is our responsibility and vision to achieve environmental, social and corporate sustainability performance and become an iconic company that will set a benchmark for the industry. We will insist on our established strategic long-term goals and expand vehicle sales and one-stop after-sales service network via endogenous growth. Resources will be actively invested to develop services for used vehicles and new energy vehicles. Efforts will be made to accelerate the establishment of CUBDIS. We will continuously look for opportunities and targets for selective mergers and acquisitions, with a view to replicating Zhongshan's successful business model to other cities in the Greater Bay Area, such as Zhuhai, Foshan and Jiangmen.

I would like to take this opportunity to express my sincere gratitude and appreciation to the members of the Board, employees, shareholders and business partners for their support and dedication to the Group. We will endeavour to rebuild our business blueprint in the Greater Bay Area and create an upgraded Centenary United that is "transparent, digital, innovative, diverse, interregional and open". We will strive for the sustainable development of the environment while creating a better mobility experience for customers, and strive for greater returns for shareholders through service innovation.

As Herbert Diess, chief executive officer of Volkswagen Group, said, the most valuable company in the future will be a mobility company. Although there is no consistent or relatively consistent definition of "mobility company" in the world, it is certainly not a company only selling and repairing cars. In the past ten years or so, Centenary United grasped the opportunity of the incremental market for automobiles and established a firm foothold in Zhongshan. We will strive to become a leading mobility company in the Greater Bay Area in the next decade.

The way ahead is long and has no ending; yet high and low I'll search with my will unbending.

Law Hau Kit
Chairman
26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

2020 was a very challenging year. With the sudden outbreak of the COVID-19 pandemic (the "**Pandemic**"), the macro economy faced unprecedentedly severe challenges. However, with the strong support of national and local policies, the unremitting efforts of automotive companies and the industry, the solid advancement of the work and production resumption, and strong revival of consumer demand, the overall recovery of the automotive industry was much better than expected, and had basically offset the impact of the Pandemic, demonstrating the strong growth resilience and endogenous dynamics of the automotive industry. As the domestic situation against the Pandemic starting to improve continuously since the second quarter of 2020, the production and sales of the automotive industry maintained an upward trend and rebounded from the bottom, in which, automotive sales have been growing since April 2020. In 2020, 25.3 million vehicles were sold in the PRC with a YoY decrease of 1.9%, and the sales continued to rank top in the world. Among them, the sales volume of passenger vehicles was 20.2 million vehicles, down by 6.0% YoY or a decline narrowed by 3.6% compared with that of 2019.

In the used vehicle market, the number of first-time buyers has been shrinking in recent years, while the number of buyers who trade in for or purchase additional new vehicles has continued to increase, bringing new opportunities to this market. According to data from the China Automobile Dealers Association (the "**CADA**"), the cumulative transaction volume of the used vehicle market nationwide was 14.3 million vehicles in 2020, a YoY decrease of 3.9% or a decline narrowed by 15.7% from the first half of 2020. The sales volume reached approximately RMB888.8 billion, a YoY decrease of 5.0% or a decline narrowed by 16.7% compared with the first half of 2020.

BUSINESS REVIEW

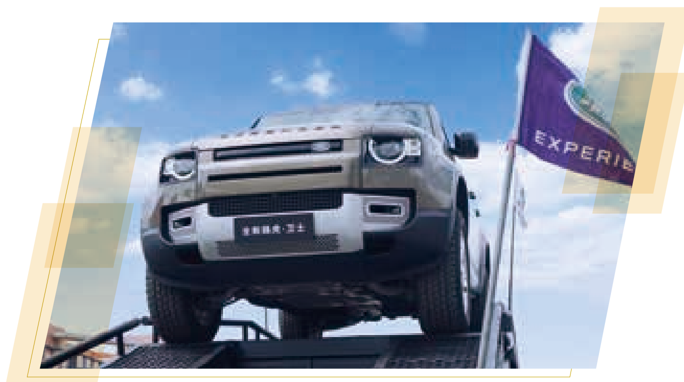
For the Year 2020, the Group recorded a revenue of approximately RMB1,912.7 million, a decrease of 7.7% from the year ended 31 December 2019 (the "**Year 2019**" or the "**Previous Year**"). The Group's gross profit fell by 27.4% from approximately RMB179.5 million in the Year 2019 to approximately RMB130.4 million in the Year 2020.

The Group is headquartered in Zhongshan City of Guangdong Province, one of the important hub cities in the Guangdong-Hong Kong-Macao Greater Bay Area (the "**Greater Bay Area**"). The Group operates a total of 16 outlets of 4S dealership, including our first Cadillac dealership outlet and first Volkswagen New Jetta brand dealership outlet newly opened in Zhongshan City during the Year 2020. With the opening of a new used vehicle trading centre in the fourth quarter of 2020, the Group now operates a total of two used vehicle trading centres. Besides, the Group has one quick fix auto centre, five quick fix service points, and one insurance agency company. The Group has more than 10 authorised brands, namely Jaguar and Land Rover, FAW Volkswagen, Buick, Chevrolet, FAW Toyota, Dongfeng Nissan, Dongfeng Qichen, Cadillac, Beijing Hyundai, and Volkswagen New Jetta.

SALES OF MOTOR VEHICLES

During the Year 2020, the sales of motor vehicles (comprising new vehicles and used vehicles) were approximately RMB1,655.6 million, down by 7.5% from RMB1,790.5 million in the Year 2019.

SALES OF NEW VEHICLES



In the Year 2020, the Group's revenue from sales of new vehicles amounted to approximately RMB1,625.6 million (14,523 vehicles in total), representing a decrease of 8.2% from approximately RMB1,771.7 million (17,050 vehicles in total) for the Year 2019. In the Year 2020, the newly added Cadillac and Volkswagen New Jetta brands recorded a revenue of approximately RMB43.3 million and RMB9.6 million, respectively. Sales revenue from luxury car brands such as Jaguar and Land Rover, amounted to approximately RMB77.0 million (179 vehicles in total), representing a significant increase of 216.9% from approximately RMB24.3 million (62 vehicles in total) for the Year 2019. The sales revenue from Japanese car brands, one of the consistently best sellers, during the year 2020, amounted to approximately RMB1,030.5 million (9,468 vehicles in total), which decreased by 10.2% compared to approximately RMB1,148.2 million (10,789 vehicles in total) in the Year 2019. The Group benefited from sales subsidies and other stimulus policies introduced by local governments to boost market confidence and promote the return of the automobile market to pre-pandemic consumption levels since the second quarter of 2020. The West District Government of Zhongshan City granted a subsidy of RMB9 million to the public, fruitfully leading to improved sales in the second half of 2020.

SALES OF USED VEHICLES

In 2020, due to the impact of the Pandemic, and the trend of consumers turning to self-driving instead of travelling by public transportations to reduce the risk of infection, the used car market started to flourish. During the Year 2020, the Group sold 786 used vehicles (the Year 2019: 656) with sales revenue amounting to approximately RMB30.0 million, representing a significant increase of 60.0% from approximately RMB18.8 million of the Year 2019, showing a strong market demand of used car sales. The Group also provided ownership transfer services for used vehicles sold by itself and third parties' used vehicle stores through its first used vehicle market centre opened in March 2020. As of 31 December 2020, the Group provided ownership transfer services for a total of 5,301 used vehicles, which had contributed revenue to the Group since the second quarter of 2020. In order to grasp the huge growth potential of the Greater Bay Area and the used vehicle market, the Group also opened a second used vehicle trading centre in the fourth quarter of 2020 to provide related services for used vehicle replacement.

OTHER INTEGRATED AUTO SERVICES

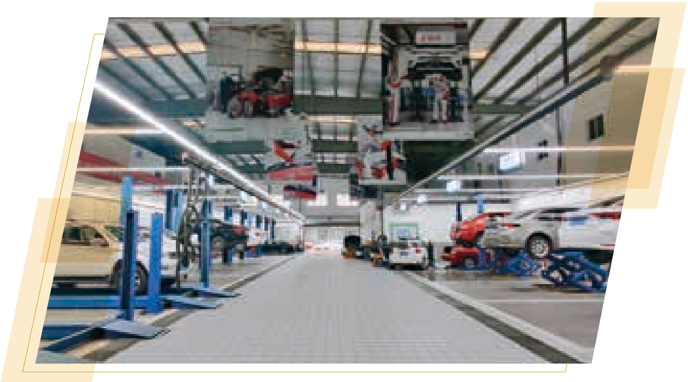
As a 4S dealership group providing one-stop car services, the Group offers a series of after-sales services and cares about customer feedback in addition to car sales. Other integrated auto services provided by the Group include repair and maintenance services, the sales of spare parts, insurance agency services and other services. During the Year 2020, since the sales figures in the second quarter of 2020 started to improve, the integrated auto services were recovering steadily in the second half of 2020, and the Group's revenue had slightly decreased by 8.7%, from approximately RMB281.7 million in the Year 2019 to approximately RMB257.1 million in the Year 2020.

Even though the growth rate of automotive sales has slowed down, the size of the downstream automotive aftermarket is growing steadily. The steady increase in the PRC's car ownership has provided a strong base for the automotive aftermarket.

To expand its sales network and after-sales services, the Group has developed the Centenary United Big Data Intelligence System (the "**CUBDIS**"), a large database integrating data from its own sales platform and after-sales service platform and service sales platforms that are in cooperation with the CUBDIS to help improve its internal management mechanisms and strengthen compliance management capabilities. The dynamic analysis of user experience has been made possible with the CUBDIS. The Group is committed to providing and promoting seamlessly integrated automotive services through the CUBDIS to improve customers' stickiness and loyalty and the overall business profitability for a sustainable closed-loop service ecosystem. The Group has more than 200,000 customers in Zhongshan City and around 60,000 followers on internet platforms.

REPAIR SERVICES

The Group's repair services are comprised of repair and maintenance services, the 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 auto centre and quick fix service points.



During the Year 2020, revenue from repair services amounted to approximately RMB177.9 million (the Year 2019: RMB187.3 million), accounting for approximately 9.3% the Group's total revenue, a decrease of 5.1% as compared with the Year 2019, and the gross profit margin increased from 28.1% in 2019 to 36.1% this year.

SALES OF ACCESSORIES

During the Year 2020, the revenue from the Group's sale of accessories amounted to approximately RMB46.7 million (the Year 2019: RMB52.9 million) with gross profit of approximately RMB30.2 million (the Year 2019: RMB35.2 million), accounting for 23.2% (the Year 2019: 19.6%) of the Group's total gross profit.

INSURANCE AGENCY SERVICES

During the Year 2020, the Group cooperated with leading insurance companies in the PRC via Guangdong Chuangcheng Car Insurance Agency Co., Ltd* (廣東創誠汽車保險代理有限公司) ("**Chuangcheng Insurance**"). In addition to promoting and handling motor vehicle insurance (including but not limited to Compulsory Automobile Liability Insurance and commercial vehicle insurance), the Group also provided comprehensive agency services for personal insurance and property insurance products, thereby offering one-stop insurance services. In order to strengthen the promotion of its insurance agency services, the Group set up a special insurance agency office in Zhongshan City during the Year 2020 to handle insurance agency business.

During the Year 2020, the Group's revenue of insurance agency services was approximately RMB21.0 million (the Year 2019: RMB32.4 million) and gross profit was approximately RMB20.1 million, a decrease of 37.0% from approximately RMB31.9 million in the Year 2019, accounting for approximately 15.5% of the Group's total gross profit.

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 RMB10.2 million during the Year 2020, representing an increase of 37.6% from approximately RMB7.4 million of the Year 2019.

Under the impact of the Pandemic and macroeconomic conditions, revenue and profit attributable to the equity shareholders decreased inevitably for the Year 2020. However, with the Group's unremitting effort in managing its operations and finance, several financial indicators including inventories, interest-bearing bank and other borrowings, administrative expenses, finance costs and gearing ratio (total debt divided by total equity) have been decreased, while net current assets and cash and cash equivalents has been increased. The above figures indicate that the Group has improved its liquidity and is in a healthy financial position which provides a solid foundation for the Group's future business development.

PROSPECT

Looking ahead to 2021, the global economic landscape will still be dominated by the Pandemic. With the massive vaccination against the Pandemic and the continuous deepening of internal circulation of economy in the PRC, the automotive industry will be able to get out of the current predicament and see the light at the end of the tunnel. In the coming years, global economy will continue to be volatile as various risks such as the Pandemic, international situation and China-US relations will remain. However, the automobile market in the PRC will soon encounter opportunities for development. Due to the Pandemic, consumers took public transit less frequently or preferred to travel by private vehicles. The rebound in their demand for passenger vehicles expedited the recovery of the automobile industry.

According to statistics of the CADA, consumers change their vehicles for the first time mostly in the third to sixth years after their initial purchases. Since the PRC's passenger vehicle sales peaked around 2017 with approximately 24 million vehicles sold, this is expected to bring demand for replacement in 2021. The China Association of Automotive Manufacturers (the "**CAAM**") predicts that a total of 26.3 million vehicles will be sold in the PRC in 2021, a YoY increase of approximately 4%.

In addition, the automotive industry, especially the used vehicle and new energy vehicle market will benefit from policies proposed by the Chinese Premier, Li Keqiang, earlier in the government work report, including stabilising bulk consumption, lifting unreasonable restrictions on used vehicle trading, increasing facilities such as parking lots, charging poles and battery swapping stations, and accelerating the building of power battery recycling systems.

Regarding the used vehicle market, used vehicles will become a new growth point for the domestic automobile dealership market under a series of supportive policies such as lowering value-added tax on used vehicle sales by 0.5%, cancelling restrictions on the ingoing of used vehicle, lifting administrative limits on automobile purchases orderly, simplifying procedures for used vehicle dealers, and expanding used vehicle export business. The Group also seized the opportunity to open its second used vehicle trading centre in Minzhong Town of Zhongshan City to expand used vehicle sales and other integrated used vehicle services.

It is an honour for the Group being elected as one of the Top 20 Vehicle Dealership Groups of Guangdong* (廣東汽車經銷商集團20強) in the ranking of the Top 100 Guangdong Automobile Dealers for 2020* (2020年度廣東省汽車流通行業百強企業排行榜) released by the Guangdong Automobile Dealers Association. It is also worth mentioning that Zhongshan New Century Second-hand Car Market Co., Ltd.* (中山市創世紀二手車交易市場有限公司), a wholly owned subsidiary of the Group, elected as one of the Top 30 Used Vehicle Dealers of Guangdong* (廣東二手車經銷商30強). The two awards are a recognition of our business in 2020 from the automobile industry and serve to cement the Group's position in the used vehicle industry. The sales and profitability of new and used vehicles are in fact closely linked. Superb used vehicle and trade in services can attract new vehicle buyers, and new vehicle buyers will also bring in used vehicle business. The Group's leading position in these two markets in Guangdong Province will benefit our future business development and optimization.

In November 2020, the State Council Information Office (SCIO) officially released the China New Energy Vehicle Industry Development Plan (2021–2035) (《新能源汽車產業發展規劃(2021–2035)》), which provides that the sales of new energy vehicles will jump to 20% of new vehicle sales in 2025. Under the guidance of relevant policies, new energy vehicles will become a new mobility trend of the future. According to the CAAM's forecast, new energy vehicles will continue to achieve high growth, with the growth rate expected to reach 40% and the total sales to jump to 1.8 million vehicles in 2021. The Group was also trying to seize every opportunity possible, and a world-leading large American new energy vehicle company set foothold on Chengnansi Road, which is next to the Group's Beijing Hyundai dealer outlet in Zhongshan City at the end of 2020. Following the new energy vehicle trends, the Group is building supercharger stations that are expected to come into operation in the second quarter of 2021.

In March 2021, the Government of the Hong Kong Special Administrative Region 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 networks" as one of the Government's six action areas and mentions the study and expansion of associated charging arrangement for Hong Kong vehicles in mainland China when the Hong Kong vehicles Going North (港車北上) plan is implemented. The Group will grasp the opportunity of the development of the Greater Bay Area to steer itself toward the automotive aftermarket. Specifically, it will make the best use of such cost-effective automotive aftermarkets as Zhongshan, Zhuhai, and Shenzhen in the Greater Bay Area and study and develop the layout of charging networks so as to provide accurate mobility services for Hong Kong people to drive their private cars to mainland China.

