CENTENARY UNITED HOLDINGS LIMITED

世紀聯合控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1959

CENTENARY UNITED 世紀聯合

Annual Report 2021

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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)*

Independent Non-Executive Directors

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

AUTHORISED REPRESENTATIVES

Mr. Law Hau Kit
Mr. Chan Ngai Fan

JOINT COMPANY SECRETARY

Mr. Chan Ngai Fan
Ms. Liang Jiexin

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place,
979 King's Road,
Quarry Bay, Hong Kong

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 Shalang 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 2021 (the "**Year 2021**" or the "**Year**").

Centenary United is a future-oriented enterprise. When we were established in 1999, we were entering the millennium of the century. Therefore, we named after "New Century" (and later renamed "**Centenary United**"), in order to meet the new century and hope to become the most leading dealer group in Zhongshan. In 2019, we successfully got listed on the Hong Kong Stock Exchange and became a unique and diversified automotive integrated service provider in the Greater Bay Area. In the past two years, China and the world have been caught up in the severe economic dilemma of the COVID-19 pandemic. In addition, in early 2021, the global auto giants were caught in the "chip shortage" crisis, which led to the reduction of production in the auto manufacturing industry, which seriously affected the overall ecology of the auto industry. In 2021, Centenary United is facing unprecedented challenges. The market asks where will we go in the future? A leading figure in the world's auto industry once said: "No matter how many unfavourable conditions there are in front of you that affect your progress, as long as you believe that this matter is important, you still have to persevere." From the moment of its successful listing, Centenary United has begun to take advantage of the achievements accumulated in the automobile industry for more than ten years to move towards a comprehensive service layout for new energy vehicles in the Greater Bay Area. We are convinced that towards this goal, Centenary United will reach another peak. Despite various challenges such as business reform and transformation and market volatility and instability, we are convinced that this is the right thing to do.

The COVID-19 pandemic has affected the global economy. Although China's economy is not immune, the whole country has worked hard to implement various anti-pandemic measures under the arduous adversity. With the pandemic under control, and based on domestic recycling, China's successful implementation of the new development strategy of "Dual Cycle" has re-injected momentum into the Chinese economy. In the past year, China's auto industry, as the leader of bulk consumer goods, has gradually emerged from the haze driven by the new pattern of "Dual Cycle". At the same time, the industry has ushered in another important turning point that, as an effort for the society and the global sustainability development, China has set a dual-carbon goal of striving to achieve "carbon peak" by 2030 and "carbon neutrality" by 2060. At present, the global economic and social development attaches great importance to the environmental and social risk exposure of its development process. The automobile industry has a great impact on the environment during the manufacturing process and as the essential tool for citizens' travel. Because of this, in 2021, China's new energy vehicle market is changing from the original one-wheel drive of policy to the two-wheel drive of policy and market demand, and the rise of people's awareness of environmental protection has stimulated the demand for new energy vehicles. In 2021, the number of new energy vehicles in China reached 7.84 million, and the sales volume of new energy passenger vehicles reached 3.52 million. New energy passenger vehicles have become the main driving force for the overall increase in passenger vehicle sales.

The business position of new energy vehicles is not only in sales and service. In the future, citizens will be inseparable from low-carbon and green travel. In 2021, the Group firmly takes green online ride-hailing business as the future development direction, and successfully moved from car sales to online ride-hailing service provider gradually and used new energy vehicles to connect with Ruqi Mobility Platform and T3Go Platform for the first time for online ride-hailing business. Covering Zhongshan, Zhuhai and Foshan in the Greater Bay Area, it will bring new growth for the Group in the future and establish a stable source of income. As the country vigorously enhanced the supervision of the "compliance" and "safety" of online ride-hailing in the early years, the industry has entered a healthier and orderly operating environment; in line with the introduction of policies to support charging infrastructure, under the leadership and support of national policies and market demand, our road to the development of new energy vehicles is clearly visible.

KEY OPERATIONS IN 2021

Strengthen sales and quickly build a new energy vehicle sales network

In the face of the difficult operating environment in the first half of 2021, the Group adopted a proactive sales strategy to meet the new car sales targets raised by car manufacturers for car dealers, and continued to reduce the price of new cars in order to obtain year-end incentive rebates. New car sales in the second half of the year recorded significant growth compared to the first half. The Group recorded an overall motor vehicle sales revenue of RMB1,789.1 million in 2021, representing an increase of 8.1% over 2020 (the "**Last Year**"), among which new car sales revenue was RMB1,736.6 million, and the sales volume was 14,650. Revenue and sales volume increased by approximately 6.9% and 0.9% respectively compared with the last year. In 2021, the Group recorded an increase of 7.3% in total revenue to approximately RMB2,051.8 million compared to 2020, a decrease in gross profit by 8.7% to approximately RMB119.0 million, and a net profit of approximately RMB2.2 million. Profit for the year attributable to shareholders was approximately RMB2.7 million.

China's new energy vehicle sales have adopted a new sales pattern. Unlike traditional vehicles that are sold through 4S stores, more large-scale mall stores will be set up in shopping centres, which represents a more direct way of sales by fully displaying product series to reach more users and allowing users to have a more intuitive shopping experience. As the largest comprehensive automobile service provider in Zhongshan and the leading comprehensive automobile service provider in the Greater Bay Area, under the new business strategy of promoting new energy vehicles, the Group successfully established partnership with seven electric vehicle brands in 2021, and opened mall stores, specialty stores and sales points in Zhongshan, Jiangmen and other cities in the Greater Bay Area. As of March 31, 2022, the Group had as many as 18 brands authorized by automobile manufacturers, and was operating 36 automobile stores (9 of which were under construction), 1 insurance agency company and 3 used vehicle car trading centres.

Empower the development of used vehicle business by strong customer base

According to the data released by the China Automobile Dealers Association, in 2021, the total number of domestic used vehicle transactions reached 17.585 million, representing a year-on-year increase of 22.6%, and the transaction value wass RMB1,131.69 billion, representing a year-on-year increase of 27.3%. In addition to luxury cars, new energy vehicles have also become the main target of used vehicle replacement. As the Group's vehicle sales have rapidly expanded to the new energy vehicle business, it empowers further growth of the Group's used vehicle business. In 2021, the Group's used vehicle sales revenue was approximately RMB51.4 million, a significant increase of 71.3% compared to last year, in line with the strong growth momentum of China's overall used vehicle sales in 2021.

The Group's long-standing unique operating advantages and customer network in Zhongshan City have injected more new customers into the used vehicle transaction, transfer and after-sales service. The Group's 3 used vehicle trading centres have been offering ownership transfer services and used vehicle trade-in services for the used vehicle sold by the Group and third parties. In 2021, the Group handled a total of 8,078 used vehicle ownership transfer services, an increase of 52.4% over the last year. In 2021, the Group entered into a cooperation framework agreement on used vehicle trade-in services with Beijing Leading Auto Sales Co. Ltd, an indirectly wholly-owned subsidiary of Li Auto Inc, to provide customers with used vehicle acquisition services. In the future, the Group will develop the cooperation with more promising domestic vehicles brands to inject growth momentum into the business of the new energy sector. The company launched Haochedao used vehicle online sales platform to bring in inflow of customers for used vehicle sales and acquisitions, and provide customers with convenient experience.

Accelerate the rollout of a full range of services for new energy vehicles in the Greater Bay Area

With the continuous strengthening of the Group's electric vehicle sales network in Zhongshan City, the Group's existing after-sales integrated business has also taken care of all electric vehicle users. The Group has a full range of services ranging from charging equipment, maintenance to car beauty, etc. In addition, the Group will further enhance the digital service system to meet brand needs. In the future, this sector will be another market to be accelerated by the Group.

In 2021, the Group has initially built 21 charging stations in Zhongshan, Zhuhai, Foshan, Guangzhou and Dongguan in the shortest possible time, with a total of 121 charging points. The Group also cooperates with Guangzhou Wancheng Wanchong New Energy Technology Co., Ltd.* (廣州萬城萬充新能源科技有限公司) and Guangzhou TELD New Energy Co., Ltd.* (廣州特來電新能源有限公司) to build an electric vehicle charging network in the Greater Bay Area. The charging station network has always been a bottleneck restricting the widespread use of electric vehicles. The Group adopted the strategy of "developing charging station network first", which can effectively promote the Group's electric vehicle sales and develop the green online ride-hailing business.

* For identification purposes only

Build an intelligent service platform for new energy vehicles and strengthen the online marketing system

The emergence of new energy vehicle industry has diversified the vehicle dealership business, and more emphasis is placed on establishing immediate and direct services with customer through both online and offline platform. The service quality and efficiency are higher than those of traditional vehicles. The Centenary United Big Data Intelligence System ("**CUBDIS**") platform, which has been established by the Group for many years, will become a smart service platform for the full set of services and management of new energy vehicles, integrating customers' power battery testing, used vehicle residual value assessment, after-sales maintenance and financial insurance, so that we can survive in an increasingly competitive environment and improve the overall profitability of our business.

Other comprehensive auto services provided by the Group, including maintenance services, spare parts sales, insurance agency services and other services, are an important foundation supporting the development of the overall auto business. With the Group's expansion of sales network and products, the maintenance service revenue in 2021 recorded a steady growth of 16.4% to approximately RMB207.1 million.

Their persistence and mission make our future

More than 20 years of car sales experience tells us that precise marketing, a strong and creative team and careful data analysis can better meet the needs of customers, form a huge network of resources, and increase sales quickly and accurately. Moving from car sales to online ride-hailing service providers is like a blue ocean, deep but unpredictable. Why are we so determined to develop online ride-hailing business? This is nothing more than the fact that we have formed a strong cooperation platform in a short period of time and have a fast, accurate and enthusiastic management and sales team.

In June 2021, we cooperated with Guangzhou Automobile Group Co., Ltd., which has been developing new energy vehicles in recent years. Guangdong Centenary United New Energy Technology Co., Ltd.* (廣東世紀聯合新能源科技有限公司) ("**Guangdong Centenary United New Energy**"), a wholly-owned holding company of the Group, on December 13, 2021, purchased a total of no more than 400 GAC Aion electric vehicles at a total consideration of RMB46,620,000, and signed a franchise agreement with Guangzhou Qichen Technology Co., Ltd.* (廣州祺宸科技有限公司) . The vehicles and the recruited drivers are connected to Ruqi Mobility Platform, one of the most used online ride-hailing platforms in the Greater Bay Area. New energy vehicles will be rent to drivers for operating online ride-hailing business and a fixed rental return will be charged for operating lease. The Group plans to further expand this business in the Foshan area in the future.