After the annual result announcement of the Group on 26 March 2021 and up to the date of the publishing of this report, Zhongshan New Century Pioneering Automobile Co., Limited* (中山市創世紀汽車銷售服務有限公司), an indirectly wholly owned subsidiary of the Company, has entered into a Strategic Cooperation Framework Agreement with Guangzhou Wancheng Wanchong New Energy Technology Co., Ltd.* (廣州萬城萬充新能源科技有限公司) in relation to the in-depth cooperation in the building and operation of charging networks for new energy vehicles. For details, please refer to the announcement of the Company in the heading of "Voluntary Announcement — Strategic Cooperation Framework Agreement" dated 8 April 2021.

FINANCIAL REVIEW

Revenue

For the Year 2020, the Group recorded revenue of approximately RMB1,912.7 million, representing a decline of approximately RMB159.5 million or 7.7% from that of approximately RMB2,072.2 million for the Year 2019. Sales of motor vehicles contributed approximately RMB1,655.6 million for the Year 2020 (the Year 2019: RMB1,790.5 million) of the Group's total revenue whereas other integrated auto services brought in revenue of approximately RMB257.1 million for the Year 2020 (the Year 2019: RMB281.7 million), representing approximately 86.6% (the Year 2019: 86.4%) and 13.4% (the Year 2019: 13.6%) of the Group's total revenue, respectively. Since January 2020, the outbreak of the Pandemic has adversely affected the business environment, the overall sales performance of the Group was therefore dropped, as the sales volume of new vehicles decreased during the Year 2020, especially in the first half of the year.

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 92.6% for the Year 2020 (the Year 2019: 91.8%). For the Year, the Group's cost of sales amounted to approximately RMB1,782.3 million, representing a decrease of approximately 5.8% as compared to that of approximately RMB1,892.7 million for the Previous Year. The decrease was mainly due to the decline in demand of motor vehicles and spare parts, as well as the decrease in staff costs owing to a drop in the total workforce.

The Group recorded gross profit of approximately RMB130.4 million for the Year, representing a decrease of approximately 27.4% as compared to that of approximately RMB179.5 million for the Previous Year. Meanwhile, attributed to the decrease in the sales volume of new vehicles, the incentive rebates provided by automobile manufacturers also decreased accordingly, which also constituted part of the decline of the Group's gross profit. Overall gross profit margin of the Group decreased to approximately 6.8% for the Year from approximately 8.7% for the Previous Year. The decrease in revenue generated from sales of motor vehicles outweighed the decrease in cost of motor vehicles during the Year, leading to a decrease in gross profit margin.

Other income and gains

Other income and gains increased by approximately RMB3.3 million, or 17.7%, from approximately RMB18.6 million for the Previous Year to approximately RMB21.9 million for the Year, primarily attributable to the increase in government grant released for the Year.

Selling and distribution expenses

Save as disclosed, the Group's selling and distribution expenses decreased by approximately RMB8.1 million, or 13.7%, from approximately RMB59.0 million for the Previous Year to approximately RMB50.9 million for the Year.

The decrease in selling and distribution expenses for the Year was primarily due to the decrease in salary and wages as a result of reducing the number of employees of sales department as compared to the Previous Year.

Administrative expenses

Administrative expenses primarily consist of (i) salary and wages of administrative staff; (ii) rentals; (iii) listing expenses; (iv) depreciation and amortisation; (v) property repair and maintenance expenses; (vi) sundry expenses such as utility expenses and telephone expenses; (vii) taxation; and (viii) bank charges. The Group's administrative expenses for the Year were approximately RMB52.9 million, representing a decrease of approximately RMB15.2 million from the Previous Year. Such decrease was due to the combined effect of (i) the decrease in listing expenses of approximately RMB10.8 million; (ii) the decrease in salary and wages of administrative staff of approximately RMB0.6 million; (iii) the decrease in repair and maintenance expenses of approximately RMB0.6 million; (iv) the decrease in taxation of approximately RMB0.2 million; and (v) the decrease in rental expense of approximately RMB7.0 million.

Finance costs

For the Year 2020, the Group's finance costs were approximately RMB14.7 million (the Year 2019: RMB17.6 million), representing a decrease of approximately RMB2.9 million or 16.5%, 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 RMB21.5 million, representing a decrease of approximately RMB11.6 million or 35.0% as compared with that of approximately RMB33.1 million for Previous Year.

The Group's adjusted profit for the year excluding listing expenses is as below:

	2020	2019
	RMB million	RMB million
Profit before income tax	**33.5**	52.9
Add: non-recurring listing expenses	**—**	10.8
Profit before income tax excluding listing expenses	**33.5**	63.7
Income tax expense	**(12.0)**	(19.8)
Profit for the year excluding listing expenses	**21.5**	43.9
Net profit margin excluding listing expenses	**1.1%**	2.1%

During the Year, the profit excluding listing expenses decreased by 51.0%, which was resulted from the decrease in the sales volume of the Group during the Year. Meanwhile, owing to the decrease in the sales volume of new vehicles, the incentive rebates provided by automobile manufacturers also decreased accordingly, which constituted part of the decline of the Group's gross profit.

Income tax expenses

For the Year 2020, the income tax of the Group was approximately RMB12.0 million (the Year 2019: RMB19.8 million). The decrease was primarily due to the decrease in taxable income. The effective tax rate for the Year and Pervious year was approximately 35.8% and 37.4%, respectively.

The Group's effective tax rate was higher than the PRC statutory tax rate during the Year and Previous Year. The decrease 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 2020 was approximately 0.8 times (as at 31 December 2019: 1.3 times). The decrease was mainly due to the repayment of the bank and other borrowings during the Year.

The Group's pledged bank deposits and cash and cash equivalents balances as at 31 December 2020 amounted to approximately RMB148.1 million, representing an increase of approximately RMB5.0 million as compared to that of approximately RMB143.1 million as at 31 December 2019.

The Group's bank borrowings as at 31 December 2020 were all denominated in Renminbi. The interest rates ranged from 4.35% to 5.7% per annum.

As at 31 December 2020, the Group's interest-bearing bank and other borrowings amounted to RMB206.7 million, representing a decrease of 31.6% as compared to RMB302.1 million as at 31 December 2019. Short-term loans and borrowings amounted to approximately RMB107.2 million (the Year 2019: RMB302.1 million), and long-term loans and borrowings amounted to approximately RMB99.5 million. (the Year 2019: nil).

Capital expenditures and commitments

As at 31 December 2020, the capital commitments of the Group in connection with building expenditures was approximately RMB2.3 million (as at 31 December 2019: RMB1.2 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 contacts to hedge its exposure to foreign exchange risk during the Year 2020.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2020 (as at 31 December 2019: nil).

Significant investments held

The Group had not held any significant investments during the as at 31 December 2020 (as at 31 December 2019: nil).

Future plans for material investments or capital assets

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group did not have any other plans for material investments or capital assets during the Year 2020 and up to the date of this report.

Material acquisitions and disposals

During the Year 2020, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures (as at 31 December 2019: nil).

Pledge of assets

As at 31 December 2020, the Group's utilised banking facilities amounting to approximately RMB206.7 million (as at 31 December 2019: RMB302.1 million) were secured by:

(i) certain of the Group's merchandised goods amounting to approximately RMB11.4 million as at 31 December 2020 (as at 31 December 2019: RMB112.2 million);

(ii) the Group's buildings, which a net carrying amount of approximately RMB7.7 million as at 31 December 2020 (as at 31 December 2019: RMB8.4 million);

(iii) the Group's right of use assets, which a net carrying amount of approximately RMB10.6 million as at 31 December 2020 (as at 31 December 2019: RMB11.1 million);

(iv) pledged deposit of approximately RMB10.0 million for bank loans as at 31 December 2020 (as at 31 December 2019: RMB24.8 million);

(v) the Group's bills payables were secured by pledged deposits of approximately RMB97.6 million for bills payables as at 31 December 2020 (as at 31 December 2019: RMB88.3 million);

(vi) pledged deposits for others of approximately RMB1.0 million as at 31 December 2020 (as at 31 December 2019: RMB1.0 million).

USE OF NET PROCEEDS FROM LISTING

The ordinary shares ("**Shares**") of HK$0.01 each of the Company were listed on the Main Board of the Stock Exchange on 18 October 2019 (the "**Listing Date**"). The net proceeds from Listing amounted to approximately HK$105.2 million. From the Listing Date up to 31 December 2020, the net proceeds have been applied in the manner as set out in the section headed "Future Plans and Use Of Proceeds" of the Prospectus, please refer to the Prospectus for the details of the description of the intended use and the purposes for which they are used. As of 31 December 2020, the Company cumulatively used approximately HK$33.5 million, accounting from approximately 31.8% of the proceeds from Listing. The Company expects to utilise the balance of net proceeds of approximately HK$71.7 million by the end of 2022.

	Estimated use of Proceeds HK$ million	Adjusted use of proceeds* HK$ million	Remaining net proceeds as at 31 December 2019 HK$ million	Actual used net proceeds for the year ended 31 December 2020 HK$ million	Unutilised up to 31 December 2020 HK$ million	Expected timeline of full utilisation of the remaining proceeds from Listing as at 31 December 2020
Organic growth of the Group's expansion network	33.4	32.7	30.2	23.5	6.7	By the end of 2021 *(Note 1)*
Selective acquisition	27.4	26.8	26.8	–	26.8	By the end of 2022 *(Note 2)*
Expansion of the Group's other integrated auto services	30.2	29.6	29.4	1.1	28.3	By the end of 2021 *(Note 3)*
Big data analysis and online marketing	11.0	10.7	10.7	0.8	9.9	By the end of 2021 *(Note 4)*
General working capital	5.5	5.4	–	–	–	N/A
Total	107.5	105.2	97.1	25.4	71.7	

* The net proceeds from 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.

Notes:

1. During the Year, the Group has opened the first outlet for Cadillac and has renovated an existing 4S dealership outlet into a Jetta brand outlet, which the net proceeds have been applied in the same manner as stated in the Prospectus. Regarding the plan of opening a new energy vehicle megastore, due to the Pandemic, the development had come to a halt and the overall utilisation of net proceeds for the Group's expansion was therefore delayed. The Group is now resuming the process of sourcing brands and locating suitable sites. The unutilised net proceeds for organic growth of the Group's expansion network were originally planned to be fully utilised by 31 December 2020, as stated in the supplementary announcement which dated 31 July 2020 (the "**Supplementary Announcement**"). Due to the above reason, it is expected that the unutilised net proceeds for organic growth of the Group's expansion network will be fully used by 31 December 2021.

2. The Group has planned to finance our network's expansion through selective acquisition of other automobile dealership outlets if suitable opportunities arise. In light of the overall economic downturn in 2020 due to the outbreak of the Pandemic, the Board took a caution approach in identifying suitable automobile dealership outlets that are worth their value for acquisition or investment in order to maximise the returns to the Company and its shareholders. Owing to unavailability to source the suitable target for acquisition, the use of net proceeds for the selective acquisition was delayed accordingly. In any event, the Company is still on the lookout of appropriate acquisition or investment targets in Zhongshan and in the Greater Bay Area. The unutilised net proceeds for the selective acquisition were originally planned to be fully utilised by 31 December 2020, as stated in the Supplementary Announcement. Due to the above reason, it is expected that the unutilised net proceeds for the selective acquisition will be fully used by 31 December 2022.

3. During the Year, the Group has established the first used vehicle ownership transfer service center in March 2020 providing services such as trading of used vehicles and transfer of vehicle ownership. Also, some of the net proceeds had been utilised by the subsidiary of the Group, Guangdong Chuangcheng Car Insurance Agency Co., Ltd* 廣東創誠汽車保險代理有限公司 ("**Guangdong Chuangcheng**"), which was in the process of relocation and environmental upgrade. The relocation is expected to be finished in the first quarter of 2021. After the relocation, Guangdong Chuangcheng will focus on the sales and marketing of the Group's insurance agency services including auto and non-auto related insurance products in Zhongshan, as stated in the Prospectus. The Group planned to open around 20 additional quick fix auto centres in Zhongshan and the nearby Greater Bay Area by the end of 2021. The Group is in the course of locating suitable sites for construction. As stated in the Supplementary Announcement, the unutilised net proceeds for the expansion of the Group's other integrated auto services are expected to be fully used by 31 December 2021.

4. During the Year, the Group has utilised part of the net proceeds in optimising and upgrading our information technology system, namely the Centenary United Big Data Intelligence System ("**CUBDIS**"), to facilitate big data analysis and the integration of our online and offline customer services. The Group was in the initial stage of constructing CUBDIS, which mainly focused on data collection and sampling in customer experience. The Group planned to finalise the setup of CUBDIS by the end of the Year. However, due to the business operation was severely impacted by the outbreak of the Pandemic, the development process was postponed correspondingly. In addition, several technical problems were encountered during the process of constructing CUBDIS which further hindered the progress. Extra time will be needed to tackle the challenges in respect of applicability and technology. Establishment of online membership system and customer relation management system will be launched after the data collection and analysis on customer base have been finalised. Despite the extension of timeline in constructing CUBDIS, all the net proceeds for big data analysis and online marketing will still be utilised in the same manner as stated in the Prospectus. The unutilised net proceeds for big data analysis and online marketing were originally planned to be fully utilised by 31 December 2020, as stated in the Supplementary Announcement. Due to the above reason, the unutilised net proceeds are expected to be fully used by 31 December 2021.

* The English name of the above company represents the best effort made by the Directors to translate the Chinese name as the above company has not been registered with any official English name.

The remaining unutilised net proceeds as at 31 December 2020 were held in bank. Save as disclosed, the actual application of the net proceeds from the Listing were used and the unutilised amount are expected to be used in the manner consistent with the proposed allocations as set out in the Prospectus and there was no material change or delay in the use of proceeds. Given the impacts of the Pandemic on the economy, the Company will continue to evaluate and adopt a prudent and flexible approach for utilising the net proceeds effectively and efficiently for the long-term benefit and development of the Group. 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had a total workforce of approximately 837 employees (2019: 927). Most of the Group's employees were located in the PRC. The Group adopts a remuneration policy which is in general incentive structure to attract and retain high-performing and motivated employees. 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 adopts an employee policy which values the improvement in the professional quality of staff and provides a comprehensive training system for employees to maintain occupational and professional competitiveness in support of its long-term development. The Group maintains a good relationship with its employees. Particulars of employee benefit expense (excluding directors' remuneration) are set out in note 6 to the consolidated financial statements.

The Board has the general power of determining the Directors' remuneration, subject to authorisation 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, is determined by the Board, upon recommendation from the Remuneration Committee.

The Company has adopted a share option scheme ("**Share Option Scheme**") as an long-term incentive to Directors and full-time employees of the Group.

EVENTS AFTER THE BALANCE DATE

Save as disclosed, no event has occurred after 31 December 2020 and up to the date of this report which would have a material effect on the Group.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Law Hau Kit (羅厚杰), aged 50, is the founder, chairman and chief executive officer of the Group. He founded the Group in May 1999, was appointed as our Director on 4 October 2018 and was redesignated as our executive Director on 31 January 2019. Save as Chuangcheng Insurance and New Century Second-hand Car, Mr. Law is currently a director of each of our subsidiaries. Mr. Law is primarily responsible for overseeing the overall operation, market development, sales and supplier relationships management of the Group.

Mr. Law has over 27 years of experience in the automobile trading and distribution industry. Prior to founding the Group, Mr. Law worked in Foshan Shunde Automobile Industrial Trading Co., Ltd.* (佛山市順德汽車工業貿易有限公司) (previously known as Shunde Automobile Industrial Trading Co., Ltd.* (順德市汽車工業貿易公司), an automobile distributor and after-sales services provider, from October 1992 to July 1994, as a sales personnel and was promoted to be the sales manager. Mr. Law worked as a deputy general manager in Shunde Automobile Co., Ltd.* (順德汽車股份有限公司) ("**Shunde Automobile**") from September 1994 to January 1999 where he was primarily responsible for the procurement of motor vehicles and management of sales team. Shunde Automobile was engaging in the business of distribution of motor vehicles.

Mr. Law was appointed as a member of the eleventh Guangdong Province Zhongshan City Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆廣東省中山市委員會) on 29 December 2011. He is currently a member of the fifteenth execution committee of the Industry and Commerce Association of Zhongshan City (General Chamber of Commerce)* (中山市工商聯(總商會)第十五屆執委會常委), vice president of the Industry and Commerce Association of Western District of Zhongshan City (Chamber of Commerce)* (中山市西區工商業聯合會(商會)) and vice president of Zhongshan Motor Vehicle Maintenance Industry Association* (中山市機動車維修行業協會). Mr. Law joined Shun Tak Fraternal Association (順德聯誼總會) in October 2013 and was appointed as an honorary life president. He studied a diploma course majoring in law at Shunde Broadcast and Television University (順德廣播電視大學) from September 1990 to April 1992.

Mr. Chen Shaoxing (陳紹興), aged 50, is an executive Director. Mr. Chen joined the Group on 1 August 1999, was appointed as our Director on 31 January 2019 and was re-designated as our executive Director on 31 January 2019. He is the vice president of the Group and is primarily responsible for supervising the accounting, financial management, fund raising, capital management and public relations of the Group. He is also the supervisor of a number of our subsidiaries.

Mr. Chen has over 26 years of experience in accounting and financial management. Prior to joining the Group, Mr. Chen Shaoxing worked in Maoming First Cotton Textile Factory* (茂名市第一棉紡織廠) from August 1993 to June 1996, and he was promoted as the chief accounting officer for financing of operation department in November 1994. Mr. Chen worked as assistant accountant responsible for accounting matters in Shunde Automobile from July 1996 to August 1999. Shunde Automobile was engaging in the business of distribution of motor vehicles. He graduated from a diploma course in industry accounting from Harbin College of Mechanical Electronic* (哈爾濱機電專科學校) in July 1993. In March 2017, Mr. Chen was appointed as the vice precedent of the fourth council of the Western District Automobile Industry Branch of Zhongshan Sole Proprietor and Private Enterprise Association* (中山市個私協會西區汽車行業分會第四屆理事會).

Ms. Li Huifang (李惠芳), aged 42, is an executive Director. Ms. Li joined the Group on 20 May 2003, was appointed as our Director on 31 January 2019 and was re-designated as our executive Director on 31 January 2019. Ms. Li is the head of operation of the Group and is primarily responsible for the brand management, sales and marketing of all the dealerships of the Group.

Ms. Li has over 17 years of experience in the automobile sale and distribution industry. She worked for Zhongshan New Century from May 2003 to February 2009 and was promoted to be the general manager of Zhongshan New Century Pioneering Automobile Co. Limited* (中山市創世紀汽車有限公司) ("**Zhongshan New Century**"). She served as the store manager of Chuangri Automobile from February 2009 to June 2016 and the store manager of Mingcheng Automobile from June 2016 to April 2017. She was promoted to be a deputy head of operation in May 2017 and was further promoted to be a co-head of operation of the Group in March 2018. Ms. Li obtained a bachelor degree in agriculture from Zhanjiang Ocean University (湛江海洋大學), now known as Guangdong Ocean University (廣東海洋大學), in June 2002. She was awarded Excellent General Manager of Automobile Outlet* (優秀汽車經銷店總經理) by Guangdong Automobile Dealers Association (廣東省汽車流通協會) in March 2017.

NON-EXECUTIVE DIRECTOR

Mr. Woo King Hang (胡勁恒), aged 59, is a non-executive Director. Mr. Woo has extensive experience in financial and business management. Mr. Woo has been an assistant to chairman of the Board of the Company since February 2020, and was appointed as vice chairman and non-executive Director at 20 May 2020, while he ceased to be assistant to chairman of the Board.

Mr. Woo has been an independent non-executive director of Hans Energy Company Limited (HKEX Stock Code: 554) since June 2019. He was an executive director of Bamboos Health Care Holdings Limited (HKEX Stock Code: 2293) ("**Bamboos HCHL**") from May 2019 to July 2019, and was previously the general manager of Bamboos Professional Nursing Services Limited, a wholly owned subsidiary of Bamboos HCHL from April 2019 to May 2019. Mr. Woo also worked for Hip Hing Construction Company Limited ("**Hip Hing**") and NWS Service Management Limited ("**NWSSM**"), both wholly owned subsidiaries of NWS Holdings Limited (HKEX Stock Code: 659) ("**NWSHL**"). He was a project controller of NWSSM from January 2019 to April 2019 and served as a financial controller from February 2006 to June 2010 and an executive director from July 2010 to December 2018 in Hip Hing.

He is a fellow member of each of the Institute of the Chartered Accountants in England and Wales, the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Certified Public Accountants. Mr. Woo holds a Master of Business Administration from Kellogg Graduate School of Management, Northwestern University and the Hong Kong University of Science and Technology; a Bachelor of Laws from Peking University; and a Master of Laws from the City University of Hong Kong. Mr. Woo is a member of the panel of assessors and the Health Committee of the Medical Council of Hong Kong, the Chiropractors Council, the Chinese Medicine Practitioners Board of the Chinese Medicine Council of Hong Kong, the Advisory Committee on Admission of Quality Migrants and Professionals and the disciplinary committee of the Hong Kong Institute of Certified Public Accountants. He is also a council member of the Hong Kong Chinese Orchestra and the vice chairman of the Hong Kong PHAB Association.

Mr. Woo was a director of Bell Tea Overseas Limited (previously also known as Hip Hing Overseas Limited) ("**BTO**") from 2 July 2010 to 18 October 2018. BTO was a wholly owned subsidiary of NWSHL and incorporated in the Hong Kong on 13 April 1993 and was principally engaged in the business of construction overseas. On 19 September 2018, a winding up order (the "**Order**") was granted by the High Court of Hong Kong (the "**High Court**") on BTO. Mr. Woo confirmed that the Order was in relation to the non-payment for a sum arising from an arbitration case involving contractual dispute relating to the construction works of a building in Dubai which commenced in or about 2007 and was completed in or about 2011 between the petitioner of the Order and a joint venture entity (the "**Joint Venture**") in which BTO had 30% interests. An award (the "**Award**") was granted by an arbitration institution in Dubai in favor of the said petitioner, which then enforced the whole amount of the Award in the High Court against, among others, BTO. Mr. Woo further confirmed that he was not involved in any of the matters concerning the operations of the Joint Venture, the construction works or the said arbitration or matters leading to the granting of the Order.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Li Wai Keung (李偉強), aged 64, is an independent non-executive Director and joined the Group on 16 September 2019. He is mainly responsible for supervising and providing independent advice to our Board. Mr. Li has more than 40 years of experience in accounting financial management. Mr. Li was awarded the Endorsement Certificate in Accountancy by the Hong Kong Polytechnic University in November 1983 and obtained a master degree in Business Administration from the University of East Asia, Macau, currently known as City University of Macau, in December 1991. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants), and the honorary president of Hong Kong Business Accountants Association. Mr. Li had worked for Henderson Real Estate Agency Limited for around 16 years from September 1977 to September 1993 where he was promoted from an accounts clerk to the management level of deputy accounting manager and his responsibilities covered management reports, tax matters and consolidated financial statements. He was appointed a member of the twelfth Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆廣東省委員會) on 17 January 2018 and was subsequently appointed a standing member on 27 January 2018.

Mr. Li is currently an independent non-executive director of Shenzhen Investment Limited ("**SZ Investment**"), China South City Holdings Limited ("**China South City**") and Hans Energy Company Limited ("**Hans**"). SZ Investment, China South City and Hans are companies listed on the Main Board of the Stock Exchange (stock codes: 604, 1668 and 554 respectively). Also he served as an executive director of Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) ("**GDL**") from 12 November 2002 to 20 February 2020, a non-executive director of Guangdong Investment Limited ("**GDI**") from 30 May 2000 to 28 March 2020, and an independent non-executive director of Suncity Group Holdings Limited ("**SGHL**") from 16 March 2010 to 27 May 2011. GDL, GDI and SGHL are companies listed on the Main Board of the Stock Exchange (stock codes: 124, 270 and 1383). He also acts as a chief financial officer of GDH Limited from 6 March 2000 to 31 January 2020 and a director of Shenzhen City Airport (Group) Co. Ltd from August 2008 to July 2018. He is currently the chairman and a council member of the Hong Kong Chinese Orchestra Limited. He is currently serving as a management accounting adviser of the Ministry of Finance, PRC.

Ms. Yan Fei (嚴斐), aged 61, is an independent non-executive Director and joined the Group on 16 September 2019. She is mainly responsible for supervising and providing independent advice to the Board. She graduated from Nanchang Occupation Normal College of Technology (南昌職業技術師範學院) in July 1986. She previously worked as a journalist for Guangdong-Hong Kong Information Daily (粵港信息日報) and an assistant lecturer of Mechanic and Industrial College of Jiangxi Province* (江西省機械工業學校). She served as deputy secretary general of Guangdong Auction Industry Association (廣東省拍賣業協會) from September 2004 to November 2005. She is currently the president of Guangdong Automobile Dealers Association (廣東省汽車流通協會) and before promoted to such position she served the association as a secretary general since December 2005.

Mr. Hui Chun Tak (許鎮德), aged 57, is an independent non-executive Director and joined the Group on 20 May 2020. He is mainly responsible for providing independent opinion to the Board regarding areas in media relationship, information technology, operations and risk management.

Mr. Hui is currently working as the Administration Director for Transport International Holdings Limited, a leading public transport operator in Hong Kong and Mainland China ("**TIH**") (HKEX Stock Code 62). Mr. Hui started his police career as an inspector in 1986 and had worked in various key command, operational and management posts. As a superintendent, he was seconded to the Office of the Chief Executive Hong Kong Special Administrative Region (the "**Chief Executive**") and served as the Aide-de-camp to the Chief Executive from 2007 to 2010. He became a directorate officer in 2014 and worked in succession as Chief Superintendent, Police Public Relations Branch; District Commander, Sham Shui Po Police District; Chairman, Chief Inspector to Superintendent Promotion Board; and finally the Assistant Commissioner, Information Systems, in which capacity he retired and received the Police Distinguished Service Medal in 2018.

Mr. Hui holds a master's degree in general management from Macquarie University, Australia. He had also undertaken many leadership, command and management programmes at the Chinese Academy of Governance, Tsinghua University and the John F. Kennedy School of Government, Harvard University, the United States of America. Mr. Hui was appointed executive director of Sun Bus Limited ("**SBL**") from 1 January 2019 to 19 June 2019 and administration director of TIH since 1 April 2019. SBL is a wholly owned subsidiary of TIH.

SENIOR MANAGEMENT

Mr. Liu Ning (劉寧), aged 52, was appointed as the vice president of the Group in November 2017. He joined the Group as a sales consultant of Zhongshan New Century in February 2000. He is also a director of New Century Second-hand Car. Mr. Liu is primarily responsible for management, sales and marketing of other comprehensive car services. He was awarded the qualification of assistant engineer by the Zhongshan Bureau of Personnel (中山市人事局) in January 2007.

Mr. Liu has over 20 years of experience in sales and other integrated services. After Mr. Liu joined the Group, he has worked as sales consultants and store manager for several of our subsidiaries, including Zhongshan New Century, Jucheng Automobile and New Century Toyota, where he was in charge of sale and other integrated services.

Mr. Liu completed the undergraduate study majoring in industrial electronic automation from Northwest Institute of Textile Science and Technology* (西北紡織工學院), now known as Xi'an Polytechnic University (西安工程大學) in July 1991.

Mr. Chen Huaquan (陳華泉), aged 42, was appointed as a co-head of operation of the Group in April 2007. He joined the Group as the secretary to chief executive officer of Zhongshan New Century in August 2001 who is primarily responsible for matters related to important meetings, day to day management of office matters for the chief executive officer and correspondence and supervision on important policy matters. Mr. Chen is primarily responsible for the brand management, sales and marketing of insurance agency services of the Group.

Mr. Chen has over 18 years of experience in the automobile sales and distribution industry. After he joined our Group in 2001, Mr. Chen also served as a sales manager of New Century Toyota from January 2005 to April 2007.

Mr. Chen obtained a bachelor degree in mechanical design, manufacturing and automation from Zhuzhou College of Engineering* (株洲工學院) in July 2001. Mr. Chen was awarded the Occupational Qualification Certificate of Second Level Technician for car maintenance by the Human Resources and Social Security Department of Guangdong Province in October 2014.

Save as disclosed above, each of the Directors and senior management (i) did not hold other positions in the Company or other members of the Group; (ii) had no other relationship with any Directors, senior management members or substantial or controlling shareholders; and (iii) did not have an interest in the Shares and underlying Shares which would fall to be disclosed to the listed issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO.

REPORT OF THE DIRECTORS

The Board has pleasure in presenting the report of the Directors and the audited consolidated financial statements of the Group for the Year 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale and service of motor vehicles and provision of service in the PRC. Particulars of the subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

A review on the Group's business for the Year 2020 is set out under the section headed "Management Discussion and Analysis" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations.

The Group has developed environmental protection measures and policies to prevent and control pollution levels and harm caused to the environment in the form of waste gas, waste water, solid waste, dust and others. in the course of production or other activities in accordance with the applicable environmental laws and regulations.

The Group understands that a better future depends on everyone's participation and contribution. It has encouraged all employees to participate in environmental activities which benefit the community.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors recognise that employees, customers and business partners are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees and business partners, and improve the quality of services and products to the customers. Employees are regarded as the most important and valuable assets of the Group. The Group ensures all staff is reasonably remunerated and regular training courses are provided for its workers operation of different types of machinery, as well as work safety. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

COMPLIANCE WITH LAWS AND REGULATIONS

The operations of the Group are primarily carried out by the Company's subsidiaries in the PRC. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in the above jurisdiction. During the Year 2020 and up to the date of this report, the Group's operations have complied with all the relevant laws and regulations in the above jurisdictions in all material respects.

ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") of the Company will be held on 20 May 2021. 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.

RESULTS

The Group's result for the Year 2020 are set out in the consolidated statement of comprehensive income on page 72 of this annual report.

The Board does not recommend any payment of a final dividend for the Year 2020 (the Year 2019: Nil).

DIVIDENDS POLICY AND DIVIDEND

The Directors acknowledge the importance of stakeholders' engagement and would contemplate at least two times a year (prior to the announcement of annual and interim results) on the distribution of a dividend. While the Directors endeavour to share the Group's results with shareholders by way of a dividend, the portion and actual amount of distribution out of profits will be determined by the Directors having regard to a variety of factors, including but not limited to the Group's actual and expecting operating results and conditions, gearing level, general financial condition, availability of cash, future plans and funding needs for expansion.

The interim dividend for the six months ended 30 June 2020 was HK2 cents per Share (2019: Nil).

The Directors do not recommend the payment of a final dividend for the Year 2020 (the Year 2019: 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 May 2021 (Friday) to 20 May 2021 (Thursday), both dates inclusive, during which period no transfer of the 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 May 2021 (Thursday).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 160 of this annual report. Such summary does not form part of the audited consolidated financial statements

SHARE CAPITAL

Details of movement in the Company's share capital during the Year 2020 are set out in note 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the Year 2020 are set out in the consolidated statement of changes in equity set out on page 75 of this annual report.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to the Shareholders as at 31 December 2020 amounted to RMB100,440,000 (2019: RMB109,333,000), subject to the applicable statutory requirements under the laws of the Cayman Islands.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 16 September 2019. The Group granted share options ("**Share Options**") to Directors and certain employees on 21 May 2020 to subscribe for a total of 19,500,000 Shares with the exercise price of HK$0.48 per Share. Details of the grant of Share Options on 21 May 2020 are set out in an announcement of the Company dated 21 May 2020.

Based on the valuation report of an independent valuer, the aggregate estimated fair value of the Share Options granted on 21 May 2020 under the Share Option Scheme was approximately HK$3,429,000. The measurement date used in the valuation calculations was the date on which the Share Options were granted.

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, a total consideration of HK$32.0 was received by the Company.

The risk free rate is based on the yield of Hong Kong government bonds with maturity matching the contractual option life of the Share Options obtained from Bloomberg as at the date of grant.

At the time when the Share Options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the Share Options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits/accumulated losses.

Please note that the valuation model requires input of subjective assumptions. Change in the subjective input may materially affect fair value estimates.

As at 31 December 2020, 19,500,000 Share Options were still outstanding under the Share Option Scheme. Particulars of the Company's Share Option Scheme are set out in note 26 to the consolidated financial statements on page 144.

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 the Shares for the benefit of the Company and the shareholders as a whole. The Share Option Scheme will provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

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 to be issued upon exercise of the options granted under the Share Option Scheme (including both exercised, cancelled or outstanding options) to each Participant in any 12-month period shall not exceed 1% of the Shares in issued. The exercise 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 16 September 2019.