Externally, we have a business platform that combines powerful partners. Internally, we also have a marketing team with practical spirit, ideals and experience to support us in developing this new blue ocean of green economy.

* For identification purposes only

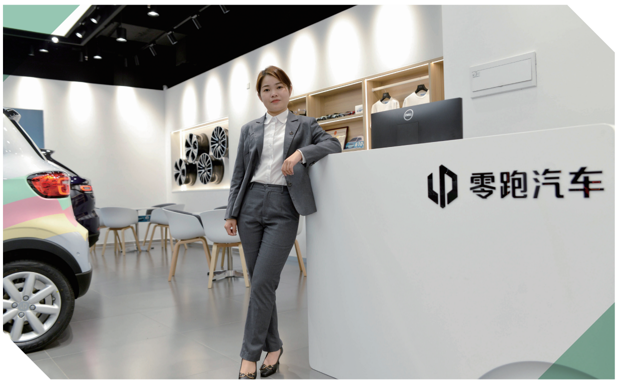
Person in charge of online ride-hailing market development — Liu Ning
(53 years old, length of service: 20 years)

Mission: Make progress from competition, focus on the Greater Bay Area

"Everyone will feel excited after reading these two sets of data. The industry expects the domestic online ride-hailing business to grow at a compound annual growth rate of 28% from 2021 to 2025, while the growth rate of traditional taxi and bus business is only -1% and 3%; The penetration rate of online ride-hailing is 50% in first-tier cities, 20% in second-tier cities, and only 10% in cities below second-tier. It can be seen that the online ride-hailing market will attract a large number of competitors, and the second-tier and below cities have huge potential. It is indeed exciting. The essence of automobile is travel. ***Online ride-hailing business can use the calculation data to accurately match the user's travel needs, which greatly subverts and changes the situation of traditional taxis with no available passengers. It is green, environmentally friendly, economical and fast,*** *and is very popular among the public. More and more young people choose online travel mode. In the first stage, we choose to expand in Zhongshan, Zhuhai, Dongguan, Foshan and other cities in the Greater Bay Area. We are optimistic that the Greater Bay Area is one of the areas with the highest degree of openness and the strongest economy in China. The business value of share business is worth digging into"*

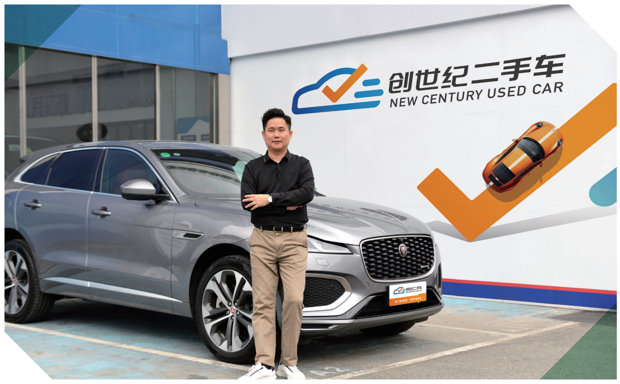
Mission: Lead a young team to "fight monsters and upgrade" and enjoy the excitement and fun of selling new energy vehicles

"From the marketing manager of the 4S store to the manager of the new energy mall store, in addition to jumping out of the comfort zone, it is more like a process of "fighting monsters and upgrading". In a strange and unknown area, by taking down "monsters" one by one, I became stronger in the process. I feel that the sales of new energy vehicles and the sales of fuel vehicles are indeed two different things. It takes a long time to negotiate the price when buying fuel vehicles, while the price of new energy vehicles is relatively uniform. More attention is paid to the spirit of service, which is very straightforward and simple. Regarding the team, they are all new workers born in the 95s and 00s. Everyone is more interested in the work atmosphere and work fun. ***To put it bluntly, they want to work happily. Therefore, being the team leader is more about stimulating their enthusiasm for work and creating a fun working atmosphere.*** *Regarding performance, I have always believed in this: As long as we keep thinking, there are always more solutions than problems. So, the effort is worth it, and the future can be expected! "*



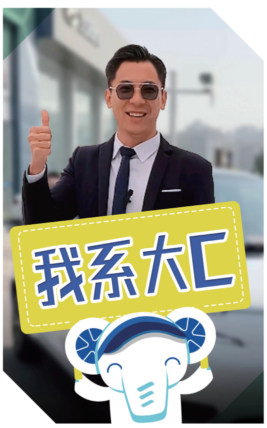
New energy supermarket store manager — Li Jingyi
(31 years old, length of service: 2 years)

Mission: Make used vehicle sales more diversified and endless



Person in charge of used vehicle business of the Group — Liu Shanxu
(39 years old, years of service: 14)

"I have been engaged in the management of 4S franchise store for more than 10 years. Last year, I became the person in charge of the group's used vehicle business. I feel that the potential of used vehicles is amazing! The current car ownership in Zhongshan City has reached more than 1.5 million, and the used vehicle transaction business in 2021 was only more than 60,000. Coupled with the explosive growth of new energy vehicles, used vehicles are a new blue ocean. With flexible models, they can be sold through stores, consignment sales, auctions, partnership sales. With the support of government policy, there are favourable policies of value-added tax reduction, cross-regional sales, management and control regulations, etc. ***We have a very good one-stop used vehicle platform. We have 36 4S stores for replacement, independently set up an outsourcing used vehicle team, build a new used vehicle market focus, establish the used vehicle online platform named Haochedao, and provide services covering acquisition, maintenance, sales, transfer, quality assurance and other one-stop diversified services,*** *striving to seize the largest share of used vehicle trading service providers in Zhongshan City and replicate the success to expand to other cities in the Greater Bay Area."*



We-media marketing and new energy business elite representative — Zhou Yiquan
(34 years old, length of service: 1 year)

Mission: Create "my" social media marketing for Centenary Mobility

"I think the significance of developing social media marketing is to express what "I" do in an interesting way, so that it is well remembered in people's minds that if they want to know and buy, they will come to "me". The same is true for the development of the Group. We need to let more people better understand what business sectors our Group is doing, and to be more familiar with the scale of our Group. In the era of big data, the effect is more accurate than traditional advertising. Shooting a one-minute short video is almost zero-cost, and millions of views can be achieved. It is more accurate and more effective than placing hundreds of thousands of offline advertisements. ***In the era of traffic dominance, I am very fortunate that the team I lead has formed a consensus that everyone is a self-media, and they are happy!"***

Entering 2022, the Group will continue to take advantage of the opportunities of electrification, networking, intelligence and sharing, which are the "new four modernizations" of automobiles, and further explore the integrated business of new energy vehicles.

We deeply know that the Group's strengths lie along the "one-stop integrated auto service ecosystem", the unique operating advantages of Zhongshan City and the Greater Bay Area, the large customer network, the high efficiency of sales and service teams, and the Group's long-standing steady operating and financial strategies. In 2022, we plan to build about 60 stations with a total of about 600 charging points, and expect to accumulate a total of 720 charging points by the end of 2022 to promote the all-round development of the license plate sales of electric vehicles and the green online ride-hailing business. And by providing a green travel experience for the citizens of the Greater Bay Area, the business map will be extended to more cities in the Greater Bay Area.

In the end, I would like to express my heartfelt thanks to the Board members, all employees, shareholders and business partners for their support and dedication to the Group along the way. We will work together, with our experience and professional knowledge of automobiles, to build a green travel business map in the Greater Bay Area with various staff in the Group and business partners who develop new energy vehicle business side by side with us. We will create a more environmentally friendly and satisfying travel experience for customers, work hard for the sustainable development of the environment, and strive for greater returns for shareholders.

Chairman
Law Hau Kit

March 31, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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

As the best performer in the automobile industry in 2021, the new energy market maintained amazingly fast growth. According to data from the CAAM, the sales volume of new energy passenger vehicles in China reached 3.52 million units in 2021, a year-on-year increase of 157.5%. The market share of these vehicles increased to 13.4%, representing an increase of 8.0% compared with 2020.

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

BUSINESS REVIEW

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

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

SALES OF MOTOR VEHICLES

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

SALES OF NEW VEHICLES

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

SALES OF USED VEHICLES

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

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

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

OTHER INTEGRATED AUTO SERVICES

As a 4S dealership group providing one-stop car services, the Group offers a series of one-stop services such as after-sales services and customer feedback in addition to car sales. Other integrated auto services provided by the Group include repair and maintenance services, sales of spare parts, insurance agency services and other services. In the Year 2021, revenue from comprehensive automobile services amounted to approximately RMB262.7 million, representing an increase of 2.2% compared with approximately RMB257.1 million in the Year 2020.

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

REPAIR SERVICES

The Group's repair services are comprised of repair and maintenance services, sales of spare parts, car care services and used vehicle warranty services. The Group offers complex repair services and standard maintenance and car care services at its 4S dealership outlets, and quick fix services and standard maintenance and car care services at its quick fix service points.

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

INSURANCE AGENCY SERVICES

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

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

OTHER SERVICES

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

NEW-ENERGY VEHICLE RELATED SERVICES

During the Year 2021, the Group had taken the new-energy vehicle ("**NEV**") related businesses as one of the key development strategies. Aside from actively acquiring the dealerships of different NEV brands, the Group also started developing different NEV related services. The Group's NEV related services are comprised of charging services fee generated from the electric vehicle charging network in the Greater Bay Area and rental and administrative fee from participating in the operation of the online ride-hailing business.

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

PROSPECT

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

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

ELECTRIC VEHICLE BRAND DEALERSHIP BUSINESS

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

CHARGING NETWORK BUSINESS

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

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

ONLINE RIDE-HAILING SERVICE WITH ELECTRIC VEHICLES

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

USED VEHICLE BUSINESS

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Cost of sales and gross profit margin

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

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

Other income and gains

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

Selling and distribution expenses

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

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

Administrative expenses

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

Finance costs

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

Profit for the year

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

Income tax expenses

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

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

Liquidity, financial resources and capital structure

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

The Group's gearing ratio, which is total debt divided by total equity, as at 31 December 2021 was approximately 0.97 times (as at 31 December 2020: 0.8 times).