The following table disclosed movements in the Share Options during the Year 2020:

	Date of grant	Exercise period *(Note 1)*	Vesting period	Exercise price (HK$)	Closing price of the securities immediately before the date on which the Share Options were granted (HK$)	Number of options at 01/01/2020	Movements during the year ended 31 December 2020				Number of options at 31/12/2020
							Granted	Exercised	Cancelled	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	0.480	0.445	–	1,200,000	–	–	–	1,200,000
		21/05/2022 to 20/05/2025	21/05/2020 to 20/05/2022	0.480	0.445	–	900,000	–	–	–	900,000
		21/05/2023 to 20/05/2025	21/05/2020 to 20/05/2023	0.480	0.445	–	900,000	–	–	–	900,000
						–	3,000,000	–	–	–	3,000,000
Mr. Chen Shaoxing	21/05/2020	21/05/2021 to 20/05/2025	21/05/2020 to 20/05/2021	0.480	0.445	–	400,000	–	–	–	400,000
		21/05/2022 to 20/05/2025	21/05/2020 to 20/05/2022	0.480	0.445	–	300,000	–	–	–	300,000
		21/05/2023 to 20/05/2025	21/05/2020 to 20/05/2023	0.480	0.445	–	300,000	–	–	–	300,000
						–	1,000,000	–	–	–	1,000,000
Ms. Li Huifang	21/05/2020	21/05/2021 to 20/05/2025	21/05/2020 to 20/05/2021	0.480	0.445	–	400,000	–	–	–	400,000
		21/05/2022 to 20/05/2025	21/05/2020 to 20/05/2022	0.480	0.445	–	300,000	–	–	–	300,000
		21/05/2023 to 20/05/2025	21/05/2020 to 20/05/2023	0.480	0.445	–	300,000	–	–	–	300,000
						–	1,000,000	–	–	–	1,000,000

	Date of grant	Exercise period *(Note 1)*	Vesting period	Exercise price (HK$)	Closing price of the securities immediately before the date on which the Share Options were granted (HK$)	Number of options at 01/01/2020	Movements during the year ended 31 December 2020 Granted	Exercised	Cancelled	Lapsed	Number of options at 31/12/2020
Mr. Woo King Hang	21/05/2020	21/05/2021 to 20/05/2025	21/05/2020 to 20/05/2021	0.48	0.445	–	400,000	–	–	–	400,000
		21/05/2022 to 20/05/2025	21/05/2020 to 20/05/2022	0.48	0.445	–	300,000	–	–	–	300,000
		21/05/2023 to 20/05/2025	21/05/2020 to 20/05/2023	0.48	0.445	–	300,000	–	–	–	300,000
						–	1,000,000	–	–	–	1,000,000
Ms. Yan Fei	21/05/2020	21/05/2021 to 20/05/2025	21/05/2020 to 20/05/2021	0.48	0.445	–	200,000	–	–	–	200,000
		21/05/2022 to 20/05/2025	21/05/2020 to 20/05/2022	0.48	0.445	–	150,000	–	–	–	150,000
		21/05/2023 to 20/05/2025	21/05/2020 to 20/05/2023	0.48	0.445	–	150,000	–	–	–	150,000
						–	500,000	–	–	–	500,000
Mr. Li Wai Keung	21/05/2020	21/05/2021 to 20/05/2025	21/05/2020 to 20/05/2021	0.48	0.445	–	200,000	–	–	–	200,000
		21/05/2022 to 20/05/2025	21/05/2020 to 20/05/2022	0.48	0.445	–	150,000	–	–	–	150,000
		21/05/2023 to 20/05/2025	21/05/2020 to 20/05/2023	0.48	0.445	–	150,000	–	–	–	150,000
						–	500,000	–	–	–	500,000

	Date of grant	Exercise period *(Note 1)*	Vesting period	Exercise price (HK$)	Closing price of the securities immediately before the date on which the Share Options were granted (HK$)	Number of options at 01/01/2020	Movements during the year ended 31 December 2020				Number of options at 31/12/2020
							Granted	Exercised	Cancelled	Lapsed	
Mr. Hui Chun Tak	21/05/2020	21/05/2021 to 20/05/2025	21/05/2020 to 20/05/2021	0.48	0.445	–	200,000	–	–	–	200,000
		21/05/2022 to 20/05/2025	21/05/2020 to 20/05/2022	0.48	0.445	–	150,000	–	–	–	150,000
		21/05/2023 to 20/05/2025	21/05/2020 to 20/05/2023	0.48	0.445	–	150,000	–	–	–	150,000
						–	500,000	–	–	–	500,000
Total Directors and Chief Executive						**–**	**7.500.000**	**–**	**–**	**–**	**7,500,000**
Employees	21/05/2020	21/05/2021 to 20/05/2025	21/05/2020 to 20/05/2021	0.48	0.445	–	4,800,000	–	–	–	4,800,000
		21/05/2022 to 20/05/2025	21/05/2020 to 20/05/2022	0.48	0.445	–	3,600,000	–	–	–	3,600,000
		21/05/2023 to 20/05/2025	21/05/2020 to 20/05/2023	0.48	0.445	–	3,600,000	–	–	–	3,600,000
Total Employees						**–**	**12,000,000**	**–**	**–**	**–**	**12,000,000**
Total						**–**	**19,500,000**	**–**	**–**	**–**	**19,500,000**

Note:

(1) The Share 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 total Share Options;

(ii) From 21 May 2022 to 20 May 2025: can exercise no more than 30% of the total Share Options; and

(iii) From 21 May 2023 to 20 May 2025: can exercise no more than 30% of the total Share Options.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business, apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Year 2020 and up to and including the date of this report.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme, at no time during the year, the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year 2020, the five largest customers of the Group accounted for approximately 4.7% of the total revenue and sales to the largest customer accounted for approximately 1.7% of the total revenue. The five largest suppliers of the Group in aggregate accounted for about 82.3% of its operating costs for the Year 2020. Purchases from the largest supplier accounted for about 45.7% of its operating costs for the Year 2020.

Save as disclosed above, none of the Directors, their close associates or any shareholder (which to the knowledge of the Directors own more than 5.0% of the issued share capital of the Company) had an interest in these major customers or suppliers.

CONTINUING CONNECTED TRANSACTION

Pursuant to Chapter 14A of the Listing Rules, the following transactions are continuing connected transactions which are subject to the requirements under Chapter 14A of the Listing Rules.

A summary of the continuing connected transactions is set out below:

Name of the agreement	Parties	Background of counterparties
1. Referral Agreement (as defined below)	(1) The Company (for itself and on behalf of its subsidiaries) as referrer; and (2) Huichuang Financial Leasing (Zhuhai) Co., Ltd.* ("**Huichuang Financial Leasing**") as referee	Huichuang Financial Leasing is a limited liability company established in the PRC. As at the annual report date, it was indirectly wholly owned by Mr. Law through Zhongshan New Century.
2. Vehicle Sale and Purchase Framework Agreement (as defined below)	(1) The Company (for itself and on behalf of its subsidiaries) as vendor; and (2) Zhongshan New Century Car Rental Co., Ltd.* ("**New Century Car Rental**") as purchaser	New Century Car Rental is a limited liability company established in the PRC. As at the annual report date, it was indirectly wholly owned by Mr. Law through Zhongshan New Century and Zhongshan Dongri Automobile Sales and Services Co., Ltd.* who held 70% and 30% of its equity interests respectively.
3. Property Leasing Framework Agreement (as defined below)	(1) The Company (for itself and on behalf of its subsidiaries) as lessee; and (2) Zhongshan New Century (for itself and on behalf of its subsidiaries) as lessor	Zhongshan New Century is a limited liability company established in the PRC. As at the annual report date, it was wholly owned by Mr. Law.

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

FULLY EXEMPTED CONNECTED TRANSACTIONS

1. Referral Agreement (the Referral Agreement has an effective term until 31 December 2021)

From time to time, we refer customers or potential customers who wish to arrange vehicle financing to third party financiers and charge the financiers referral fees. Once Huichuang Financial Leasing commences its business operation, we may refer customers or potential customers to Huichuang Financial Leasing who require financial leasing services. On 23 September 2019, the Company (for itself and on behalf of its subsidiaries) and Huichuang Financial Leasing entered into a referral agreement (the "**Referral Agreement**") pursuant to which the Company agrees to refer and to procure that the Group refers customers or potential customers who require financial leasing service to Huichuang Financial Leasing on a best efforts basis from time to time during the term of the Referral Agreement.

For the Year, the Referral Agreement Annual Cap (the "**RACC**") approved for the continuing connected transactions between the Group and Huichuang Financial Leasing under the Referral Agreement was RMB0.8 million and the actual transacted amounts were approximately RMB0.1 million which did not exceed the RACC.

As each of the applicable percentage ratios (other than the profits ratio) for the Referral Agreement is less than 5% on an annual basis and the total consideration for each of them is less than HK$3,000,000, the transactions under the Referral Agreement are exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

NON-EXEMPT CONNECTED TRANSACTION

2. Vehicle Sale and Purchase Framework Agreement (the Vehicle Sale and Purchase Framework Agreement has an effective term until 31 December 2021)

From time to time, New Century Car Rental will purchase passenger vehicles which the Group is authorised to sell by the automobile manufacturers of such vehicles (the "**Vehicles**") from the Group as its operation requires so as to having sufficient vehicles for car rental. On 23 September 2019, our Company (for itself and on behalf of its subsidiaries) and New Century Car Rental entered into a framework agreement (the "**Vehicle Sale and Purchase Framework Agreement**") that governs the overall relationship of the parties in relation to the individual purchase orders which will be placed during the term of the Vehicle Sale and Purchase Framework Agreement.

For the Year, the Vehicle Sale and Purchase Framework Agreement Annual Cap (the "**VSPFAAC**") approved for the continuing connected transactions between the Group and New Century Car Rental under the Vehicle Sale and Purchase Framework Agreement was RMB60.0 million and the actual transacted amounts was nil which did not exceed the VSPFAAC.

3. Property Leasing Framework Agreement (the Property Leasing Framework Agreement has an effective term until 31 December 2021)

From time to time, the Zhongshan New Century and its subsidiary has leased and will lease property (including land and buildings to be used as shops, office, storage and parking spaces) to the Group to meet daily operation needs. On 23 September 2019, the Company (for itself and on behalf of its subsidiaries) and Zhongshan New Century (for itself and on behalf of its subsidiaries) entered into a framework agreement (the "**Property Leasing Framework Agreement**") that governs the overall relationship of the parties in relation to the individual lease agreements which are in effect or will be entered into during the term of the Property Leasing Framework Agreement.

For the Year, the Property Leasing Framework Agreement Annual Cap (the "**PLFAAC**") approved for the continuing connected transactions between the Group and Huichuang Financial Leasing under the Property Leasing Framework Agreement was RMB6.0 million and the actual transacted amounts were approximately RMB0.4 million which did not exceed the PLFAAC.

Further details of the continuing connected transaction are set out in the section headed "Connected Transactions" in the Prospectus.

Confirmation from independent non-executive Directors

Pursuant to rule 14A.55 of the Listing Rules, the aforesaid continuing connected transactions have been reviewed by independent non-executive Directors of the Company. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions of the Group for the Year have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Confirmation of the auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to conduct certain procedures in respect of the continuing connected transactions of the Group in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has also issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

In accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagement Other than Audits or Reviews of Historical Financial Information", the auditor has also reported to the Board that for the Year 2020, nothing has come to their attention that the continuing connected transactions, which were governed by the Referral Agreement, Vehicle Sale and Purchase Framework Agreement and Property Leasing Framework Agreement (i) have not received the approval of the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) have not been entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and (iv) have exceeded the relevant cap amount for the Year 2020 as set out in the Prospectus, by the Company in respect of the continuing connected transactions.

Confirmations from the Company

The Company has conducted a review of its connected transactions and confirmed that all such transactions had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in note 31 to the consolidated financial statements, each constitutes a connected transaction of the Company as defined under Chapter 14A of the Listing Rules, and has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DEED OF NON-COMPETITION

The controlling shareholders of the Company has given an unconditional and irrevocable non-competition undertaking in favour of our Company and its subsidiaries on 23 September 2019 to protect the Group from any potential competition with the controlling shareholders. The controlling shareholders have confirmed full compliance with the terms of the non-competition undertaking during the Year 2020.

The independent non-executive Directors have also reviewed the status of compliance with the Non-Competition Undertakings by each of the Controlling Shareholders and have confirmed that, as far as the independent non-executive Directors can ascertain, there is (i) no new opportunities which would constitute competition with the restricted business (as defined in the section headed "Relationship with our Controlling Shareholders — Deed of Non-Competition" of the Prospectus; and (ii) no breach of any of the undertakings in the Non-Competition Undertakings.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2020 are set out in note 24 to the consolidated financial statements.

DONATIONS

During the Year 2020, the Group made no charitable and other donations.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the Year 2020 are set out in note 13 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the Year 2020.

Other than the Share Option Scheme, there have been no option, convertible securities or similar rights or arrangements, issued or granted by the Group during the Year 2020 and as at the date of this annual report.

During the Year 2020, the Company has not entered into or maintained any equity-linked agreements.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

DIRECTORS

The Directors of the Company during the Year 2020 and up to the date of this annual report are as follow.

	Appointed on
Executive Directors	
Mr. Law Hau Kit *(Chairman and Chief Executive Officer)*	4 October 2018
Mr. Chen Shaoxing	31 January 2019
Ms. Li Huifang	31 January 2019
Non-executive Director	
Mr. Woo King Hang *(Vice Chairman)*	20 May 2020
Independent Non-executive Directors	
Mr. Li Wai Keung	16 September 2019
Mr. Chang Eric Jackson *(retired on 20 May 2020)*	16 September 2019
Ms. Yan Fei	16 September 2019
Mr. Hui Chun Tak	20 May 2020

In accordance with the provisions of the Company's articles of association, Ms. Li Huifang, Mr. Li Wai Keung and Ms Yan Fei will retire and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rule and the Board consider them independent.

During the Year 2020, Mr. Chang Eric Jackson ("**Mr. Chang**"), an independent non-executive Director, has been retired from the Board and ceased to be the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee with effect from 20 May 2020. Mr. Chang has confirmed that his resignation was due to his intention to pursue other career development opportunities.

DIRECTORS' SERVICE CONTRACT

All executive Directors have entered into service agreements with the Company for a term of three years commencing from 18 October 2019 which may be terminated earlier by no less than three months written notice served by either party on the other. Non-executive Director Mr. Woo King Hang has entered into service agreements with the Company for a term of three years commencing from 20 May 2020 which may be terminated earlier by no less than three months written notice served by either party on the other. Independent non-executive Directors Mr. Li Wai Keung and Ms Yan Fei have entered into a service agreement with the Company for a term of three years commencing from 18 October 2019, which may be terminated earlier by no less than one month written notice served by either party on the other. Independent non-executive Director Mr. Hui Chun Tak has entered into a service agreement with the Company for a term of three years commencing from 20 May 2020, which may be terminated earlier by no less than three months written notice served by either party on the other. All Directors are subject to retirement from office and re-election at the AGM of the Company in accordance with the memorandum and articles of association of the Company.

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company and any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' REMUNERATION

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The remunerations of the Directors are determined with reference to market terms, seniority, experiences, duties and responsibilities assumed by each Director as well as their individual performance. The Directors' remuneration including the Directors' fees is subject to the shareholders' approval at general meeting. Other emoluments are recommended by the Remuneration Committee for the Board's approval, having regard to the operating results of the Group, individual performance and comparable market statistics. Details of emoluments of the Directors are set out in note 8 to the consolidated financial statements. No remuneration was paid by the Group to the Directors and senior management of the Group as an inducement to join or upon joining the Group or as compensation for loss of office, during the Year 2019 and Year 2020.

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.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed elsewhere in this annual report, none of the Directors or controlling shareholders, nor a connected party of any Directors or controlling shareholders, had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party during the Year 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DISCLOSURE OF INTERESTS

As at 31 December 2020, 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) Directors' interests in the Company

Name of Director	Capacity/nature	Number of Shares/ underlying Shares held/Interested in	Long/short position	Percentage of shareholding
Mr. Law Hau Kit	Interest in a controlled corporation	375,000,000 *(Note 1)*	Long	75.00%
	Beneficial owner	3,000,000 *(Note 2)*	Long	0.60%
Mr. Chen Shaoxing	Beneficial owner	1,000,000 *(Note 2)*	Long	0.20%
Ms. Li Huifang	Beneficial owner	1,000,000 *(Note 2)*	Long	0.20%
Mr. Woo King Hang	Beneficial owner	1,000,000 *(Note 2)*	Long	0.20%
Ms. Yan Fei	Beneficial owner	500,000 *(Note 2)*	Long	0.10%
Mr. Li Wai Keung	Beneficial owner	500,000 *(Note 2)*	Long	0.10%
Mr. Hui Chun Tak	Beneficial owner	500,000 *(Note 2)*	Long	0.10%

Notes:

1. 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.

2. The interest of each of Mr. Law, Mr. Chen, Ms. Li, Mr. Woo, Ms. Yan, Mr. Li and Mr. Hui in 3,000,000, 1,000,000, 1,000,000, 1,000,000, 500,000, 500,000 and 500,000 underlying Shares represents his/her interest in the Share Options granted by the Company to him/her on 21 May 2020 under the Share Option Scheme. 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.

(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 31 December 2020, 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 31 December 2020, 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	Percentage of shareholding
Chong Kit Limited *(Note 1)*	Beneficial owner	375,000,000	Long	75.00%
Ms. Liu Yali *(Note 2)*	Interest of spouse	378,000,000	Long	75.60%
Mr. Ho Wing Tim	Beneficial owner	27,776,000	Long	5.56%
Ms. Ho Lai Wan *(Note 3)*	Interest of spouse	27,776,000	Long	5.56%

Notes:

1. 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.

2. 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.

3. Ms. Ho Lai Wan is the spouse of Mr. Ho Wing Tim. Under the SFO, Ms. Ho Lai Wan will be deemed to be interested in the same number of Shares underlying Share in which Mr. Ho Wing Tim is interested.

Save as disclosed above, as at 31 December 2020, 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.

CORPORATE GOVERNANCE

Save as disclosed, the Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**") during the Year 2020. Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in this annual report.

SIGNIFICANT LEGAL PROCEEDINGS

During the Year 2020, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

PERMITTED INDEMNITY PROVISION

Pursuant to the article 164(1) of the articles of association of the Company, the Directors are indemnified and secured harmless out of the assets of the Company against all losses and liabilities which may incur or sustain in execution of their duty, except such which they shall incur or sustain through their own fraud or dishonesty. The permitted indemnity provision as stated in the articles of association of the Company is in force as required by section 470 of the Companies Ordinance.

The Company has arranged appropriate liability insurance in respect of legal proceedings against the Directors during the Year 2020.

PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, at least 25% of the Company's Shares in issue were held by the public as at the date of this report.

AUDITOR

The consolidated financial statements of the Company for the Year 2020 have been audited by Ernst & Young, who will retire, and being eligible, offer themselves for appointment at the forthcoming annual general meeting of the Company.

PRINCIPAL RISK AND UNCERTAINTY

The results and business operations of the Group are subject to the impact of a number of factors, including those arising from the macro-economic environment as well as those inherent in the auto retail sector. The major risks are summarised as follows:

(i) Macro-economic environment

As a pillar industry of the national economy, the auto sector is considerably correlated to the volatile periods of the macro-economy in terms of timing and extent. In 2020, the Pandemic had made a big and substantial impact on the PRC's and the world's economy. The automobile industry was also impacted by these challenges and uncertainties. With the disruption in the Group's business operation and consumer spending in general in the PRC, sales volume of the Group was significantly impacted. Despite facing severe challenges throughout the year, the Group has reacted timely to the economic landscape and adopted new business plans to cope with the situation.

(ii) Industry policies

The Group's business operations must comply with policies and regulations announced by the PRC government for the administration of the auto industry. Changes in such industry policies may result in decreased market demand for products, lower prices for products and services and escalated market competition, which will in turn result in the decrease in revenue and profit. As such, the Group will monitor closely any developments in government policies on our industry, while enhancing our service standards on an ongoing basis to address any risks arising from changes in industry policies.

(iii) Market risks

The Group is subject to various types of market risks, including credit risks, liquidity risks, interest rate risks and exchange risks, the details of which are set out in note 35 to the financial statements in this annual report. The Group has exercised effective control over market risks through continuous monitoring of risks and changes, timely risk warnings and appropriate application of hedge instruments.

EVENTS AFTER THE REPORTING PERIOD

No event has occurred after 31 December 2020 and up to the date of this annual report which would have a material effect on the Group.

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 2020 and the financial statements for the Year 2020 prepared in accordance with the IFRSs.

On behalf of the Board of
Centenary United Holdings Limited
Law Hau Kit
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 26 March 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Company has applied the principles and 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 2020, 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 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 2020 interim report of the Company and corporate governance report in the 2019 annual report of the Company, none of the Directors 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.

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 the Directors 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 2020.

BOARD OF DIRECTORS

The Board is responsible for leading and directing the Group's business through formulation of overall strategies and policies, evaluation of performance and overseeing the management function. In discharging its duties, the Board acts in good faith with due diligence and care, and makes decisions objectively in the best interests of the Company and its shareholders. The execution of strategies and implementation of policies in the Group's daily operations are delegated to the management team.

The composition of the Board and the attendance record of each Director at board meetings for the Year 2020 are as below.

		Attendance/Meeting held	
	Appointed on	Board meeting	General meeting
Executive Directors			
Mr. Law Hau Kit *(Chairman and Chief Executive Officer)*	4 October 2018	6/6	2/2
Mr. Chen Shaoxing	31 January 2019	6/6	2/2
Ms. Li Huifang	31 January 2019	6/6	2/2
Non-executive Director			
Mr. Woo King Hang *(Vice Chairman)*	20 May 2020	5/5	0/1
Independent Non-executive Directors			
Mr. Li Wai Keung	16 September 2019	6/6	2/2
Mr. Chang Eric Jackson *(retired on 20 May 2020)*	16 September 2019	1/1	0/1
Ms. Yan Fei	16 September 2019	6/6	2/2
Mr. Hui Chun Tak	20 May 2020	5/5	1/1

Biographical details of and the relationship amongst the Directors are presented in the section headed "Directors And Senior Management" of this annual report. A list of the Directors identifying their roles and functions is available on the Stock Exchange's and the Company's website.

Each of the Directors (being Mr. Law Hau Kit, Mr. Chen Shaoxing, Ms. Li Huifang, Mr. Woo King Hang, Mr. Li Wai Keung, Ms. Yan Fei and Mr. Hui Chun Tak) has participated in continuous professional development seminar organised by the Company or external institutions (as the case may be) to develop their knowledge and skills during the Year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, all independent non-executive Directors will continue to make various contributions to the Company.

During the Year 2020, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the number of independent non-executive Directors represents at least one-third of the Board.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence and considers that each of them to be independent by reference to the Rule 3.13 of the Listing Rules.

The composition of the Board provides sufficient balance of skills, experience and diversity of perspectives in leading the Company to achieve its goal and the independent non-executive Directors provide independent judgment in the Board's overall decision making process.

FUNCTIONS, ROLES, RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTION OF THE BOARD

The Board, headed by the chairman of the Board (the "**Chairman**"), is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

The executive Directors are responsible for day-to-day management of the Company's operations, financial management and conducting meetings with senior management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring internal control system and risk management function.

The Company considers good corporate governance practices and procedures are essential to the establishment of a sustainable organization. The Board is responsible for overviewing and monitoring the implementation of the Company's corporate governance practices and ensures those practices are in accordance with the code provisions as set out in the CG Code.

The duties of the Board in relation to corporate governance functions include:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

Matters specifically decided by the Board and those reserved for the management, such as daily management, administration, operation of the Company and so forth, are reviewed by the Board on a periodic basis. The management shall report back to the Board.

In addition, the Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

Board Meetings

The Company's articles of association sets out the responsibilities and proceedings of the Board. The Board meets regularly, at least four times a year, to consider operational reports and policies of the Company. Significant operational policies are discussed and passed by the Board. Not less than 14 days' notices are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and Board Committee meetings, reasonable notice is generally given in the circumstances. The company secretary of the Company is responsible for taking and keeping minutes of all Board meetings and committee meetings. Minutes of the Board meetings and committee meetings are recorded in sufficient details in respect of matters considered by the Board and committees and the decisions reached. Final version of these minutes are available for inspection by Directors.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

At the AGM held on 20 May 2020, Mr. Woo King Hang ("**Mr. Woo**") was appointed as the vice chairman ("**Vice chairman**") of the Board and a non-executive Director while Mr. Hui Chun Tak ("**Mr. Hui**") was appointed as an independent non-executive Director. The biographical details of Mr. Woo and Mr. Hui are presented in the section headed "Directors And Senior Management" of this annual report. Mr. Chang Eric Jackson ("**Mr. Chang**") has been retired from the Board and ceased to be the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee with effect from 20 May 2020. Details of such appointments and retirement are set out in an announcement of the Company dated 20 May 2020.

Each of the executive Directors and non-executive Director has entered into a service contract with the Company for an initial fixed term of three years, while each of the independent non-executive Directors has been appointed for an initial fixed term of three years.

Notwithstanding the specific term of appointment, provisions of the Company's articles of associations require that every Director is subject to retirement by rotation at an AGM at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Pursuant to the Company's articles of association, at least one-third of the Directors shall retire from office but are eligible for re-election by the shareholders at each AGM of the Company and each Director shall retire on a rotational basis at least once every three years.

BOARD DIVERSITY POLICY

The Board has adopted a policy of the Board diversity (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. Under the Board Diversity Policy, the Company considers diversity of Board members to be achieved through consideration of a number of aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments are based on merit and contribution, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

The nomination committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy.

NOMINATION POLICY

The Company has adopted a nomination policy, which establishes written guidelines to nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors. The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure the Board has a balance of skills, experience, and diversity of perspectives appropriate to the requirements of the Company's business. Collectively, they have competencies in areas which are relevant and valuable to the Group.

DIVIDEND POLICY

The Company has adopted a dividend policy in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

(a) the Company's current and future operations, actual and expected financial performance;

(b) any corporate development plans;

(c) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;

(d) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(e) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(f) retained earnings and distributable reserves of the Company and each of the members of the Group;

(g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

The recommendation of the payment of dividend is subject to the determination of the Board, and, any declaration of final dividend for the year will be subject to the approval of the shareholders. The payment of dividend is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and amended and restated memorandum and articles of association of the Company.

At the meeting of the Board held on 26 March 2021, The Board did not recommend any payment of a final dividend for the Year 2020.

BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established three committees for overseeing the performance of specific functions which are set out in written terms of reference for each committee. The composition of each committee and attendance of members at committee meeting held since the Listing and up to the date of this annual report are as follow.

Composition of Board committees	Audit Committee	Nomination Committee	Remuneration Committee
	Attendance/Number of meetings held (C=Chairman; M=Member of the Committee)		
Independent Non-executive Directors			
Mr. Li Wai Keung	2/2(C)	N/A	4/4(M)
Mr. Chang Eric Jackson *(retired on 20 May 2020)*	1/1(M)	1/1(M)	1/1
Ms. Yan Fei	2/2(M)	1/1(M)	N/A
Mr. Hui Chun Tak *(appointed on 20 May 2020)*	1/1	N/A(M)	3/3
Non-executive Director			
Mr. Woo King Hang *(appointed on 20 May 2020)*	N/A	N/A	N/A
Executive Directors			
Mr. Law Hau Kit	N/A	1/1(M)	N/A
Mr. Chen Shaoxing	N/A	N/A	4/4(M)
Ms. Li Huifang	N/A	N/A	N/A

Audit committee

The audit committee comprises, Mr. Li Wai Keung, Ms. Yan Fei and Mr. Hui Chun Tak, all of whom are independent non-executive Directors. Mr. Li is the chairman of the Audit Committee who has appropriate professional qualification and experiences as required under rule 3.10(2) of the Listing Rules. The Audit committee is established in accordance with rule 3.21 of the Listing Rules.

The audit committee was established in September 2019 and written terms of reference, which describe the authority and duties of the audit committee have been adopted and posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

The primary duties of the audit committee are to review and supervise the Group's financial reporting process, risk management and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The audit committee has met with the Company's management to review its interim and final financial statements for the Year and met the Company's auditor to discuss auditor's independence, audit approach, key audit matters and results of audit for the Year. The audit committee has met with the chairman of the Board and the auditor, separately and without the presence of management, for discussion of matters which may be of sensitive nature. The audit committee has also met with and reviewed the report conducted by the Company's internal audit and compliance department for their review on selected areas of the Group's risk management and internal control system for the Year. The audit committee has reviewed the effectiveness of the Group's internal audit function and considered that the risk management and internal control systems of the Group are effective and adequate and had provided its comments to the Board for further evaluation.

Nomination committee

The nomination committee comprises one executive Director, Mr. Law Hau Kit and two independent non-executive Directors, Ms. Yan Fei and Mr. Hui Chun Tak. Mr. Law Hau Kit is the chairman of the nomination committee.

The nomination committee was established in September 2019 and written terms of reference, which describe the authority and duties of the nomination committee have been adopted and posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management following the Board Diversity Policy. When making recommendation, the nomination committee has considered the background, experiences, skill and knowledge of the candidates and has reported to the Board. The nomination committee has also reviewed the independence of independent non-executive Directors, considered the retirement and proposal for appointment of Directors at the Company's forthcoming AGM and considered the appointment of a new chief operating officer. The nomination committee is of the view that the Board comprised the suitable qualifications and diversity for leading and governing the Group.

Remuneration committee

The remuneration committee comprises one executive Director, Mr. Chen Shaoxing and two independent non-executive Directors, Mr. Li Wai Keung and Mr. Hui Chun Tak. Mr. Hui Chun Tak is the chairman of the remuneration committee.

The remuneration committee was established in September 2019 and written terms of reference, which describe the authority and duties of the remuneration committee have been adopted and posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

The responsibilities of the remuneration committee are to make recommendations to the Board on policy and structure for Directors' and senior management's remuneration and the remuneration packages of individual executive Directors and senior management and to ensure that no Director is involved in deciding his own remuneration. For the Year 2020, the remuneration committee has assessed the performance and time commitment of executive Directors, non-executives Directors, independent non-executive Directors and senior management and salaries paid by comparable companies to make recommendations to the Board. The remuneration committee has also approved the terms of executive Directors' service contract.

EXTERNAL AUDITOR

The auditors are Ernst & Young. Ernst & Young provided services in respect of the audit of Company's consolidated financial statements which were 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 Companies Ordinance (Chapter 622 of the laws of Hong Kong) for the Year 2020.

The remuneration paid to the Company's auditor for the Year 2020 is as below:

	RMB'000
Audit services provided to the Group	1,300
Non-audit services *(Note)*	142
Total	1,442

Note: "Non-audit services" include review and consultancy services and taxation services.

The statement of the auditors regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 65 to 70 of this annual report.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the financial position of the Group. The responsibilities of the Company's auditor on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 65 to 70 of this annual report. The Directors are not aware of any material uncertainties relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks the Group is willing to take in achieving the Group's strategic objectives, reviewing and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems.

The management is primarily in charge of designing, implementing and monitoring the risk management and internal control systems. Management identifies and prioritizes the key potential risks of the Group through detailed assessment process. With the regular reports to the Board, the Board, through the Audit Committee, reviews the potential risks and risk appetite of the Group and provide recommendation on appropriate risk responses to ensure risk management effectiveness. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

During the Year 2020, the Group has established the internal audit and compliance department to conducts regular internal audit review across principal divisions of the Group, including scopes of corporate governance, operations, legal matters and finance. The internal audit and compliance department reports their findings with improvements directly to the Audit Committee on a regular basis to ensure the internal controls are in place and adopted properly. The department will also carry out the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group annually.

With the discussion between management, the internal audit and compliance department and the Audit Committee, the Board considered that the risk management and internal control systems of the Group are effective and adequate. The review of the risk management and internal control systems of the Group is an ongoing process which the Board will review them annually and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

JOINT COMPANY SECRETARIES

The Company's joint company secretaries are Mr. Chan Ngai Fan and Ms. Liang Jiexin. Ms. Liang is an employee of the Company, while Mr. Chan is an external service provider. Mr. Liang is the primary contact person at the Company with Mr. Chan.

The joint company secretaries coordinate the supply of information about the Group to the Directors. All Directors have access to the joint company secretaries to ensure that Board procedures are followed.

During the Year 2020, Mr. Chan Ngai Fan and Ms. Liang Jiexin have undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG")

A separate ESG report will be published by the Company within three months after the publication of this annual report in accordance with Appendix 27 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

There were no changes to the memorandum of association of the Company and articles of association from since the date of Listing on the Stock Exchange.

A copy of the memorandum and articles of association of the Company is posted on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Under the articles of association, an extraordinary general meeting ("**EGM**") may be convened by the Board upon requisition by any one or more Shareholders holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at any general meetings. The Shareholder(s) shall make a written requisition to the Board or the Company Secretary at the head office of the Company in Hong Kong, specifying the shareholding information of the Shareholder(s), his/her/their contact details and the proposal regarding any specifying transaction/business and its supporting documents.