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

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

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

Capital expenditures and commitments

As at 31 December 2021, the capital commitments of the Group in connection with building expenditures was approximately RMB5.8 million (as at 31 December 2020: RMB2.3 million).

Foreign exchange

The Group mainly operates in the PRC and the majority of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in RMB. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that the Group should have sufficient resources to meet foreign exchange requirement if they arise. Therefore, the Group did not engage in any derivative contacts to hedge its exposure to foreign exchange risk during the Year 2021.

Contingent liabilities

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

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

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

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

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

Pledge of assets

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

(i) certain of the Group's merchandised goods amounting to approximately RMB33.6 million as at 31 December 2021 (as at 31 December 2020: RMB11.4 million);

(ii) the Group's buildings, which a net carrying amount of approximately RMB7.0 million as at 31 December 2021 (as at 31 December 2020: RMB7.7 million);

(iii) the Group's right-of-use assets, which a net carrying amount of approximately RMB10.1 million as at 31 December 2021 (as at 31 December 2020: RMB10.6 million);

(iv) pledged deposit of approximately RMB10.0 million for bank loans as at 31 December 2021 (as at 31 December 2020: RMB10.0 million);

(v) the Group's bills payables were secured by pledged deposits of approximately RMB83.2 million for bills payables as at 31 December 2021 (as at 31 December 2020: RMB97.6 million);

(vi) pledged deposits for others of approximately RMB1.0 million as at 31 December 2021 (as at 31 December 2020: RMB1.1 million).

USE OF NET PROCEEDS FROM LISTING

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

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

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

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

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total workforce of approximately 902 employees (the Year 2020: 837). Most of the Group's employees were located in China. The Group offered its staff with competitive remuneration packages. In addition, the Group conducts annual review on salary increment, discretionary bonuses and promotions based on the performance of each employee. During the Year, the Group did not experience any significant problems with its employees due to labour disputes nor did it experience any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

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

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Law Hau Kit (羅厚杰), aged 51, 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. Mr. Law is primarily responsible for overseeing the overall operation, market development, sales and supplier relationships management of the Group.

Mr. Law has over 28 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 51, 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 27 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.

Ms. Li Huifang (李惠芳), aged 43, 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 18 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 60, is a non-executive Director. Mr. Woo was appointed as the vice chairman of the Board and a non-executive Director on 20 May 2020. He mainly assists the chairman of the Board in the formulation and development of corporate strategies.

Mr. Woo has extensive experience in financial and business management. Mr. Woo is currently an independent non-executive director of Digital Domain Holdings Limited (HKEX Stock Code: 547) since June 2021, MOS House Group Limited (HKEX Stock Code: 1653) since December 2021 and Crocodile Garments Limited (HKEX Stock Code: 122) since January 2022.

Mr. Woo was an independent non-executive director of Hans Energy Company Limited (HKEX Stock Code: 554) from June 2019 to Dec 2021. 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.

Mr. Woo 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 an honorary officer of the Auxiliary Medical Service, a member of the panel of assessors and the Health Committee of the Medical Council of Hong Kong, 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. On 5 July 2021, the High Court ordered that BTO be dissolved. 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 65, 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 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 (HKEX Stock Code: 604), China South City Holdings Limited (HKEX Stock Code: 1668), Hans Energy Company Limited (HKEX Stock Code: 554) and Midland IC&I Limited (HKEX Stock Code: 459) since March 2022. 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 was 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 62, 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 58, 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 an independent non-executive Director of MOS House Group Limited (HKEX Stock Code: 1653) since December 2021 and 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 of Hong Kong (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 53, 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 43, 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 19 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; and (ii) had no other relationship with any Directors, senior management members or substantial or controlling shareholders.

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 2021.

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 2021 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 etc. 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 2021 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 forthcoming annual general meeting ("**AGM**") will be held on 20 June 2022. Notice of AGM will be published and issued to the shareholders in due course.

RESULTS

The Group's result for the Year 2021 are set out in the consolidated statement of comprehensive income on page 72 of this annual report.

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

CLOSURE OF REGISTER OF MEMBERS

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

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 162 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 2021 are set out in note 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the Year 2021 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 2021 amounted to RMB103,214,000 (2020: RMB100,440,000), subject to the applicable statutory requirements under the laws of the Cayman Islands.

SHARE OPTION SCHEME

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

As at 31 December 2021, the Company had 34,248,000 share option outstanding under the Share Option Scheme, representing approximately 6.78% of the issued share capital of the Company as at the date of this report. Details of the share options outstanding as at the date of this report are as follows:

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

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

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

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

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

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

The following table discloses movements in the share options of the Company during the Reporting Period:

	Date of grant	Exercise period *(Note 1)*	Exercise price (HK$)	Number of options at 01/01/2021	Movements during year ended 31 December 2021			Number of options at 31/12/2021
					Granted	Exercised	Lapsed	
Directors and Chief Executive								
Mr. Law Hau Kit	21/05/2020	21/05/2021 to 20/05/2025	0.48	1,200,000	–	–	–	1,200,000
		21/05/2022 to 20/05/2025	0.48	900,000	–	–	–	900,000
		21/05/2023 to 20/05/2025	0.48	900,000	–	–	–	900,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	–	1,200,000	–	–	1,200,000
		21/05/2023 to 20/05/2026	0.81	–	900,000	–	–	900,000
		21/05/2024 to 20/05/2026	0.81	–	900,000	–	–	900,000
				3,000,000	3,000,000	–	–	6,000,000
Mr. Chen Shaoxing	21/05/2020	21/05/2021 to 20/05/2025	0.48	400,000	–	400,000	–	0
		21/05/2022 to 20/05/2025	0.48	300,000	–	–	–	300,000
		21/05/2023 to 20/05/2025	0.48	300,000	–	–	–	300,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	–	400,000	–	–	400,000
		21/05/2023 to 20/05/2026	0.81	–	300,000	–	–	300,000
		21/05/2024 to 20/05/2026	0.81	–	300,000	–	–	300,000
				1,000,000	1,000,000	400,000	–	1,600,000
Ms. Li Huifang	21/05/2020	21/05/2021 to 20/05/2025	0.48	400,000	–	400,000	–	0
		21/05/2022 to 20/05/2025	0.48	300,000	–	–	–	300,000
		21/05/2023 to 20/05/2025	0.48	300,000	–	–	–	300,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	–	520,000	–	–	520,000
		21/05/2023 to 20/05/2026	0.81	–	390,000	–	–	390,000
		21/05/2024 to 20/05/2026	0.81	–	390,000	–	–	390,000
				1,000,000	1,300,000	400,000	–	1,900,000

	Date of grant	Exercise period *(Note 1)*	Exercise price (HK$)	Number of options at 01/01/2021	Movements during year ended 31 December 2021			Number of options at 31/12/2021
					Granted	Exercised	Lapsed	
Mr. Woo King Hang	21/05/2020	21/05/2021 to 20/05/2025	0.48	400,000	–	400,000	–	0
		21/05/2022 to 20/05/2025	0.48	300,000	–	–	–	300,000
		21/05/2023 to 20/05/2025	0.48	300,000	–	–	–	300,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	–	600,000	–	–	600,000
		21/05/2023 to 20/05/2026	0.81	–	450,000	–	–	450,000
		21/05/2024 to 20/05/2026	0.81	–	450,000	–	–	450,000
				1,000,000	1,500,000	400,000	–	2,100,000
Ms. Yan Fei	21/05/2020	21/05/2021 to 20/05/2025	0.48	200,000	–	–	–	200,000
		21/05/2022 to 20/05/2025	0.48	150,000	–	–	–	150,000
		21/05/2023 to 20/05/2025	0.48	150,000	–	–	–	150,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	–	200,000	–	–	200,000
		21/05/2023 to 20/05/2026	0.81	–	150,000	–	–	150,000
		21/05/2024 to 20/05/2026	0.81	–	150,000	–	–	150,000
				500,000	500,000	–-	–	1,000,000
Mr. Li Wai Keung	21/05/2020	21/05/2021 to 20/05/2025	0.48	200,000	–	–	–	200,000
		21/05/2022 to 20/05/2025	0.48	150,000	–	–	–	150,000
		21/05/2023 to 20/05/2025	0.48	150,000	–	–	–	150,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	–	200,000	–	–	200,000
		21/05/2023 to 20/05/2026	0.81	–	150,000	–	–	150,000
		21/05/2024 to 20/05/2026	0.81	–	150,000	–	–	150,000
				500,000	500,000	–	–	1,000,000
Mr. Hui Chun Tak	21/05/2020	21/05/2021 to 20/05/2025	0.48	200,000	–	200,000	–	0
		21/05/2022 to 20/05/2025	0.48	150,000	–	–	–	150,000
		21/05/2023 to 20/05/2025	0.48	150,000	–	–	–	150,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	–	200,000	–	–	200,000
		21/05/2023 to 20/05/2026	0.81	–	150,000	–	–	150,000
		21/05/2024 to 20/05/2026	0.81	–	150,000	–	–	150,000
				500,000	500,000	200,000	–	800,000
Total Directors				**7,500,000**	**8,300,000**	**1,400,000**	**–**	**14,400,000**

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

Note:

(1) The 2020 Options, granted on 21 May 2020, are exercisable from 21 May 2021 to 20 May 2025 (both days inclusive) in the following manner:

(i). From 21 May 2021 to 20 May 2025: can exercise no more than 40% of the 2020 Options granted;

(ii). From 21 May 2022 to 20 May 2025: can exercise no more than 30% of the 2020 Options granted; and

(iii). From 21 May 2023 to 20 May 2025: can exercise no more than 30% of the 2020 Options granted.

(2) The 2021 Options, granted on 21 May 2021, are exercisable from 21 May 2022 to 20 May 2026 (both days inclusive) in the following manner:

(i). From 21 May 2022 to 20 May 2026: can exercise no more than 40% of the 2021 Options granted;

(ii). From 21 May 2023 to 20 May 2026: can exercise no more than 30% of the 2021 Options granted; and

(iii). From 21 May 2024 to 20 May 2026: can exercise no more than 30% of the 2021 Options granted.

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 2021 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 2021, the five largest customers of the Group accounted for approximately 4.1% of the total revenue and sales to the largest customer accounted for approximately 1.3% of the total revenue. The five largest suppliers of the Group in aggregate accounted for about 76.4% of its operating costs for the Year 2021. Purchases from the largest supplier accounted for about 42.7% of its operating costs for the Year 2021.

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.

Name of the agreement	Parties	Background of counterparties
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. From the period 1 January 2021 to 7 June 2021, it was indirectly wholly owned by Mr. Law through Zhongshan New Century and Dongri Automobile who held 70% and 30% of its equity interests respectively. On 7 June 2021, the shares Mr. Law interested in New Century Car Rental, which amounted to 80% of shareholding out of the total shares, have been 100% acquired by independent third parties. New Century Car Rental ceased to be an entity controlled by Mr. Law. Hence, New Century Rental is no longer considered as a connected person of the Group. The Vehicle Sale and Purchase Framework Agreement was terminated on 7 June 2021 accordingly upon the acquisition of shares.
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 of the Company 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 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 originally until 31 December 2021, but was terminated on 7 June 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.

On 7 June 2021, the shares Mr. Law interested in New Century Car Rental, which amounted to 80% of shareholding out of the total shares, have been 100% acquired by independent third parties. New Century Car Rental ceased to be an entity controlled by Mr. Law. Hence, New Century Car Rental is no longer considered as a connected person of the Group. The Vehicle Sale and Purchase Framework Agreement was terminated on 7 June 2021 accordingly upon the acquisition of shares.

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 from 1 January 2021 to 6 June 2021 were approximately RMB4.1 million which did not exceed the VSPFAAC.

3. Property Leasing Framework Agreement (the Property Leasing Framework Agreement has an effective term until 31 December 2021, and has been renewed for a period of three years until 31 December 2024)

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 Zhongshan New Century under the Property Leasing Framework Agreement was RMB6.0 million and the actual transacted amounts were approximately RMB1.2 million which did not exceed the PLFAAC.

On 31 December 2021, 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 Property Leasing Framework Agreement, pursuant to which Zhongshan New Century agreed to continue leasing properties to the Group. The Property Leasing Framework Agreement will remain in effect for a period of three years from 1 January 2022 to 31 December 2024. For more details, please refer to the announcement of the Company dated 31 December 2021.

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 2021, 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) have not been entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and (iii) have exceeded the relevant cap amount for the financial Year 2021 as set out in the Prospectus dated on 30 September 2019, by the Company in respect of the continuing connected transactions.

Confirmations from the Company

The Company has conducted a review of its continuing 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. Save as disclosed in the section headed "Continuing Connected Transactions", the Board confirmed that none of these related party transactions constitutes a discloseable connected transaction as defined under 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 2021.

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 2021 are set out in note 24 to the consolidated financial statements.

DONATIONS

During the Year 2021, the Group made charitable and other donations amounting to RMB Nil.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the Year 2021 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 2021.

During the Year 2021, the Company has not entered into or maintained any equity-linked agreements

DIRECTORS

The Directors of the Company during the Year 2021 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
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, Mr. Law Hau Kit, Mr. Woo King Hang and Mr. Hui Chun Tak 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.

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 and have been renewed for another three years automatically, 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 and have been renewed for another three years automatically, 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.

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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year 2021.

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 2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 2021, the interests and short positions of Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) as recorded in the register required to be kept under section 336 and 352 of the SFO, or as notified the Company and the Stock Exchange pursuant to the Model Code, are as follows:

(i) Director's interest in the Company

Name of Director	Capacity/nature	Number of Shares held/ Interested in	Interest in underlying Shares pursuant to share option	Total	Long/ short position	Approximate percentage of shareholding as at 31 December 2021
Mr. Law Hau Kit	Interest in a controlled corporation	373,916,000 *(Note 1)*	–	373,916,000	Long	74.01%
	Beneficial owner	–	6,000,000 *(Note 2)*	6,000,000	Long	1.19%
Mr. Chen Shaoxing	Beneficial owner	–	1,600,000 *(Note 2)*	1,600,000	Long	0.32%
Ms. Li Huifang	Beneficial owner	–	1,900,000 *(Note 2)*	1,900,000	Long	0.38%
Mr. Woo King Hang	Beneficial owner	400,000	2,100,000 *(Note 2)*	2,500,000	Long	0.50%
Ms. Yan Fei	Beneficial owner	–	1,000,000 *(Note 2)*	1,000,000	Long	0.20%
Mr. Li Wai Keung	Beneficial owner	–	1,000,000 *(Note 2)*	1,000,000	Long	0.20%
Mr. Hui Chun Tak	Beneficial owner	200,000	800,000 *(Note 2)*	1,000,000	Long	0.20%

Notes:

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 6,000,000, 1,600,000, 1,900,000, 2,100,000, 1,000,000, 1,000,000 and 800,000 underlying Shares represents his/her interest in the share options granted by the Company to him/her on 21 May 2020 and 21 May 2021 under the share option scheme (the "**Share Option Scheme**") adopted on 16 September 2019. For details, please refer to the table disclosing movements in the share options of the Company under the section headed "Share Option Scheme" in page 35-37 of this report. Each of Mr. Law, Mr. Chen, Ms. Li, Mr. Woo, Ms. Yan, Mr. Li and Mr. Hui has confirmed that he/she will not exercise any Share Options if as a result of which the Company will not be able to comply with the public float requirement of the Listing Rules.

(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 2021, 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 2021, the interest and short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO are as follows:

Substantial shareholders' interest in the Company

Name of shareholder	Capacity/nature	Number of Shares/ underlying Shares held/ interested in	Long/short position	Approximate percentage of shareholding as at 31 December 2021
Chong Kit Limited *(Note 1)*	Beneficial owner	373,916,000	Long	74.01%
Ms. Liu Yali *(Note 2)*	Interest of spouse	379,916,000	Long	75.20%

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.

Save as disclosed above, as at 31 December 2021, 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 2021. Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in this Annual Report.

On 1 January 2022, the amendments to the Corporate Governance Code (the "**New CG Code**") came into effect and the requirements under the New CG code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

SIGNIFICANT LEGAL PROCEEDINGS

During the Year 2021, 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 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 Company has taken out directors' liability during the Year 2021 that provides the appropriate cover for the Directors.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, there is sufficient public float of not less than 25% of the Shares in issue as required under the Listing Rules.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2021 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. The Group's business operation and development may be affected by economy of China and the world from time to time. The Group will react 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

Suspected misappropriation of funds

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

Zhongshan Century Jaguar immediately reported the Former Employee's suspected misappropriation to the Chinese police authorities and immediately dismissed him according to law after an internal investigation. The Former Employee has also been criminally detained by the relevant Chinese police authorities. Zhongshan Century Jaguar is actively cooperating with the Chinese police authorities in their investigation and the related criminal proceedings and plans to recover the misappropriated funds from the Former Employee and other persons (if any) involved in the case as well as claim for compensation from the relevant insurance company. As at the publication date of this annual report, the Board has engaged Moore Advisory Services Limited, an independent consultancy firm to conduct a review of the Zhongshan Century Jaguar's internal control procedures and systems and make recommendations to the Board to address and rectify the weaknesses identified, if any. The review by Moore Advisory Services Limited is still ongoing. The Board will review the Group's internal control system regularly to prevent the recurrence of similar incidents.

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

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

AUDIT COMMITTEE

The Company has an 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**"), Ms. Yan Fei and Mr. Hui Chun Tak. 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 2021 and the financial statements for the Year 2021 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, 31 March 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules ("**CG Code**") upon Listing and has complied with the code provisions since then and up to 31 December 2021, except in relation to provision A.2.1 of the CG Code where the roles of the Group's chairman and chief executive officer ("**CEO**") are both performed by Mr. Law. Provision A.2.1 (which has been renumbered as code provision C.2.1 with effect from January 1, 2022) of the CG Code requires that the roles of chairman and CEO should be separate and should not be performed by the same individual. Mr. Law has been responsible for overall strategic planning and management of the Group since the Group was founded in 1999. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, both of which comprise experienced and high-calibre individuals. The Board currently comprises three executive Directors (including Mr. Law), one non-executive Director and three independent non-executive Directors, and therefore has a strong independence element in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions conducted by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own Code of Conduct for securities transactions conducted by relevant Directors. After making specific enquiries to all Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2021.

BOARD OF DIRECTORS

The Board is responsible for leading and directing the Group's business through establishment of a healthy corporate culture, formulation of overall strategies and policies, evaluation of performance and overseeing the management function. As a leading automobile service provider in the Greater Bay Area, the Group has established a corporate culture which embraces innovation, creativity and receptiveness to change. The Board plays a leading role in defining the purpose, values and strategic direction of the Group which are aligned with the corporate culture. The corporate culture is reflected consistently in the business development of the Group, daily business operating practices as well as relation with stakeholders.

The principal objective of the Company is to strive for long-term return for all its stakeholders. The Group explores opportunities to enhance shareholders' returns, which includes solidifying its traditional vehicles trading business and developing new-energy vehicle related business. To promote sustainability of the environment, the Group also actively develops online ride-hailing business using new energy vehicle to promote low-carbon and green travel.

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 Board has established mechanism to ensure independent views and input are available to the Board. The current composition of the Board has a strong independence element and provides sufficient balance of skills, experience and diversity of perspectives in leading the Company to achieve its goal. The independent non-executive Directors also provide independent judgment in the Board's overall decision making process. The Board has reviewed the implementation and effectiveness of the board independence mechanism for the Year 2021 and considered it to be effective.

The composition of the Board and the attendance record of each Director at board meetings for the Year 2021 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	14/14	1/1
Mr. Chen Shaoxing	31 January 2019	13/13	1/1
Ms. Li Huifang	31 January 2019	13/13	1/1
Non-executive Directors			
Mr. Woo King Hang *(Vice Chairman)*	20 May 2020	13/13	1/1
Independent Non-executive Directors			
Mr. Li Wai Keung	16 September 2019	14/14	1/1
Ms. Yan Fei	16 September 2019	14/14	1/1
Mr. Hui Chun Tak	20 May 2020	14/14	1/1

Biographic 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.