If within 21 days of deposit of such written requisition, the Board does not proceed to convene such EGM, the requisitionist(s) himself/herself/themselves may convene an EGM in the same manner as that in which such meeting may be convened by the Board, provided that such meeting so convened shall not be held after the expiration of two months from the date of deposit of such requisition.

To propose a candidate for election as a Director at a general meeting, a shareholder should deposit a written proposal, together with a written notice by the candidate indicating his willingness to be elected, to the Company either at its principal place of business in Hong Kong (at Unit 1426, 14/F., Solo Building, 41-43 Carnarvon Road, Tsim Sha Tsui, Kowloon, Hong Kong) or its branch share registrar and transfer office in Hong Kong (Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) at least seven clear days before the date of the general meeting.

The Company believes that effective communication with its shareholders is essential for enhancing investors' understanding of the Group's business and performance. The Company maintains a corporate website at www.car2000.com.cn to disseminate latest information about the Group. The Company's constitution document and terms of reference of board committees are also available for download at Company's website. There has been no change to the Company's constitution document since the date of Listing and up to 31 December 2020. The chairman of the Board will attend, and endeavour to ensure the chairmen of various board committees to attend, general meetings to answer questions from shareholders.

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Centenary United Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Centenary United Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 69 to 156, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Timing of revenue recognition Revenue for the year ended 31 December 2020 amounted to RMB1,913 million. The Group's revenue mainly generates from sales of motor vehicles to a significant number of individual customers. Revenue from sales of motor vehicles is recognised upon the control of the product is transferred to the customer, generally on delivery of the product. We identified revenue recognition as a key audit matter because there is a risk that revenue may be overstated because of fraud resulting from the pressure local management may feel to achieve performance targets at the reporting period end. The Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognised before the control has been transferred. Relevant disclosures are included in note 2.4 "Summary of significant accounting policies" and note 5 "Revenue, other income and gains" to the financial statements.	We performed the following procedures to address this matter: • We obtained an understanding of and assessed the design, implementation and operating effectiveness of management's key internal controls in relation to the timing of revenue recognition; • We assessed the sales transactions by checking the sales recorded, based among other things on inspection of sales contracts and final acceptances by the customers; and • We performed cut-off testing procedures by checking the sales transactions taking place at either side of the balance sheet date as well as credit notes issued after the year end date to assess whether that revenue had been recognised in the appropriate accounting periods.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of vender rebates The Group has agreements with automobile manufacturers whereby volume-related allowances, performance rebates, marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those vendors. As such, the Group recognises a reduction in cost of sales or inventories as a result of amounts receivable from vendors. We regarded this as a key audit matter as (1) the recognition of vendor rebates involved management judgment and estimate in accordance with rebates agreements and (2) there is a risk that rebates may be materially misstated due to the significant magnitude thereof, the varying terms with the vendors and also the judgments made in accruing for rebates as at year-end in relation to the nature and level of fulfilment of the Group's obligation under the vendors agreements. For the recognition of vendor rebates in accordance with rebates agreements, the key judgment that the management focused on was the estimate of rebates to be accrued as at the period end. Relevant disclosures are included in note 2.4 "Summary of significant accounting policies" and note 3 "Significant Accounting Judgements and Estimates".	We have performed the following procedures to address this matter: • We obtained an understanding of the design and implementation of management's key internal controls in relation to the recognition of vendor rebates; • We assessed the accounting treatment in respect of the recognition of vendor rebates by inspecting the terms and conditions of the vendor rebate arrangements for all automobile manufacturers with reference to the requirements of the prevailing accounting standards; • We checked the recognitions and settlements of the vendor rebates during the year, on a sample bases, by comparing the recognised rebate amount with credit notes issued by the vendors or bank payment slips; • for vendor rebate receivables at the reporting date, we performed recalculations of the amounts of rebates and receivables, on a sample basis, based on the terms of the underlying vendor rebate arrangements and relevant inputs, including sales and purchase volume data, rebate rates and other specific criteria as set out in the respective vendor rebate arrangements; • We evaluated, on a sample basis, the relevant inputs used to calculate vendor rebates by comparing the inputs with relevant underlying documentation; and • We examined, on a sample basis, the subsequent settlements of vendor rebates accrued at the year end.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Hui Kin Fai, Stephen.

Ernst & Young
Certified Public Accountants
Hong Kong

26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**1,912,684**	2,072,167
Cost of sales		**(1,782,285)**	(1,892,663)
Gross profit		**130,399**	179,504
Other income and gains	5	**21,878**	18,649
Selling and distribution expenses		**(50,935)**	(58,956)
Administrative expenses		**(52,868)**	(68,083)
Other expenses, net		**(276)**	(673)
Finance costs	7	**(14,656)**	(17,582)
PROFIT BEFORE TAX	6	**33,542**	52,859
Income tax expense	10	**(12,008)**	(19,791)
PROFIT FOR THE YEAR		**21,534**	33,068
Attributable to:			
Owners of the parent		**21,429**	33,068
Non-controlling interests		**105**	—
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**RMB4.29 cents**	RMB8.30 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
PROFIT FOR THE YEAR	**21,534**	33,068
OTHER COMPREHENSIVE INCOME/(LOSS)		
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**408**	(1,198)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**408**	(1,198)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**21,942**	31,870
Attributable to:		
Owners of the parent	**21,837**	31,870
Non-controlling interests	**105**	—
	21,942	31,870

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**129,629**	123,060
Right-of-use assets	14	**35,765**	44,597
Other intangible assets	15	**384**	430
Deferred tax assets	16	**1,086**	317
Total non-current assets		**166,864**	168,404
CURRENT ASSETS			
Inventories	17	**299,520**	308,481
Trade receivables	18	**12,128**	5,821
Prepayments, other receivables and other assets	19	**188,472**	184,189
Amounts due from related companies	31	**—**	48,163
Pledged deposits	20	**108,674**	114,140
Cash and cash equivalents	20	**39,396**	28,967
Total current assets		**648,190**	689,761
CURRENT LIABILITIES			
Trade and bills payables	21	**195,470**	148,541
Contract liabilities	22	**61,392**	64,880
Other payables and accruals	23	**52,577**	53,825
Interest-bearing bank and other borrowings	24	**107,166**	302,108
Tax payable		**20,503**	16,250
Total current liabilities		**437,108**	585,604

	Notes	2020 RMB'000	2019 RMB'000
NET CURRENT ASSETS		**211,082**	104,157
TOTAL ASSETS LESS CURRENT LIABILITIES		**377,946**	272,561
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**99,500**	—
Lease liabilities	14, 23	**22,550**	30,925
Total non-current liabilities		**122,050**	30,925
Net assets		**255,896**	241,636
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	**4,515**	4,515
Reserves	27	**249,276**	235,121
Equity attributable to owners of the parent		**253,791**	239,636
Non-controlling interests		**2,105**	2,000
Total equity		**255,896**	241,636

Law Hau Kit
Director

Chen Shaoxing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent									
	Share capital RMB'000 Note 25	Share premium* RMB'000 Note 27	Share option Reserve* RMB'000 Note 26	Other reserve* RMB'000 Note 27	Statutory surplus reserve* RMB'000 Note 27	Foreign currency translation reserve* RMB'000	Retained profits* RMB'000 Note 27	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	4,515	109,333	–	(44,512)	30,787	(1,198)	140,711	239,636	2,000	241,636
Profit for the year	–	–	–	–	–	–	21,429	21,429	105	21,534
Exchange differences on translation of foreign operations	–	–	–	–	–	408	–	408	–	408
Total comprehensive income for the year	–	–	–	–	–	408	21,429	21,837	105	21,942
Dividend declared (note 11)	–	(8,893)	–	–	–	–	–	(8,893)	–	(8,893)
Transfer from retained profits	–	–	–	–	2,778	–	(2,778)	–	–	–
Equity-settled share option arrangements (note 26)	–	–	1,211	–	–	–	–	1,211	–	1,211
At 31 December 2020	4,515	100,440	1,211	(44,512)	33,565	(790)	159,362	253,791	2,105	255,896

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent								
	Share capital RMB'000 Note 25	Share premium* RMB'000 Note 27	Other reserve* RMB'000 Note 27	Statutory surplus reserve* RMB'000 Note 27	Foreign currency translation reserve* RMB'000	Retained profits* RMB'000 Note 27	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	–	–	(41,740)	26,114	–	121,396	105,770	5,100	110,870
Profit for the year	–	–	–	–	–	33,068	33,068	–	33,068
Exchange differences on translation of foreign operations	–	–	–	–	(1,198)	–	(1,198)	–	(1,198)
Total comprehensive income/ (loss) for the year	–	–	–	–	(1,198)	33,068	31,870	–	31,870
Acquisition of non-controlling interests	–	–	–	–	–	–	–	(3,100)	(3,100)
Reorganisation#	–	–	(32,772)	–	–	–	(32,772)	–	(32,772)
Waiver of an amount due to a director	–	–	30,000	–	–	–	30,000	–	30,000
Dividend declared (note 11)	–	–	–	–	–	(9,080)	(9,080)	–	(9,080)
Issue of shares (note 25)	4,515	109,333	–	–	–	–	113,848	–	113,848
Transfer from retained profits	–	–	–	4,673	–	(4,673)	–	–	–
At 31 December 2019	4,515	109,333	(44,512)	30,787	(1,198)	140,711	239,636	2,000	241,636

* These reserve accounts comprise the reserves of RMB249,276,000 (31 December 2019: RMB235,121,000) in the consolidated statement of financial position as at 31 December 2020.

\# The amounts comprise the reserves arising from the Corporate Reorganisation of RMB1,228,000 for the year ended 2019, reserves arising from acquisition of subsidiaries from a director of RMB34,000,000 and reserves arising from the waiver of an amount due to a director of RMB30,000,000 for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**33,542**	52,859
Adjustments for:			
Finance costs	7	**14,656**	17,582
Bank interest income	5	**(1,579)**	(1,331)
Gain on disposal of items of property, plant and equipment	6	**(1,389)**	(3,221)
Covid-19-related rent concessions from lessors	14	**(6,095)**	—
Depreciation	6	**14,764**	10,189
Depreciation of right-of-use assets/recognition of prepaid land lease payments	6	**9,064**	9,772
Amortisation of other intangible assets	6	**46**	31
Impairment of trade receivables	6	**64**	37
Write-down of inventories to net realisable value	6	**950**	1,269
Equity-settled share option expense	26	**1,211**	—
		65,234	87,187
Decrease/(increase) in inventories		**8,011**	(67,068)
Increase in trade receivables		**(6,370)**	(3,714)
Increase in prepayments, other receivables and other assets		**(4,284)**	(24,303)
Decrease/(increase) in amount due from related companies		**48,163**	(28,577)
Decrease/(increase) in pledged deposits		**5,466**	(27,140)
Increase in trade and bills payables		**46,929**	38,733
(Decrease)/increase in other payables and accruals		**(7,568)**	4,362
(Decrease)/increase in contract liabilities		**(3,488)**	5,318
Cash generated/(used in) from operations		**152,093**	(15,202)
Interest received		**1,579**	1,331
Income taxes paid		**(8,524)**	(15,388)
Net cash flows from/(used in) operating activities		**145,148**	(29,259)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(25,089)**	(42,754)
Purchases of items of other intangible assets	15	**—**	(461)
Proceeds from disposals of items of property, plant and equipment		**5,145**	10,881
Net cash flows used in investing activities		**(19,944)**	(32,334)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(12,698)**	(15,388)
New bank borrowings		**418,898**	364,823
Proceeds from issue of shares		**—**	113,848
Repayments of bank and other borrowings		**(514,340)**	(235,915)
Increase in an amount due to a director		**—**	(119,762)
Acquisition of non-controlling interests		**—**	(3,100)
Payment for reorganisation		**—**	(34,000)
Dividends paid		**(2,223)**	(19,080)
Principal portion of lease payments	14	**(4,820)**	(9,715)
Net cash flows (used in)/from financing activities		**(115,183)**	41,711
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**10,021**	(19,882)
Cash and cash equivalents at beginning of year		**28,967**	50,047
Effect of foreign exchange rate changes, net		**408**	(1,198)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**39,396**	28,967
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**148,070**	143,107
Less: Pledged deposits	20	**(108,674)**	(114,140)
Cash and cash equivalents as stated in the statement of financial position	20	**39,396**	28,967

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").

Pursuant to the paragraphs as set out in the section headed "History, Development and Reorganisation" in the Prospectus, the Company became the holding company of its subsidiaries now comprising the Group.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	**Place and date of incorporation/ registration and place of operations**	**Nominal value of issued ordinary/ registered share capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			Direct %	Indirect %	
Chong Wai Limited (note a)	British Virgin Islands ("BVI") 2 November 2018	US$1	100	–	Investment holding
Centenary Development Limited (note a)	Hong Kong 19 November 2018	HK$1	–	100	Investment holding
Zhongshan Chongjie Enterprise Management Consulting Limited* 中山市崇杰企業管理諮詢有限公司 (note a)	PRC/Mainland China 11 January 2019 (note c)	RMB30,000,000	–	100	Provision of enterprise management information consulting services and enterprise investment consulting services

continued /...

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Zhongshan New Century Automobile Sales and Services Co., Ltd.* 中山市創世紀汽車銷售服務有限公司 (note a)	PRC/Mainland China 11 January 2019 (note c)	RMB30,000,000	–	100	Sale and import of motor vehicles under the brand FAW Volkswagen and spare parts, sale of used vehicles, concurrent business and insurance agency business
Zhongshan New Century Toyota Automobile Sales and Services Co., Ltd* 中山市創世紀豐田汽車銷售服務有限公司 (note a)	PRC/Mainland China 4 July 2002 (note c)	RMB10,000,000	–	100	Sale and import of motor vehicles under the brand FAW Toyota and spare parts, sale of used vehicles and provision of vehicle repair services
Zhongshan Chuangxian Automobile Sales and Services Co., Ltd.* 中山市創現汽車銷售服務有限公司 (note a)	PRC/Mainland China 12 December 2003 (note c)	RMB10,000,000	–	100	Sale of motor vehicles under the brand Beijing Hyundai and spare parts; sale of used vehicles and provision of vehicle repair services
Zhongshan New Century Jucheng Automobile Co., Ltd.* 中山市創世紀菊城汽車有限公司 (note a)	PRC/Mainland China 31 August 2007 (note c)	RMB5,000,000	–	100	Sale and import of motor vehicles under the brand Dongfeng Nissan and spare parts, sale of used vehicles and provision of vehicle repair services
Zhongshan Dongri Automobile Sales and Services Co., Ltd.* 中山市東日汽車銷售服務有限公司 (note a)	PRC/Mainland China 18 December 2018 (note c)	RMB5,000,000	–	100	Sale and import of motor vehicles under the brand Dongfeng Nissan and spare parts; sale of used vehicles, concurrent business and insurance agency business

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Zhongshan Chuangri Automobile Co., Ltd.* 中山市創日汽車有限公司 (note a)	PRC/Mainland China 11 September 2009 (note c)	RMB5,000,000	–	100	Sale of motor vehicles under the brand Dongfeng Nissan and spare parts, used vehicles and provision of vehicle repair services
Zhongshan New Century Chengnan Automobile Co., Ltd.* 中山市創世紀城南汽車有限公司 (note a)	PRC/Mainland China 9 December 2010 (note c)	RMB5,000,000	–	100	Sale of motor vehicles under Beijing Hyundai and spare parts, used vehicles and provision of vehicle repair services
Zhongshan Chuangtong Automobile Co., Ltd.* 中山市創通汽車有限公司 (note a)	PRC/Mainland China 2 June 2011 (note c)	RMB5,000,000	–	100	Sale of motor vehicles under the brand Buick and spare parts, used vehicles and provision of vehicle repair services
Zhongshan Dongyue Automobile Co., Ltd.* 中山市東月汽車有限公司 (note a)	PRC/Mainland China 6 July 2011 (note c)	RMB5,000,000	–	100	Sale of motor vehicles under the brand Dongfeng Venucia and spare parts; sale of used vehicles and provision of vehicle repair services
Zhongshan Chuangzhi Automobile Co., Ltd.* 中山市創志汽車有限公司 (note a)	PRC/Mainland China 31 October 2011 (note c)	RMB5,000,000	–	100	Sale of motor vehicles under the brand Chevrolet and spare parts, used vehicles and provision of vehicle repair services