CONTINUING PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

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 to develop and refresh their knowledge and skills for the Year 2021. Each of the Directors has attended seminars organized by the Company or external institutions to update the knowledge of Listing rules and directors' duties and has read materials relevant to the Group's business. Each of the Directors has provided his or her training records to the Company on a yearly basis.

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 2021, 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.

FUNCTIONS, ROLES AND RESPONSIBILITIES 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.

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

Save as disclosed in this annual report, there is no change in information of directors during the year ended 31 December 2021 up to the date of this annual report.

All executive Directors have entered into service agreements with the Company for a term of three years commencing from 18 October 2019 and have been renewed for another three years automatically, 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 and have been renewed for another three years automatically, 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.

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 annual general meeting 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 annual general meeting 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.

The Board recognises the importance and benefits of gender diversity at the Board level and shall continue to take initiatives to identify female candidate(s) to enhance the gender diversity among the Board members. As at the date of this report, the Board comprises seven Directors, two of which are female.

Our diversity philosophy including the gender diversity was generally followed in the workforce throughout the Group for the Year 2021. As of the date of this report, 31.6% of our senior management and 34.3% of our total workforce are female. We will continue with our endeavor to increase female representation in our workforce.

The Board has reviewed the implementation and effectiveness of the Board Diversity Policy of the Company for the Year 2021 and considered it to be effective.

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 31 March 2022, the Board did not recommend any payment of a final dividend for the Year 2021.

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	2/2(M)
Ms. Yan Fei	2/2(M)	1/1(M)	N/A
Mr. Hui Chun Tak	2/2(M)	1/1(M)	2/2(C)
Non-executive Director			
Mr. Woo King Hang	N/A	N/A	N/A
Executive Directors			
Mr. Law Hau Kit	N/A	1/1(C)	N/A
Mr. Chen Shaoxing	N/A	N/A	2/2(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 Wai Keung is the chairman of the Audit Committee.

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 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 of the Company's internal control adviser for their review on selected areas of the Group's internal control system for the Year.

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. The nomination committee has reviewed the independence of independent non-executive Directors, considered the retirement and proposal for appointment of Directors at the Company's forthcoming annual general meeting 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 to ensure that no Director is involved in deciding his own remuneration. The remuneration committee has assessed the performance and remuneration of executive Directors and senior management for the Year and made recommendations to the Board thereon.

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 ended 31 December 2021.

The remuneration paid to the Company's auditor for the Year 2021 is as below

	RMB'000
Audit services provided to the Group	1,300
Non-audit services	81
	1,381

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, 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 2021, 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, environmental, social, 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.

The key features of the Group's risk management and internal control systems include:

— A comprehensive financial accounting system to accurately measure financial performance of the Group

— The Board monitors and maintains levels of cash and cash equivalents deemed adequate to finance the Group's operations

— Prior approval from Directors/senior executive regarding commitment for all material matters

— Guidelines on assessing, reporting and disseminating inside information

— Organized and standardized procedures on recruitment and employee relocation

— The Board takes environment and social risk into account when making business decision

— An effective whistleblowing policy which enables employees to report any non-conformity or violation of the anti-bribery and corruption policy in writing to management directly or to our dedicated response team. All cases will be investigated in a timely and confidential manner and the personnel who are involved in whistleblowing will be protected.

— Clear anti-bribery and corruption policy and code of conduct for every employee which provides guidance to the employees on the standards of behaviour to which they must adhere to, and the ways to deal with bribery and corruption.

— Periodic review by management on the internal control procedures and risks factors

— Report to the Audit Committee about the findings on identified risks and measures to address such risks.

In light of the Misappropriation Incident, as at the publication date of this annual report, the Company has engaged Moore Advisory Services Limited to conduct a review of the Zhongshan Century Jaguar Automobile Co., Ltd.'s* (中山市世紀捷成汽車有限公司) internal control procedures and systems and make recommendations to the Board to address and rectify the weaknesses identified, if any. The Company will further review and re-assess the Company's internal control procedures and systems and implement appropriate remedial measures once the internal control review report from Moore Advisory Services Limited is available. The review by Moore Advisory Services Limited is still ongoing.

Based on the preliminary findings identified by the internal audit and compliance department of the Group, the Audit Committee has discussed the Misappropriation Incident with the Board, and identified some areas of internal control deficiencies, including but not limited to the procedures in respect of cash collection and stock taking.

The Board believes that, in the absence of any evidence to the contrary and save for the internal control deficiencies identified in the above, the system of internal controls maintained by the Group throughout the year ended 31 December 2021 and up to the date of this annual report provides reasonable assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

Save for the internal control deficiencies identified above, the Board, through the reviews made by the Audit Committee, had reviewed the effectiveness and the adequacy of the internal control systems of the Group and considered them to have been implemented effectively.

* *For identification purpose only*

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.

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 end 31 December 2021, Mr. Chan Ngai Fan has 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 one month 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 up to 31 December 2021.

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

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.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with its shareholders is essential for enhancing investors' understanding of the Group's business and performance. the Company endeavours to maintain an on-going dialogue with shareholders. To ensure that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, the Company has established several channels to communicate with the shareholders as follows:

(i) corporate communications such as annual reports, interim reports, announcements and circulars are issued in printed form and are available on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.car2000.com.cn;

(ii) the Company's constitution document and terms of reference of board committees are also available for download at the website of the Stock Exchange Company's website and at Company's website;

(iii) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Board. The chairman of the Board will attend, and endeavour to ensure the chairmen of various board committees to attend, annual and extraordinary general meetings to answer questions from shareholders.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong (at Unit 1426, 14/F., Solo Building, 41–43 Carnarvon Road, Tsim Sha Tsui, Kowloon, Hong Kong).

The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective.

INDEPENDENT AUDITOR'S REPORT

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Quarry Bay, Hong Kong

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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 71 to 161, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 2021 amounted to RMB2,052 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 when management recognised revenue in advance resulting from the performance pressure for local management 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; • We performed recalculations of the vendor rebates amounts and rebate receivables at the reporting date, 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 in other receivables 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

31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**2,051,803**	1,912,684
Cost of sales		**(1,932,841)**	(1,782,285)
Gross profit		**118,962**	130,399
Other income and gains	5	**38,995**	21,878
Selling and distribution expenses		**(60,282)**	(50,935)
Administrative expenses		**(69,684)**	(52,868)
Other expenses, net		**(8,804)**	(276)
Finance costs	7	**(10,870)**	(14,656)
PROFIT BEFORE TAX	6	**8,317**	33,542
Income tax expense	10	**(6,155)**	(12,008)
PROFIT FOR THE YEAR		**2,162**	21,534
Attributable to:			
Owners of the parent		**2,681**	21,429
Non-controlling interests		**(519)**	105
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	12	**RMB0.53 cents**	RMB4.29 cents
Diluted	12	**RMB0.53 cents**	RMB4.29 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	164,332	129,629
Right-of-use assets	14	43,460	35,765
Other intangible assets	15	338	384
Deferred tax assets	16	541	1,086
Total non-current assets		208,671	166,864
CURRENT ASSETS			
Inventories	17	215,591	299,520
Trade receivables	18	9,110	12,128
Prepayments, other receivables and other assets	19	209,286	188,472
Pledged deposits	20	94,211	108,674
Cash and cash equivalents	20	65,028	39,396
Total current assets		593,226	648,190
CURRENT LIABILITIES			
Trade and bills payables	21	141,245	195,470
Contract liabilities	22	47,407	61,392
Other payables and accruals	23	40,078	52,577
Interest-bearing bank and other borrowings	24	214,618	107,166
Amount due to a director	31	40,000	—
Tax payable		22,578	20,503
Total current liabilities		505,926	437,108

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NET CURRENT ASSETS		**87,300**	211,082
TOTAL ASSETS LESS CURRENT LIABILITIES		**295,971**	377,946
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**–**	99,500
Lease liabilities	14	**32,713**	22,550
Total non-current liabilities		**32,713**	122,050
Net assets		**263,258**	255,896
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	**4,558**	4,515
Reserves	27	**257,114**	249,276
Equity attributable to owners of the parent		**261,672**	253,791
Non-controlling interests		**1,586**	2,105
Total equity		**263,258**	255,896

Law Hau Kit
Director

Chen Shaoxing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	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 2021	4,515	100,440	1,211	(44,512)	33,565	(790)	159,362	253,791	2,105	255,896
Profit for the year	–	–	–	–	–	–	2,681	2,681	(519)	2,162
Exchange differences on translation of foreign operations	–	–	–	–	–	57	–	57	–	57
Total comprehensive income for the year	–	–	–	–	–	57	2,681	2,738	(519)	2,219
Issue of shares	43	2,774	(750)	–	–	–	–	2,067	–	2,067
Transfer from retained profits	–	–	–	–	2,441	–	(2,441)	–	–	–
Equity-settled share option arrangements	–	–	3,076	–	–	–	–	3,076	–	3,076
At 31 December 2021	4,558	103,214	3,537	(44,512)	36,006	(733)	159,602	261,672	1,586	263,258

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	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	–	–	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

* These reserve accounts comprise the reserves of RMB257,114,000 (31 December 2020: RMB249,276,000) in the consolidated statement of financial position as at 31 December 2021.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**8,317**	33,542
Adjustments for:			
Finance costs	7	**10,870**	14,656
Bank interest income	5	**(800)**	(1,579)
Gain on disposal of items of property, plant and equipment	6	**(3,465)**	(1,389)
Covid-19-related rent concessions from lessors	14	**(3,870)**	(6,095)
Depreciation of property, plant and equipment	6	**20,119**	14,764
Depreciation of right-of-use assets/recognition of prepaid land lease payments	6	**9,142**	9,064
Amortisation of other intangible assets	6	**46**	46
(Reversal)/write-down of Impairment of trade receivables	6	**(31)**	64
Write-down of inventories to net realisable value	6	**635**	950
Equity-settled share option expense	26	**3,076**	1,211
		44,039	65,234
Decrease in inventories		**83,294**	8,011
Decrease/(increase) in trade receivables		**3,049**	(6,370)
Increase in prepayments, other receivables and other assets		**(20,814)**	(4,284)
Decrease in an amount due from a related company		**—**	48,163
Decrease in pledged deposits		**14,463**	5,466
(Decrease)/increase in trade and bills payables		**(54,225)**	46,929
Decrease in other payables and accruals		**(4,252)**	(7,568)
Decrease in contract liabilities		**(13,985)**	(3,488)
Cash generated from operations		**51,569**	152,093
Interest received		**800**	1,579
Income taxes paid		**(3,535)**	(8,524)
Net cash flows from operating activities		**48,834**	145,148