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Zhongshan Chuangcheng Automobile Co., Ltd.* 中山市創誠汽車有限公司 (note a)	PRC/Mainland China 31 October 2011 (note c)	RMB5,000,000	–	100	Sale of motor vehicles under the brand name Dongfeng Nissan, spare parts and used vehicles, provision of vehicle repair services and operation and management of the Chuangcheng second hand market
Zhongshan New Century Mingcheng Automobile Co., Ltd.* 中山市創世紀名城汽車有限公司 (note a)	PRC/Mainland China 22 October 2014 (note c)	RMB5,000,000	–	100	Sale of motor vehicles under the brand names Dongfeng Nissan and Dongfeng Venucia and spare parts
Zhongshan New Century Fast Lane Automobile Services Co., Ltd.* 中山市創世紀快車道汽車服務有限公司(note a)	PRC/Mainland China 22 January 2015 (note c)	RMB1,000,000	–	100	Sale of motor vehicles and spare parts, used vehicles and provision of vehicle repair services
Guangdong Chuangcheng Car Insurance Agency Co., Ltd.* 廣東創誠汽車保險代理有限公司 (note a)	PRC/Mainland China 21 June 2016 (note c)	RMB10,000,000	–	100	Insurance agency business
Zhongshan Century Jaguar Automobile Co., Ltd.* 中山市世紀捷虎汽車有限公司 (note b)	PRC/Mainland China 1 February 2016 (note c)	RMB15,000,000	–	100	Sale of motor vehicles under the brand names Jaguar and Land Rover, spare parts and used vehicles and provision of vehicle repair services, concurrent business and insurance agency business

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Zhongshan New Century Secondhand Car Market Co., Ltd.* 中山市創世紀二手車交易市場有限公司(note a)	PRC/Mainland China 30 July 2018 (note c)	RMB500,000	–	100	Operation of used vehicle market, sale of used vehicles; provision of consultancy services in relation to the sale of used vehicles and provision of inspection services of motor vehicles
Zhongshan Century Cadillac Automobile Co., Ltd* 中山市世紀凱迪汽車有限公司 (note a)	PRC/Mainland China 17 April 2018 (note c)	RMB10,000,000	–	80	Sale of motor vehicles under the brand Cadillac, spare parts, maintenance of motor vehicles, concurrent business and insurance agency business
Zhongshan Shijie Automobile Co., Ltd 中山市世捷汽車有限公司 (note a)	PRC/Mainland China 4 November 2019 (note c)	RMB3,000,000	–	100	Sale of motor vehicles under the brand name Jetta, spare parts, maintenance of motor vehicles, concurrent business and insurance agency business
Zhongshan Shichen Used Car Co., Ltd 中山市世誠二手車經營有限公司 (note b)	PRC/Mainland China 21 September 2020 (note c)	RMB500,000	–	100	Operation of used vehicle market, sale of used vehicles; provision of consultancy services in relation to the sale of used vehicles and provision of inspection services of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Notes:

(a) These entities have not appointed an auditor to issue statutory financial statements for the years ended 31 December 2019 and 2020 as they were not required by local authorities to prepare statutory financial statements.

(b) No audited financial statements have been prepared as the entity was newly established in 2020.

(c) Entities established in the PRC are limited liability companies.

* 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.

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 2020. 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).

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9 IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

Other than as explained below regarding the impact of Amendment to IFRS 16, the adoption of the Conceptual Framework for Financial Reporting 2018 and the above revised standards has had no significant financial effect on these consolidated financial statements.

Amendment to IFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's buildings have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of 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 2020.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS 2018–2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about the IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Annual Improvements to IFRS 2018–2020 sets out amendments to IFRS 1 and IFRS 9. Details of the amendment that is expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the shorter of the lease terms and 4.75%
Leasehold improvements	Over the shorter of the lease terms and 20%
Motor vehicles	19%
Office equipment and other facilities	19%
Plant and equipment	19%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment, including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Building	20 to 30 years
Leasehold land	33 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue Recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividend are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed and unlisted equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividend on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities mainly include trade and bills payables, other payables, interest-bearing bank and other borrowings, an amount due to a related company and an amount due to a director.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Other than spare parts, cost is determined on the first-in, first-out basis. Cost of spare parts is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods by customers.

(b) Provision of services

Revenue from the provision of services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

(c) Interest income

Interest income from a financial asset is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Vendor rebates

Vendor rebates provided by automobile manufacturers are recognised on an accrual basis based on the expected entitlement earned up to the reporting date pursuant to each relevant supplier contract. Vendor rebates relating to vehicles purchased and sold are deducted from cost of sales, while vendor rebates relating to vehicle purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

During the year ended 31 December 2020, the Group recognised vendor rebates relating to vehicles purchased and sold in cost of sales of approximately RMB210.5 million (2019: RMB364.7 million).

As at 31 December 2020, the Group recognised vendor rebates relating to vehicles purchased but still held as inventories of approximately RMB9.0 million (2019: RMB10.8 million).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 26 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present values of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed as at the end of the reporting period. Further details of the property, plant and equipment are set out in note 13 to the Historical Financial Information.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the provision required involves management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of inventories and the write-down and reversal of write-down of inventories in the period in which such estimate has been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Accrual of vendor rebates

The Group reviews the accruals of vendor rebates at the end of each reporting period by reference to the rebates receivables in accordance with the applicable terms and conditions of the suppliers' agreements. The accruals of vendor rebates involve management estimation and the extent of rebates entitlement under the respective categories of vendor rebates. Specific factors that management consider include the recent historical sales volume patterns, the rebate rates applied and any other available information concerning the creditworthiness of suppliers.

4. 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 all of its revenue was generated in Mainland China and all 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.

5. 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

	2020 RMB'000	2019 RMB'000
Types of goods or services		
Sale of motor vehicles	**1,655,623**	1,790,482
Other integrated auto services	**257,061**	281,685
Total revenue from contracts with customers	**1,912,684**	2,072,167
Timing of revenue recognition		
Transferred at a point in time	**1,734,829**	1,884,834
Transferred over time	**177,855**	187,333
Total revenue from contracts with customers	**1,912,684**	2,072,167

(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 completion of the service and customer acceptance.

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

5. REVENUE, OTHER INCOME AND GAINS (continued)

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

Other income and gains

	2020 RMB'000	2019 RMB'000
Bank interest income	**1,579**	1,331
Government grants released (note (a))	**3,247**	38
Gain on disposal of property, plant and equipment	**1,389**	3,221
Others (note (b))	**15,663**	14,059
	21,878	18,649

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.

6. PROFIT BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		**62,930**	72,278
Pension scheme contributions		**4,765**	7,540
		67,695	79,818
Cost of inventories sold (note (a))		**1,666,583**	1,755,705
Cost of services provided		**115,702**	136,958
Depreciation of property, plant and equipment	13	**14,764**	10,189
Depreciation of right-of-use assets	14	**9,064**	9,772
Amortisation of other intangible assets	15	**46**	31
Equity-settled share option expense	26	**1,211**	—
Listing expenses		**—**	10,827
Auditor's remuneration		**1,300**	710
Gain on disposal of property, plant and equipment		**(1,389)**	(3,221)
Impairment of trade receivables (note (b))	18	**64**	37
Write-down of inventories to net realisable value		**950**	1,269
Interest income		**(1,579)**	(1,331)

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.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on bank and other borrowings	**12,698**	15,388
Interest on lease liabilities	**1,958**	2,194
	14,656	17,582

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is set out below:

	2020 RMB'000	2019 RMB'000
Fees	**350**	88
Other emoluments:		
Salaries, allowances and benefits in kind	**2,634**	1,641
Equity-settled share option expense	**465**	—
Pension scheme contributions	**46**	54
	3,495	1,783

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

	Fees RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2020			
Independent non-executive directors:			
Mr. Li Wai Keung[3]	133	31	164
Mr. Chang Eric Jackson[1]	45	—	45
Mr. Hui Chun Tak[2]	65	31	96
Ms. Yan Fei[3]	107	31	138
	350	93	443

	Fees RMB'000
2019	
Independent non-executive directors:	
Mr. Li Wai Keung[3]	34
Mr. Chang Eric Jackson[3]	27
Ms. Yan Fei[3]	27
	88

1 Mr. Chang Eric Jackson retired on 20 May 2020.

2 Mr. Hui Chun Tak was appointed as an independent non-executive director of the Company on 20 May 2020.

3 Mr. Li Wai Keung, Mr. Chang Eric Jackson and Ms. Yan Fei were appointed as independent non-executive directors of the Company on 16 September 2019.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries.

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive director

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2020				
Executive directors:				
Mr. Law Hau Kit	1,712	10	186	1,908
Mr. Chen Shaoxing	434	16	62	512
Ms. Li Huifang	292	10	62	364
	2,438	36	310	2,784
Non-executive director:				
Mr. Woo King Hang[1]	196	10	62	268
	2,634	46	372	3,052

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2019			
Executive directors:			
Mr. Law Hau Kit[2]	722	—	722
Mr. Chen Shaoxing[3]	531	28	559
Ms. Li Huifang[3]	388	26	414
	1,641	54	1,695

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive director (continued)

[1] Mr. Woo King Hang was appointed as a non-executive director of the Company on 20 May 2020.

[2] Mr. Law Hau Kit was appointed as a director of the Company on 4 October 2018.

[3] Mr. Chen Shaoxing and Ms. Li Huifang were appointed as directors of the Company on 31 January 2019.

There was no arrangement under which a director of the Company or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2019: three) executive directors and one (2019: Nil) non-executive director of the Company. Details of the remuneration of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020	2019
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**246**	742
Pension scheme contributions	**10**	73
	256	815

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2020	2019
Nil to RMB1,000,000	**1**	2

9. FIVE HIGHEST PAID EMPLOYEES (continued)

During the year ended 31 December 2020, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 26 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. 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.

10. INCOME TAX (continued)

PRC Corporate Income Tax ("CIT")

Pursuant to the CIT Law and the respective regulations, the PRC subsidiaries were subject to income tax at a statutory rate of 25% for the years ended 31 December 2020 and 31 December 2019.

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.

	2020 RMB'000	2019 RMB'000
Current — the PRC		
Charge for the year	12,777	19,151
Deferred income tax (note 16)	(769)	640
Total tax charge for the year	12,008	19,791

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:

	2020 RMB'000	2019 RMB'000
Profit before tax	33,542	52,859
Tax at the statutory tax rate of 25%	8,386	13,215
Expenses not deductible for tax	2,220	5,684
Tax losses utilised from previous periods	(354)	(1,889)
Tax effect of tax losses not recognised	1,756	2,781
Tax charge at the effective rate	12,008	19,791

11. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Interim — HK2 cents (2019: Nil) per ordinary share	**8,893**	—

On 18 September 2020, the Board declared interim dividend, out of the share premium account of the Company for the six months ended 30 June 2020. The Board does not recommend the payment of any final dividend for the year ended 31 December 2020.

Dividends of RMB9,080,000 in aggregate have been declared and paid by certain subsidiaries during the year ended 31 December 2019 prior to the completion of the Reorganisation.

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

The calculations of the basic and diluted earnings per share amounts for both years are based on the assumption that the Reorganisation and the capitalisation issue have been effective on 1 January 2019.

The calculations of the basic and diluted 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 500,000,000 (2019: 400,342,000) in issue during the year.

	2020 RMB'000	2019 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	21,429	33,068
Shares		
Weighted average number of ordinary shares in issue during the year	500,000	400,342

	RMB cents	RMB cents
Earnings per share:		
Basic and diluted	4.29	8.30

No adjustment has been made to the basic earnings per share amounts presented for the year ended 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 Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019 respectively.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment and other facilities RMB'000	Plant and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2020:							
Cost	110,196	16,660	40,037	11,823	13,694	5,788	198,198
Accumulated depreciation	(27,765)	(6,938)	(18,904)	(10,303)	(11,228)	–	(75,138)
Net carrying amount	82,431	9,722	21,133	1,520	2,466	5,788	123,060
At 1 January 2020, net of accumulated depreciation	82,431	9,722	21,133	1,520	2,466	5,788	123,060
Additions	628	2,031	14,632	547	711	6,540	25,089
Disposals	–	(176)	(3,580)	–	–	–	(3,756)
Depreciation provided during the year (note 6)	(5,703)	(3,070)	(5,179)	(276)	(536)	–	(14,764)
Transfers	5,713	1,720	1,737	1,724	–	(10,894)	–
At 31 December 2020, net of accumulated depreciation	83,069	10,227	28,743	3,515	2,641	1,434	129,629
At 31 December 2020							
Cost	116,345	19,650	48,795	14,094	14,405	1,434	214,723
Accumulated depreciation	(33,276)	(9,423)	(20,052)	(10,579)	(11,764)	–	(85,094)
Net carrying amount	83,069	10,227	28,743	3,515	2,641	1,434	129,629

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment and other facilities RMB'000	Plant and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019:							
Cost	85,490	15,819	35,517	14,148	13,194	12,692	176,860
Accumulated depreciation	(22,993)	(9,655)	(23,228)	(12,314)	(10,515)	–	(78,705)
Net carrying amount	62,497	6,164	12,289	1,834	2,679	12,692	98,155
At 1 January 2019, net of accumulated depreciation	62,497	6,164	12,289	1,834	2,679	12,692	98,155
Additions	5,729	2,888	19,020	128	502	14,487	42,754
Disposals	(3)	(677)	(6,849)	(87)	(44)	–	(7,660)
Depreciation provided during the year (note 6)	(4,619)	(1,160)	(3,327)	(412)	(671)	–	(10,189)
Transfers	18,827	2,507	–	57	–	(21,391)	–
At 31 December 2019, net of accumulated depreciation	82,431	9,722	21,133	1,520	2,466	5,788	123,060
At 31 December 2019							
Cost	110,196	16,660	40,037	11,823	13,694	5,788	198,198
Accumulated depreciation	(27,765)	(6,938)	(18,904)	(10,303)	(11,228)	–	(75,138)
Net carrying amount	82,431	9,722	21,133	1,520	2,466	5,788	123,060

The Group's buildings are located in Mainland China.

As at 31 December 2020, the Group was in the process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amount of approximately RMB75,359,000 (31 December 2019: RMB74,033,000), respectively.

At 31 December 2020, certain of the Group's buildings with a net carrying amount of RMB7,710,000 (2019: RMB8,398,000) were pledged to secure general banking facilities granted to the Group (note 24).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and leasehold land. Leases of buildings generally have lease terms between 20 and 30 years, while leasehold land generally has lease terms of 33 years. The Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	**Plant and machinery** RMB'000	**Total** RMB'000
At 1 January 2019	24,792	11,606	36,398
Additions	17,971	—	17,971
Depreciation charged	(9,269)	(503)	(9,772)
As at 31 December 2019 and 1 January 2020	**33,494**	**11,103**	**44,597**
Additions	**232**	**—**	**232**
Depreciation charged	**(8,561)**	**(503)**	**(9,064)**
As at 31 December 2020	**25,165**	**10,600**	**35,765**

At 31 December 2020, certain of the Group's right of use assets with a net carrying amount of approximately RMB10,600,000 (2019: RMB11,103,000) were pledged to secure general banking facilities granted to the Group (note 24).

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability.

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities (included under other payables and accruals) and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**39,306**	28,848
New leases	**232**	17,979
Accretion of interest recognised during the year	**1,958**	2,194
Covid-19-related rent concessions from lessors	**(6,095)**	—
Payments	**(4,820)**	(9,715)
Carrying amount at 31 December	**30,581**	39,306
Analysed into:		
Current portion	**8,031**	8,381
Non-current portion	**22,550**	30,925

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liability	**1,958**	2,194
Depreciation charge of right-of-use assets	**9,064**	9,772
Covid-19-related rent concessions from lessors	**(6,095)**	—
Total amounts recognised in profit or loss	**4,927**	11,966

14. LEASES (continued)

The Group as a lessee (continued)

(d) The amounts recognised in the consolidated statement of cash flows are as follows:

	2020 RMB'000	2019 RMB'000
Amounts recognised in the consolidated statement of cash flows		
Total cash outflow for leases	**(4,820)**	(9,715)

	2020 RMB'000	2019 RMB'000
Lease liability		
Maturity analysis — contractual undiscounted cash flows:		
Less than one year	**9,726**	9,610
One to five years	**23,770**	37,537
Total undiscounted lease liability at 31 December	**33,496**	47,147

15. OTHER INTANGIBLE ASSETS

31 December 2020

	Total RMB'000
Cost at 1 January 2020, net of accumulated amortisation	**430**
Amortisation provided during the year	**(46)**
At 31 December 2020	**384**
At 31 December 2020	
Cost	**430**
Accumulated amortisation	**(46)**
Net carrying amount	**384**

31 December 2019

	Total RMB'000
Cost at 1 January 2019, net of accumulated amortisation	—
Additions	461
Amortisation provided during the year	(31)
At 31 December 2019	430
At 31 December 2019	
Cost	461
Accumulated amortisation	(31)
Net carrying amount	430

16. DEFERRED TAX

Deferred tax assets

31 December 2020

	Impairment of inventories RMB'000	Loss available against future taxable profits for offsetting RMB'000	Total RMB'000
At 1 January 2020	317	—	317
Charged to profit or loss during the year (note 10)	11	758	769
At 31 December 2020	328	758	1,086

31 December 2019

	Impairment of inventories RMB'000	Loss available against future taxable profits for offsetting RMB'000	Total RMB'000
At 1 January 2019	—	957	957
Charged to profit or loss during the year (note 10)	317	(957)	(640)
At 31 December 2019	317	—	317

The Group has tax losses arising in Mainland China of approximately RMB9,069,000 (31 December 2019: RMB7,293,000) which will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised as it is not probable that taxable profits will be available against which the above items can be utilised.