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Net cash flows from operating activities		**48,834**	145,148
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(66,158)**	(25,089)
Proceeds from disposals of items of property, plant and equipment		**14,801**	5,145
Net cash flows used in investing activities		**(51,357)**	(19,944)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(9,699)**	(12,698)
New bank borrowings		**443,639**	418,898
Proceeds from issue of shares		**2,067**	—
Repayments of bank and other borrowings		**(435,687)**	(514,340)
Increase in an amount due to a director		**40,000**	—
Dividends paid		**(6,670)**	(2,223)
Principal portion of lease payments	14	**(5,552)**	(4,820)
Net cash flows from/(used in) financing activities		**28,098**	(115,183)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**25,575**	10,021
Cash and cash equivalents at beginning of year		**39,396**	28,967
Effect of foreign exchange rate changes, net		**57**	408
CASH AND CASH EQUIVALENTS AT END OF YEAR		**65,028**	39,396
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**159,239**	148,070
Less: Pledged deposits	20	**(94,211)**	(108,674)
Cash and cash equivalents as stated in the statement of financial position	20	**65,028**	39,396

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**").

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 Direct %	Indirect %	Principal activities
Centenary 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	RMB30,000,000	–	100	Provision of enterprise management information consulting services and enterprise investment consulting services
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	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

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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 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	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	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	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 b)	PRC/Mainland China 18 December 2018	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
Zhongshan Chuangri Automobile Co., Ltd.* 中山市創日汽車有限公司 (note a)	PRC/Mainland China 11 September 2009	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	RMB5,000,000	–	100	Sale of motor vehicles under Beijing Hyundai 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		Principal activities
			Direct %	Indirect %	
Zhongshan Chuangtong Automobile Co., Ltd.* 中山市創通汽車有限公司 (note a)	PRC/Mainland China 2 June 2011	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	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	RMB5,000,000	–	100	Sale of motor vehicles under the brand Chevrolet and spare parts, used vehicles and provision of vehicle repair services
Zhongshan Chuangcheng Automobile Co., Ltd.* 中山市創誠汽車有限公司 (note a)	PRC/Mainland China 31 October 2011	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	RMB5,000,000	–	100	Sale of motor vehicles under the brand names Dongfeng Nissan and Dongfeng Venucia and spare parts

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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 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	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	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 a)	PRC/Mainland China 1 February 2016	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
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	RMB500,000	–	100	Operation of a 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

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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 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	RMB10,000,000	–	80	Sale of motor vehicles under the brand Cadillac and 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	RMB3,000,000	–	100	Sale of motor vehicles under the brand name Jetta and 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 a)	PRC/Mainland China 21 September 2020	RMB500,000	–	100	Operation of a 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 East AION Automobile Sales and Services Co., Ltd 中山東區埃安汽車銷售服務有限公司(note b)	PRC/Mainland China 2 March 2021	RMB8,000,000	–	100	Sale of motor vehicles under the brand names Aion, 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 Direct %	Indirect %	Principal activities
Guangdong Centenary United New Energy Technology Co., Ltd 廣東世紀聯合新能源科技有限公司(note b)	PRC/Mainland China 27 April 2021	RMB5,000,000	–	100	Sale of motor vehicles and new-energy Vehicles, online ride-hailing business, spare parts and used vehicles and provision of vehicle repair services, concurrent business and insurance agency business
Zhongshan Longmao New Energy Vehicle Co., Ltd 中山市龍猫新能源汽車有限公司 (note b)	PRC/Mainland China 21 October 2021	RMB2,000,000	–	100	Sale of motor vehicles and new-energy vehicles, online ride-hailing business, spare parts and used vehicles and provision of vehicle repair services, concurrent business and insurance agency business
Zhongshan Chuangling New Energy Vehicle Co., Ltd 中山市創領新能源汽車有限公司 (note b)	PRC/Mainland China 15 November 2021	RMB3,000,000	–	100	Sale of motor vehicles and new-energy vehicles, spare parts and used vehicles and provision of vehicle repair services, concurrent business and insurance agency business
Foshan Centenary Lianshun New Energy Vehicle Co., Ltd 佛山世紀聯順新能源汽車有限公司(note b)	PRC/Mainland China 15 December 2021	RMB3,000,000	–	100	Sale of motor vehicles and new-energy vehicles, spare parts and used vehicles and provision of vehicle repair services, concurrent business and insurance agency business

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 were not required by the local authorities to prepare statutory financial statements for the years ended 31 December 2020 and 2021.

(b) No statutory financial statements have been prepared as the entity was newly established in 2021.

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

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 following revised IFRSs for the first time for the current year's financial statements.

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

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

Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

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

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*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 4]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 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 June 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 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 resulting from a downstream transaction 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.

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

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* 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 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. 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)

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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 Standards 2018–2020 sets out amendments to IFRS 1 and IFRS 9. Details of the amendments that are 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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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
Vehicles	3 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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.

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 2021, the Group recognised vendor rebates relating to vehicles purchased and sold in cost of sales of approximately RMB213.3 million (2020: RMB210.5 million).

As at 31 December 2021, the Group recognised vendor rebates relating to vehicle purchased but still held as inventories of approximately RMB8.4 million (2020: RMB9.0 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 exchange rates that approximate to those prevailing at the dates of the transactions.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 judgement 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 judgement 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 financial statements.

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)

Accruals 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 most of its revenue was generated in Mainland China and most of its long-term assets/capital expenditure were located/incurred in Mainland China. Accordingly, no further geographical segment information is presented.

Information about major customers

No revenue from sales of motor vehicles or the 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

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

(ii) Performance obligations

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

Sale of goods

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

Provision of services

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

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

5. REVENUE, OTHER INCOME AND GAINS (continued)

Other income and gains

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

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	2021 RMB'000	2020 RMB'000
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		**72,461**	62,930
Pension scheme contributions		**13,265**	4,765
		85,726	67,695
Cost of inventories sold (note (a))		**1,797,363**	1,666,583
Cost of services provided		**135,478**	115,702
Depreciation of property, plant and equipment	13	**20,119**	14,764
Depreciation of right-of-use assets	14	**9,142**	9,064
Amortisation of other intangible assets	15	**46**	46
Equity-settled share option expense	26	**3,076**	1,211
Auditor's remuneration		**1,300**	1,300
Gain on disposal of property, plant and equipment		**(3,465)**	(1,389)
(Reversals)/impairment of trade receivables (note (b))	18	**(31)**	64
Write-down of inventories to net realisable value		**635**	950
Interest income		**(800)**	(1,579)
Stock loss (note (b), note 36)		**7,392**	—

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:

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

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:

	2021 RMB'000	2020 RMB'000
Fees	**325**	350
Other emoluments:		
Salaries, allowances and benefits in kind	**2,706**	2,634
Equity-settled share option expense	**1,238**	465
Pension scheme contributions	**118**	46
	4,387	3,495

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

	Fees RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2021			
Non-executive directors:			
Mr. Li Wai Keung	**125**	**78**	**203**
Mr. Hui Chun Tak[2]	**100**	**78**	**178**
Ms. Yan Fei	**100**	**78**	**178**
	325	**234**	**559**

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

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.

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
2021				
Executive directors:				
Mr. Law Hau Kit	1,600	12	463	2,075
Mr. Chen Shaoxing	436	50	154	640
Ms. Li Huifang	370	41	184	595
	2,406	103	801	3,310
Non-executive director:				
Mr. Woo King Hang[1]	300	15	203	518
	2,706	118	1,004	3,828

8. DIRECTORS' REMUNERATION (continued)

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

	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[2]	1,712	10	186	1,908
Mr. Chen Shaoxing[3]	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

1 Mr. Woo King Hang was appointed as an independent 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 (2020: three) executive directors and one (2020: one) non-executive director of the Company. Details of the remuneration of the remaining one highest paid employee (2020: one) who is neither a director nor chief executive of the Company are as follows:

	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**386**	246
Pension scheme contributions	**17**	10
	403	256

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	
	2021	2020
Nil to RMB1,000,000	**1**	1

During the year ended 31 December 2021, 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.

PRC Corporate Income Tax ("CIT")

Certain subsidiaries of the Group operating in Mainland China were certified as small and micro-sized enterprises ("**SMEs**") in 2021. They enjoyed a 87.5% reduction of the first RMB1,000,000 of taxable income, a 50% reduction of taxable income between RMB1,000,000 and RMB3,000,000 and the preferential CIT rate of 20%.

Pursuant to the CIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the years ended 31 December 2021 and 31 December 2020.

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

	2021 **RMB'000**	2020 RMB'000
Current — the PRC		
Charge for the year	**5,610**	12,777
Deferred income tax (note 16)	**545**	(769)
Total tax charge for the year	**6,155**	12,008

10. INCOME TAX (continued)

PRC Corporate Income Tax ("CIT") (continued)

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

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

11. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Interim — Nil (2020: HK2 cents) per ordinary share	—	8,893

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

On 18 September 2020, an interim dividend of HK2 cents per share for the six months ended 30 June 2020, totalling HK$10 million out of the share premium account of the Company, was declared and has been paid to the shareholders of the Company before 31 December 2021.

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

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

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

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

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

	2021 RMB'000	2020 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	2,681	21,429
Shares		
Weighted average number of ordinary shares in issue during the year	503,018	500,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	5,082	—
	508,100	500,000

	RMB cents	RMB cents
Earnings per share:		
Basic	0.53	4.29
Diluted	0.53	4.29

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 2021:							
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
At 1 January 2021, net of accumulated depreciation	83,069	10,227	28,743	3,515	2,641	1,434	129,629
Additions	779	9,972	47,358	302	4,768	2,979	66,158
Disposals	(1)	(31)	(11,303)	(1)	–	–	(11,336)
Depreciation provided during the year (note 6)	(5,585)	(4,651)	(8,085)	(881)	(917)	–	(20,119)
Transfers	200	1,435	–	–	–	(1,635)	–
At 31 December 2021, net of of accumulated depreciation	78,462	16,952	56,713	2,935	6,492	2,778	164,332
At 31 December 2021							
Cost	119,721	29,310	79,120	14,354	18,951	2,778	264,234
Accumulated depreciation	(41,259)	(12,358)	(22,407)	(11,419)	(12,459)	–	(99,902)
Net carrying amount	78,462	16,952	56,713	2,935	6,492	2,778	164,332

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 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 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

The Group's buildings are located in Mainland China.

As at 31 December 2021, the Group was in the process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amount of approximately RMB71,440,000 (31 December 2020: RMB75,359,000), respectively.

At 31 December 2021, certain of the Group's buildings with a net carrying amount of RMB7,022,000 (2020: RMB7,710,000) 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:

	Building RMB'000	**Leasehold land** RMB'000	**Vehicles** RMB'000	**Total** RMB'000
At 1 January 2020	33,494	11,103	—	44,597
Additions	232	—	—	232
Depreciation charged	(8,561)	(503)	—	(9,064)
As at 1 January 2021	**25,165**	**10,600**	**—**	**35,765**
Additions	**10,967**	**—**	**7,967**	**18,934**
Remeasurement from early termination of a lease	**(2,097)**	**—**	**—**	**(2,097)**
Depreciation charged	**(8,501)**	**(503)**	**(138)**	**(9,142)**
As at 31 December 2021	**25,534**	**10,097**	**7,829**	**43,460**

At 31 December 2021, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB10,097,000 (2020: RMB10,600,000) 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:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**30,581**	39,306
New leases	**18,934**	232
Remeasurement from early termination of a lease	**(2,500)**	—
Accretion of interest recognised during the year	**1,171**	1,958
Covid-19-related rent concessions from lessors	**(3,870)**	(6,095)
Payments	**(5,552)**	(4,820)
Carrying amount at 31 December	**38,764**	30,581
Analysed into:		
Current portion	**6,051**	8,031
Non-current portion	**32,713**	22,550

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

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**1,171**	1,958
Depreciation charge of right-of-use assets	**9,142**	9,064
Covid-19-related rent concessions from lessors	**(3,870)**	(6,095)
Total amounts recognised in profit or loss	**6,443**	4,927

14. LEASES (continued)

The Group as a lessee (continued)

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

	2021 RMB'000	2020 RMB'000
Amounts recognised in the consolidated statement of cash flows		
Total cash outflow for leases	(5,552)	(4,820)

	2021 RMB'000	2020 RMB'000
Lease liabilities		
Maturity analysis — contractual undiscounted cash flows:		
Less than one year	7,951	9,726
One to five years	24,253	23,770
After five years	14,062	4,332
Total undiscounted lease liabilities at 31 December	46,266	37,828

15. OTHER INTANGIBLE ASSETS

31 December 2021

	Total **RMB'000**
Cost at 1 January 2021, net of accumulated amortisation	**384**
Amortisation provided during the year	**(46)**
At 31 December 2021	**338**
At 31 December 2021	
Cost	**461**
Accumulated amortisation	**(123)**
Net carrying amount	**338**

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	461
Accumulated amortisation	(77)
Net carrying amount	384

16. DEFERRED TAX

Deferred tax assets

31 December 2021

	Impairment of inventories RMB'000	Loss available against future taxable profits for offsetting RMB'000	Total RMB'000
At 1 January 2021	**328**	**758**	**1,086**
(Credited)/charged to profit or loss during the year (note 10)	**(210)**	**(335)**	**(545)**
At 31 December 2021	**118**	**423**	**541**

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

The Group has tax losses arising in Mainland China of approximately RMB23,168,000 (31 December 2020: RMB9,069,000) 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 2021, 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 2021, 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 RMB101,144,000 (31 December 2020: RMB74,974,000).

17. INVENTORIES

	2021 RMB'000	2020 RMB'000
Vehicles	208,863	292,687
Accessories	6,728	6,833
	215,591	299,520

At 31 December 2021, the Group's inventories with a carrying amount of approximately RMB33,632,000 (2020: RMB11,398,000) were pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 24 the financial statements.

18. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**9,202**	12,251
Impairment	**(92)**	(123)
	9,110	12,128

Trade receivables of the Group represented proceeds receivable from the sale of motor vehicles and the provision of services. The Group's trading terms with its customers normally require payment in advance, except for certain customers of services where credit is allowed. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control management system to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, there was no significant concentration of credit risk as at 31 December 2021. Trade receivables were interest-free and unsecured as at 31 December 2021.

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

	2021 RMB'000	2020 RMB'000
Within 3 months	**8,939**	11,092
3 to 12 months	**171**	1,036
	9,110	12,128

18. TRADE RECEIVABLES (continued)

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

	2021 RMB'000	2020 RMB'000
At beginning of year	123	59
Impairment losses recognised (note 6)	(31)	64
At the end of year	92	123

As at 31 December 2021

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

As at 31 December 2020

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

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

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Advances to suppliers	**153,398**	129,819
Deposit	**4,610**	3,080
Value added taxes recoverable	**38,274**	44,237
Prepayments	**4,696**	1,863
Other receivables	**8,308**	9,473
	209,286	188,472

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 that the expected loss rate for other receivables is minimal.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**159,239**	148,070
Less: Pledged deposits:		
Pledged for bills payable	**(83,169)**	(97,606)
Pledged for bank loans	**(10,000)**	(10,000)
Others	**(1,042)**	(1,068)
	(94,211)	(108,674)
Cash and cash equivalents	**65,028**	39,396

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB158,312,000 (2020: RMB147,577,000). 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:

	2021 RMB'000	2020 RMB'000
Within 3 months	**121,618**	171,955
3 to 12 months	**19,627**	23,515
	141,245	195,470

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

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

22. CONTRACT LIABILITIES

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

	2021 RMB'000	2020 RMB'000
Contract liabilities:		
Advances from customers	47,407	61,392

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:

	2021 RMB'000	2020 RMB'000
At beginning of the year	61,392	64,880
Revenue recognised that was included in the contract liabilities at the beginning of the year	(61,392)	(64,880)
Increases due to cash received, excluding amounts recognised as revenue during the year	47,407	61,392
At end of the year	47,407	61,392

Contract liabilities included short-term advances received to deliver goods and render services. The increase in contract liabilities in 2021 was mainly due to the increase in short-term advances received from customers in relation to the sales of goods.

23. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Lease liability (note 14)	6,051	8,031
Payroll payable	8,886	8,521
Other taxes payable	381	138
Dividend payable	—	6,670
Others	24,760	29,217
	40,078	52,577

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

	2021			2020		
	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	4.00-5.655	February to March 2022	193,000	4.35-5.655	February to October 2021	58,000
Other loans — secured	4.2	September to December 2022	21,618	4.2	May to October 2021	8,986
			214,618			107,166
Non-current						
Bank loans — secured	–	–	–	4.45	February to March 2022	99,500
Total			214,618			206,666

Notes:

(a) As at 31 December 2021, 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 RMB33,632,000 (note 17) as at 31 December 2021 (2020: RMB11,398,000);

(ii) the Group's buildings, which a net carrying amount of approximately RMB7,022,000 (note 13) as at 31 December 2021 (2020: RMB7,710,000);

(iii) the Group's right-of-use assets, which a net carrying amount of approximately RMB10,097,000 (note 14) as at 31 December 2021 (2020: RMB10,600,000);

(iv) A pledged deposit of approximately RMB10,000,000 (note 20) as at 31 December 2021 (2020: RMB10,000,000); and

(v) certain buildings and leasehold lands held by the Group's related parties as at 31 December 2021.

25. SHARE CAPITAL

Shares

	2021	2020
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each as at 31 December 2021 and 2020	**HK$20,000,000**	HK$20,000,000
Issued and fully paid:		
505,202,000 ordinary shares of HK$0.01 each as at 31 December 2021 and 500,000,000 ordinary shares of HK$0.01 each as at 31 December 2020	**HK$5,052,020**	HK$5,000,000
Equivalent to	**RMB4,558,000**	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	500,000,000	4,515
Share options exercised (note (d))	5,202,000	43
At 31 December 2021	505,202,000	4,558

* Less than RMB1,000.

25. SHARE CAPITAL (continued)

Notes:

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

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

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

(c) On 18 October 2019, the Company issued 125,000,000 shares in its initial public offering at the price of HK$1.08 per share.

(d) The subscription rights attaching to 5,202,000 share options were exercised at the subscription price of HK$0.48 per share (note 26), resulting in the issue of 5,202,000 shares for a total cash consideration, before expenses, of HK$2,497,000 (equivalent to RMB2,067,000). An amount of HK$903,000 (equivalent to RMB750,000) was transferred from the share option reserve to share capital upon the exercise of the share options.

26. SHARE OPTION SCHEME

On 21 May 2020 and 21 May 2021, the Company adopted two share option schemes (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:

	2021	
	Weighted average exercise price HK$ per share	**Number of options '000**
At 31 December 2020	**0.48**	**19,500**
Granted during the year	**0.81**	**25,000**
Exercised during the year	**0.48**	**(5,202)**
Forfeited during the year	**0.48**	**(900)**
Forfeited during the year	**0.81**	**(4,150)**
At 31 December 2021	**0.68**	**34,248**

	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

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2021 was HK$0.48 per share (2020: No share options were exercised).