16. DEFERRED TAX (continued)

Deferred tax assets (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% (or a lower rate if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's earnings will be retained in Mainland China, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 December 2020, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB74,974,000 (31 December 2019: RMB46,733,000).

17. INVENTORIES

	2020 RMB'000	2019 RMB'000
Vehicles	**292,687**	298,492
Accessories	**6,833**	9,989
	299,520	308,481

At 31 December 2020, the Group's inventories with a carrying amount of approximately RMB11,398,000 (2019: RMB112,201,000) were pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 24 the financial statements.

18. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	12,251	5,880
Impairment	(123)	(59)
	12,128	5,821

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 2020. Trade receivables were interest-free and unsecured as at 31 December 2020.

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:

	2020 RMB'000	2019 RMB'000
Within 3 months	11,092	5,821
3 to 12 months	1,036	—
	12,128	5,821

18. TRADE RECEIVABLES (continued)

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

	2020 RMB'000	2019 RMB'000
At beginning of year	**59**	22
Impairment losses recognised (note 6)	**64**	37
At the end of year	**123**	59

As at 31 December 2020

	Invoice day Within 3 months	Invoice day 3 to 12 months	Total
ECL rate	**1%**	**1%**	**1%**
Gross carrying amount (RMB'000)	**11,204**	**1,047**	**12,251**
ECLs (RMB'000)	**112**	**11**	**123**

As at 31 December 2019

	Invoice day Within 3 months
ECL rate	1%
Gross carrying amount (RMB'000)	5,880
ECLs (RMB'000)	59

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.

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Advances to suppliers	**129,819**	121,224
Deposit	**3,080**	2,206
Value added taxes recoverable	**44,237**	43,929
Prepayments	**1,863**	1,069
Other receivables	**9,473**	15,761
	188,472	184,189

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.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2020 RMB'000	2019 RMB'000
Cash and bank balances	**148,070**	143,107
Less: Pledged deposits:		
Pledged for bills payable	**(97,606)**	(88,340)
Pledged for bank loans	**(10,000)**	(24,800)
Others	**(1,068)**	(1,000)
Cash and cash equivalents	**39,396**	28,967

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB147,577,000 (2019: RMB140,916,000). 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.

21. 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:

	2020 RMB'000	2019 RMB'000
Within 3 months	**171,955**	120,200
3 to 12 months	**23,515**	28,341
	195,470	148,541

21. TRADE AND BILLS PAYABLES (continued)

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 RMB97,606,000 as at 31 December 2020 (2019: RMB88,340,000).

22. CONTRACT LIABILITIES

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

	2020 RMB'000	2019 RMB'000
Contract liabilities:		
Advances from customers	61,392	64,880

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:

	2020 RMB'000	2019 RMB'000
At beginning of the year	64,880	59,562
Revenue recognised that was included in the contract liabilities at the beginning of the year	(64,880)	(59,562)
Increases due to cash received, excluding amounts recognised as revenue during the year	61,392	64,880
At end of the year	61,392	64,880

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

23. OTHER PAYABLES AND ACCRUALS AND LEASE LIABILITY

	2020 RMB'000	2019 RMB'000
Lease liability (note 14)	30,581	39,306
Payroll payable	8,521	8,726
Other taxes payable	138	5,235
Dividend payable	6,670	—
Others	29,217	31,483
	75,127	84,750
Analysed into:		
Non-current portion	22,550	30,925
Current portion	52,577	53,825
	75,127	84,750

As at 31 December 2020, included in the Group's other payables was a dividend payable amounting to RMB6,670,000 (equivalent to HK$7,500,000) payable to the shareholder of the Group.

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.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020			2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	4.35–4.750	March to December 2021	40,180	–	–	–
Bank loans — secured	4.35–5.655	February to October 2021	58,000	4.75–5.655	February to October 2020	292,770
Other loans — secured	4.2	May to October 2021	8,986	4.20	May to June 2020	9,338
			107,166			302,108
Non-current						
Bank loans — unsecured	4.45	February to March 2022	99,500	–	–	–
Total			206,666			302,108

Notes:

(a) As at 31 December 2020, the Group's bank borrowings are all denominated in RMB.

(b) The Group's bank borrowings are secured by:

(i) certain of the Group's merchandised goods amounting to approximately RMB11,398,000 (note 17) as at 31 December 2020 (2019: RMB112,201,000);

(ii) the Group's buildings, which a net carrying amount of approximately RMB7,710,000 (note 13) as at 31 December 2020 (2019: RMB8,398,000);

(iii) the Group's right-of-use assets, which a net carrying amount of approximately RMB10,600,000 (note 14) as at 31 December 2020 (2019: RMB11,103,000);

(iv) a pledged deposit of approximately RMB10,000,000 (note 20) as at 31 December 2020 (2019: RMB24,800,000); and

(v) certain buildings and leasehold lands held by the Group's related parties as at 31 December 2019.

25. SHARE CAPITAL

Shares

	2020	2019
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each as at 31 December 2020 and 2019	**HK$20,000,000**	HK$20,000,000
Issued and fully paid:		
500,000,000 ordinary shares of HK$0.01 each as at 31 December 2020 and 2019	**HK$5,000,000**	HK$5,000,000
Equivalent to	**RMB4,515,000**	RMB4,515,000

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) (note (a)) and 31 December 2018	7,500	—*
Capitalisation issue (note (b))	374,992,500	3,386
Initial public offering (note (c))	125,000,000	1,129
At 31 December 2020 and 2019	500,000,000	4,515

* 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.

25. SHARE CAPITAL (continued)

Shares (continued)

Notes: (continued)

(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.

26. SHARE OPTION SCHEME

On 21 May 2020, the Company adopted a share option scheme (the "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 year:

	2020 Weighted average exercise price HK$ per share	Number of options '000
At 31 December 2019	—	—
Granted during the year	0.48	19,500
At 31 December 2020	0.48	19,500

No share options under the Scheme were exercised, cancelled, or lapsed during the year ended 31 December 2020.

26. 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 31 December 2020

Name and category of participants	Number of share '000	Exercise price* options HK$	Grant date per share options	Exercise period of share
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
	3,000			
Mr. Chen Shaoxing	400	0.48	21-5-2020	21-5-2021 to 20-5-2025
	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
	1,000			
Ms. Li Huifang	400	0.48	21-5-2020	21-5-2021 to 20-5-2025
	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
	1,000			
Mr. Woo King Hang	400	0.48	21-5-2020	21-5-2021 to 20-5-2025
	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
	1,000			

26. SHARE OPTION SCHEME (continued)

As at 31 December 2020 (continued)

Name and category of participants	Number of share '000	Exercise price* options HK$	Grant date per share options	Exercise period of share
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
	500			
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
	500			
Mr. Hui Chun Tak	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
	500			
Other employees	4,800	0.48	21-5-2020	21-5-2021 to 20-5-2025
	3,600	0.48	21-5-2020	21-5-2022 to 20-5-2025
	3,600	0.48	21-5-2020	21-5-2023 to 20-5-2025
	12,000			
	19,500			

* 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.

The fair value of the share options granted was HK$3,429,000 (equivalent to RMB3,131,000), of which the Group recognised a share option expense of RMB1,211,000 for the year ended 31 December 2020.

26. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during 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:

Dividend yield (%)	0.00
Expected volatility (%)	54.61
Risk-free interest rate (%)	0.40
Expected life of options (year)	5
Exercise multiple — Directors	3.34
Exercise multiple — Employees	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.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 73 to 74 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 waiver of an amount due to a director, 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 year to the discretionary surplus reserve upon approval by the board of directors or the shareholders in a general meeting.

28. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and bills payable are included in notes 13, 14, 17, 20, 21 and 24, respectively, to the financial statements.

29. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 **RMB'000**	2019 RMB'000
Contracted, but not provided for:		
Buildings	**2,315**	1,223

30. CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Group did not have any significant contingent liabilities.

31. RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Name and relationship of the related parties

Name	**Relationship**
Mr. Law Hau Kit	Director of the Company
Zhongshan New Century Car Rental Co., Ltd.* (中山市創世紀汽車租賃有限公司)	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

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Outstanding balances with related parties

As disclosed in the consolidated statement of financial position, the Group had outstanding balances with its related parties as follows:

Amounts due from related parties

	2020 RMB'000	2019 RMB'000
Non-trade		
Zhongshan New Century Pioneering Automobile Co., Limited*	–	15,998
Huichuang Financial Leasing (Zhuhai) Co., Ltd.*	–	808
	–	16,806
Trade		
Zhongshan New Century Car Rental Co., Ltd.*	–	31,357
	–	48,163

The outstanding balances with related parties are unsecured, interest-free and repayable on demand.

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(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

	2020 RMB'000	2019 RMB'000
Zhongshan New Century Car Rental Co., Ltd.*	–	33,561
Mr. Law Hau Kit	269	–
Huichuang Financial Leasing (Zhuhai) Co., Ltd.*	66	–
	335	33,561

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

	2020 RMB'000	2019 RMB'000
Zhongshan New Century Car Rental Co., Ltd.*	–	258
Huichuang Financial Leasing (Zhuhai) Co., Ltd.*	51	112
	51	370

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Transactions with related parties (continued)

(3) Rental fee paid to related parties

	2020 RMB'000	2019 RMB'000
Zhongshan Dongri Automobile Co., Ltd.*	142	1,558
Zhongshan New Century Pioneering Automobile Co., Limited*	293	3,498
	435	5,056

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 reporting period, 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.

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities during the reporting period is as follows:

2020

	Interest-bearing bank and other borrowings RMB'000
At 1 January 2020	**302,108**
Changes from financing cash flows	**(95,442)**
At 31 December 2020	**206,666**

2019

	Amount due to a director RMB'000	Interest-bearing bank and other borrowings RMB'000	Total RMB'000
At 1 January 2019	159,762	173,200	332,962
Payment for dividend during the year	(10,000)	—	(10,000)
Waiver of an amount due to a director	(30,000)	—	(30,000)
Changes from financing cash flows	(119,762)	128,908	9,146
At 31 December 2019	—	302,108	302,108

33. 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

	2020 RMB'000	2019 RMB'000
Financial assets at amortised costs		
Trade and bills receivables	12,128	5,821
Financial assets included in prepayments, other receivables and other assets	12,553	17,967
Amounts due from related companies	—	48,163
Pledged deposits	108,674	114,140
Cash and cash equivalents	39,396	28,967
	172,751	215,058

Financial liabilities

	2020 RMB'000	2019 RMB'000
Financial liabilities at amortised costs		
Trade and bills payables	195,470	148,541
Lease liabilities	22,550	30,925
Financial liabilities included in other payables and accruals	37,248	39,864
Interest-bearing bank and other borrowings	206,666	302,108
	461,934	521,438

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, amount due from related companies, trade and bills payables, an 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, pledged deposits and cash and cash equivalents. The Group has various other financial assets and liabilities such as trade receivables, trade and bills receivables, deposits and other receivables, an amount due to a director, amounts with related companies and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments is credit risk and liquidity risk. The board of directors reviews and agrees policies for managing the risks and they are summarised below.

Credit risk

The Group has no significant concentration of credit risk. The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit risk in respect of trade receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade receivables are normally settled within one month directly by major financial institutions. Normally, the Group does not obtain collateral from customers.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2020

	31 December 2020			31 December 2019		
	12-month ECLs	Lifetime ECLs		12-month ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	12,251	12,251	–	5,880	5,880
Financial assets included in prepayments other receivables and other assets — Normal**	12,553	–	12,553	17,967	–	17,967
Amounts due from related companies — Normal**	–	–	–	48,163	–	48,163
Pledged deposits — Not yet past due	108,674	–	108,674	114,140	–	114,140
Cash and cash equivalents — Not yet past due	39,396	–	39,396	28,967	–	28,967
	160,623	12,251	172,874	209,237	5,880	215,117

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements.

** The credit quality of the amount due from a related company and financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2020

	On demand RMB'000	**Within 1 year RMB'000**	**1 to 5 years RMB'000**	**Total RMB'000**
Trade and bills payables	**—**	**195,470**	**—**	**195,470**
Lease liabilities	**—**	**—**	**22,550**	**22,550**
Financial liabilities included in other payables and accruals	**—**	**37,248**	**—**	**37,248**
Interest-bearing bank and other borrowings	**—**	**114,524**	**100,391**	**214,915**
	—	**347,242**	**122,941**	**470,183**

2019

	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	—	148,541	—	148,541
Lease liabilities	—	—	30,925	30,925
Financial liabilities included in other payables and accruals	—	39,864	—	39,864
Interest-bearing bank and other borrowings	—	312,667	—	312,667
	—	501,072	30,925	531,997

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debt. The Group's overall strategy remains unchanged during the year.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank and other borrowings and an amount due to a director. The gearing ratios as at the end of the reporting periods were as follows:

	2020 RMB'000	2019 RMB'000
Interest-bearing bank and other borrowings	**206,666**	302,108
Total debt	**206,666**	302,108
Total equity	**255,896**	241,636
Gearing ratio	**81%**	125%

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	—*	—*
Amounts due from subsidiaries	125,336	129,788
Total non-current assets	125,336	129,788
CURRENT ASSETS		
Prepayments, other receivables and other asset	146	5,765
Cash and cash equivalents	280	2,268
Total current assets	426	8,033
CURRENT LIABILITIES		
Other payables and accruals	8,182	1,992
Amounts due to subsidiaries	3,424	3,423
Total current liabilities	11,606	5,415
NET CURRENT (LIABILITIES)/ASSETS	(11,180)	2,618
TOTAL ASSETS LESS CURRENT LIABILITIES	114,156	132,406
Net assets	114,156	132,406
EQUITY		
Share capital	4,515	4,515
Reserves (note)	109,641	127,891
Total equity	114,156	132,406

* Less than RMB1,000

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share option reserve RMB'000	Other reserves RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2019 and 1 January 2020	109,333	–	30,000	(1,413)	(10,029)	127,891
Loss and total comprehensive loss for the year	–	–	–	(5,515)	(5,053)	(10,568)
Dividend declared	(8,893)	–	–	–	–	(8,893)
Equity-settled share option arrangements	–	1,211	–	–	–	1,211
At 31 December 2020	100,440	1,211	30,000	(6,928)	(15,082)	109,641

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2021.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from this annual report and the accountant's report as contained in the Prospectus, is set out below.

RESULTS

	Year ended 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Revenue	1,834,701	1,904,919	1,940,311	2,072,167	**1,912,684**
Profit before taxation	23,098	43,441	53,500	52,859	**33,542**
Taxation	(8,332)	(12,762)	(19,062)	(19,791)	**(12,008)**
Profit for the year	14,766	30,679	34,438	33,068	**21,534**
Profit attributable to equity shareholders of the Company	14,766	30,679	34,438	33,068	**21,429**

ASSETS AND LIABILITIES

	As at 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Total Assets	638,677	617,561	695,627	858,165	**815,054**
Total Liabilities	(506,196)	(509,403)	(584,757)	(616,529)	**(559,158)**
	132,481	108,158	110,870	241,636	**255,896**
Equity attributable to equity shareholders of the Company	132,481	105,008	105,770	239,636	**253,791**
Non-controlling interests	—	3,150	5,100	2,000	**2,105**
	132,481	108,158	110,870	241,636	**255,896**