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 2021

Name of 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
	1,200	0.81	21-5-2021	21-5-2022 to 20-5-2026
	900	0.81	21-5-2021	21-5-2023 to 20-5-2026
	900	0.81	21-5-2021	21-5-2024 to 20-5-2026
	6,000			
Mr. Chen Shaoxing	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
	400	0.81	21-5-2021	21-5-2022 to 20-5-2026
	300	0.81	21-5-2021	21-5-2023 to 20-5-2026
	300	0.81	21-5-2021	21-5-2024 to 20-5-2026
	1,600			
Ms. Li Huifang	300	0.48	21-5-2020	21-5-2022 to 20-5-2025
	300	0.48	21-5-2020	21-5-2023 to 20-5-2025
	520	0.81	21-5-2021	21-5-2022 to 20-5-2026
	390	0.81	21-5-2021	21-5-2023 to 20-5-2026
	390	0.81	21-5-2021	21-5-2024 to 20-5-2026
	1,900			

26. SHARE OPTION SCHEME (continued)

As at 31 December 2021 (continued)

Name of category of participants	Number of share ’000	Exercise price* options HK$	Grant date per share options	Exercise period of share
Mr. Woo King Hang	300	0.48	21-5-2020	21-5-2022 to 20-5-2025
	300	0.48	21-5-2020	21-5-2023 to 20-5-2025
	600	0.81	21-5-2021	21-5-2022 to 20-5-2026
	450	0.81	21-5-2021	21-5-2023 to 20-5-2026
	450	0.81	21-5-2021	21-5-2024 to 20-5-2026
	2,100			
Ms. Yan Fei	200	0.48	21-5-2020	21-5-2021 to 20-5-2025
	150	0.48	21-5-2020	21-5-2022 to 20-5-2025
	150	0.48	21-5-2020	21-5-2023 to 20-5-2025
	200	0.81	21-5-2021	21-5-2022 to 20-5-2026
	150	0.81	21-5-2021	21-5-2023 to 20-5-2026
	150	0.81	21-5-2021	21-5-2024 to 20-5-2026
	1,000			
Mr. Li Wai Keung	200	0.48	21-5-2020	21-5-2021 to 20-5-2025
	150	0.48	21-5-2020	21-5-2022 to 20-5-2025
	150	0.48	21-5-2020	21-5-2023 to 20-5-2025
	200	0.81	21-5-2021	21-5-2022 to 20-5-2026
	150	0.81	21-5-2021	21-5-2023 to 20-5-2026
	150	0.81	21-5-2021	21-5-2024 to 20-5-2026
	1,000			

26. SHARE OPTION SCHEME (continued)

As at 31 December 2021 (continued)

Name of category of participants	Number of share '000	Exercise price* options HK$	Grant date per share options	Exercise period of share
Mr. Hui Chun Tak	150	0.48	21-5-2020	21-5-2022 to 20-5-2025
	150	0.48	21-5-2020	21-5-2023 to 20-5-2025
	200	0.81	21-5-2021	21-5-2022 to 20-5-2026
	150	0.81	21-5-2021	21-5-2023 to 20-5-2026
	150	0.81	21-5-2021	21-5-2024 to 20-5-2026
	800			
Other employees	998	0.48	21-5-2020	21-5-2021 to 20-5-2025
	3,150	0.48	21-5-2020	21-5-2022 to 20-5-2025
	3,150	0.48	21-5-2020	21-5-2023 to 20-5-2025
	5,020	0.81	21-5-2021	21-5-2022 to 20-5-2026
	3,765	0.81	21-5-2021	21-5-2023 to 20-5-2026
	3,765	0.81	21-5-2021	21-5-2024 to 20-5-2026
	19,848			
	34,248			

* 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 during the year ended 31 December 2021 was approximately HK$6,761,000, equivalent to approximately RMB5,601,000 (2020: approximately HK$3,429,000, equivalent to approximately RMB3,131,000), of which the Group recognised a share option expense of approximately RMB3,076,000 for the year ended 31 December 2021 (2020: RMB1,211,000).

26. SHARE OPTION SCHEME (continued)

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

For the year ended 31 December

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

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

The 5,202,000 share options exercised during the year resulted in the issue of 5,202,000 shares of the Company and new share capital of HK$52,020 (equivalent to RMB43,000) (before issue expenses)., as further detailed in note 25 to the financial statements.

At the end of the reporting period, the Company had 34,248,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 34,248,000 additional ordinary shares of the Company and additional share capital of HK$342,480 (equivalent to RMB280,000) (before issue expenses).

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 75 to 76 of the financial statements.

Other reserve

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

Statutory surplus reserve

Pursuant to the relevant laws and regulations in the PRC, the companies registered in the PRC shall appropriate a certain percentage of their net profit after tax (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to the reserve fund. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages. After making the appropriation to the statutory surplus reserve, the companies may also appropriate their profits for the 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 and 24, respectively, to the financial statements.

29. COMMITMENTS

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

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Buildings	**5,814**	2,315

30. CONTINGENT LIABILITIES

As at 31 December 2021 and 2020, the Group did not have any significant contingent liabilities.

31. RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Name and relationship of the related parties

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

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

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Outstanding balance with related party

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

Amount due to a director

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

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

(c) Transactions with related parties

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

(1) Sales of goods to related parties

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

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

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Transactions with related parties (continued)

(2) Services provided to related parties

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

(3) Rental fee paid to related parties

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

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

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

2021

	Amount due to a director RMB'000	Interest-bearing bank borrowings RMB'000	Total RMB'000
At 1 January 2021	—	206,666	206,666
Changes from financing cash flows	40,000	7,952	47,952
At 31 December 2021	40,000	214,618	254,618

2020

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

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

	2021 RMB'000	2020 RMB'000
Financial assets at amortised cost		
Trade receivables	9,110	12,128
Financial assets included in prepayments, other receivables and other assets	12,918	12,553
Pledged deposits	94,211	108,674
Cash and cash equivalents	65,028	39,396
	181,267	172,751

Financial liabilities

	2021 RMB'000	2020 RMB'000
Financial liabilities at amortised cost		
Trade and bills payables	141,245	195,470
Lease liabilities (non-current)	32,713	22,550
Financial liabilities included in other payables and accruals	30,811	37,248
Interest-bearing bank and other borrowings	214,618	206,666
Amount due to a director	40,000	—
	459,387	461,934

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, trade and bills payables, an amount due to a director, 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, 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.

	31 December 2021			31 December 2020		
	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*	–	9,202	9,202	–	12,251	12,251
Financial assets included in prepayments, other receivables and other assets						
– Normal**	12,918	–	12,918	12,553	–	12,553
Pledged deposits						
– Not yet past due	94,211	–	94,211	108,674	–	108,674
Cash and cash equivalents						
– Not yet past due	65,028	–	65,028	39,396	–	39,396
	172,157	9,202	181,359	160,623	12,251	172,874

* 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:

2021

	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	—	141,245	—	141,245
Lease liabilities (non-current)	—	—	38,315	38,315
Financial liabilities included in other payables and accruals	—	32,711	—	32,711
Interest-bearing bank borrowings	—	218,790	—	218,790
Amount due to a director	40,000	—	—	40,000
	40,000	392,746	38,315	471,061

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 (non-current)	—	—	22,550	22,550
Financial liabilities included in other payables and accruals	—	37,248	—	37,248
Interest-bearing bank borrowings	—	114,524	100,391	214,915
	—	347,242	122,941	470,183

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 remained 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 borrowings and an amount due to a director. The gearing ratios as at the end of the reporting periods were as follows:

	2021	2020
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**214,618**	206,666
Amount due to a director	**40,000**	—
Total debt	**254,618**	206,666
Total equity	**263,258**	255,896
Gearing ratio	**97%**	81%

36. EVENTS AFTER THE REPORTING PERIOD

In early March 2022, the management of the Company found that a legally dismissed employee of the Group (who was once a salesperson of Zhongshan Century Jaguar, a wholly-owned subsidiary of the Company) (the "**Former Employee**"), was suspected to have misappropriated car assets of Zhongshan Century Jaguar. Zhongshan Century Jaguar immediately reported the Former Employee's suspected misappropriation to the Chinese police authorities and immediately dismissed him according to law. The Company was informed that the Former Employee has been criminally detained by the relevant Chinese police authorities. The total stock losses are estimated at approximately RMB13.5 million, among which approximately RMB7.4 million has been recognised as other expenses in 2021 (note (6)). The incident is still under investigation by the Chinese police authorities.

37. 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:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	—*	—*
Amounts due from subsidiaries	113,616	125,336
Total non-current assets	113,616	125,336
CURRENT ASSETS		
Prepayments, other receivables and other asset	189	146
Cash and cash equivalents	917	280
Total current assets	1,106	426
CURRENT LIABILITIES		
Other payables and accruals	825	8,182
Amounts due to subsidiaries	3,424	3,424
Total current liabilities	4,249	11,606
NET CURRENT LIABILITIES	(3,143)	(11,180)
TOTAL ASSETS LESS CURRENT LIABILITIES	110,473	114,156
Net assets	110,473	114,156
EQUITY		
Share capital	4,558	4,515
Reserves (note)	105,915	109,641
Total equity	110,473	114,156

* Less than RMB1,000

37. 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 2020 and 1 January 2021	100,440	1,211	30,000	(6,928)	(15,082)	109,641
Loss and total comprehensive loss for the year	–	–	–	(2,478)	(6,348)	(8,826)
Issue of shares	2,774	(750)	–	–	–	2,024
Equity-settled share option arrangements	–	3,076	–	–	–	3,076
At 31 December 2021	103,214	3,537	30,000	(9,406)	(21,430)	105,915

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2022.

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				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Revenue	1,904,919	1,940,311	2,072,167	1,912,684	**2,051,803**
Profit before taxation	43,441	53,500	52,859	33,542	**8,317**
Taxation	(12,762)	(19,062)	(19,791)	(12,008)	**(6,155)**
Profit for the year	30,679	34,438	33,068	21,534	**2,162**
Profit attributable to equity shareholders of the Company	30,679	34,438	33,068	21,429	**2,681**

ASSETS AND LIABILITIES

	As at 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Total Assets	617,561	695,627	858,165	815,054	**801,897**
Total Liabilities	(509,403)	(584,757)	(616,529)	(559,158)	**(538,639)**
	108,158	110,870	241,636	255,896	**263,258**
Equity attributable to equity shareholders of the Company	105,008	105,770	239,636	253,791	**261,672**
Non-controlling interests	3,150	5,100	2,000	2,105	**1,586**
	108,158	110,870	241,636	255,896	**263,258**