

CENTENARY UNITED HOLDINGS LIMITED
世紀聯合控股有限公司

(incorporate in the Cayman Islands with limited liability)
Stock code : 1959



Interim 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

STOCK CODE

1959

COMPANY'S WEBSITE

www.car2000.com.cn

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Zhongshan North Branch)

No. 4, Ganglong South Road

ICBC Building

Zhongshan, Guangdong Province

PRC

China Construction Bank (Zhongshan Shalang Branch)

No. 2, Jinhua South Road

Zhongshan, Guangdong Province

PRC

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

With the pandemic under control and the introduction of extensive vaccination programmes in various countries, Mainland China's economic sentiment is rising and the automobile market is picking up in 2021. Data from the China Association of Automobile Manufacturers (“**CAAM**”) showed that the sales volume of vehicles was 12.9 million units in the first half of 2021, up 25.6% year-on-year. Due to a low-base effect, sales volume in the whole automobile market saw double-digit growth in the first half of 2021, highlighting the strong resilience and consumption potential of Mainland China's automobile market. A total of 2.1 million luxury cars were sold during the period, a rise of 39.9% from the first half of 2020. The proportion of luxury cars' sales volume in the total sales volume of passenger vehicles increased 1 percentage point to 19.4% as compared with the same period last year. In the meantime, automakers from Germany, Japan, South Korea and other countries tapped into the domestic market by producing low-cost cars. In addition, joint-venture brands continuously stepped up presence in the market and self-owned brands grew rapidly, which increased industry competition and intensified the competition in the mid-range passenger vehicle market.

However, demand for used vehicles was high as car production was cut because of a shortage of chips. Favourable policies of the central government, including a cut in the value-added tax on used vehicles to 0.5%, directly reduced the tax burden on dealers. Departments including the Ministry of Commerce, the Ministry of Public Security and the State Administration of Taxation have successively released policies, including lifting limitations on the flow of used vehicles between provinces and cities and streamlining the used vehicle transaction process, which further unleashed the consumption potential in used vehicles and enabled the used vehicle industry to see rapid growth. The China Automobile Dealers Association pointed out that sales volume of used vehicles totalled 8.4 million units in the first half of 2021, a year-on-year surge of 52.89%, nearly 27 percentage points higher than the year-on-year growth rate in sales volume of new vehicles.

In addition to the fast-growing used vehicle market, the new-energy vehicle (“**NEV(s)**”) industry is accelerating into the fast lane in the context of national strategies. According to a development plan for the new-energy vehicle industry for 2021–2035, sales volume of new NEVs will account for around 20% of the total sales volume of new vehicles by 2025. By 2035, pure electric vehicles are likely to become the mainstream in the sales of new vehicles. Benefitting from the launch of policies in Mainland China and the acceleration of vehicle electrification of automobile brands, the NEV market was on an upward trend with a strong sales performance. Data from CAAM showed that sales volume of NEVs jumped 223% year-on-year to 1.2 million units in the first six months of 2021. The China Passenger Car Association even raised the sales forecast for NEVs for 2021 to 2.4 million units. NEVs are expected to become the sales focus of the automobile market in the second half of this year.

BUSINESS REVIEW

For the Reporting Period, the Group recorded revenue of approximately RMB979.6 million, a year-on-year increase of approximately 39.0%. Its gross profit fell 28.0% year-on-year to approximately RMB45.0 million, and gross margin slumped 48.3% to approximately 4.6%.

Headquartered in Zhongshan City, Guangdong Province, the Group is located in the centre of the Guangdong-Hong Kong-Macao Greater Bay Area. Zhongshan is one of the important growing cities and also a hub city along the Shenzhen-Zhongshan Bridge under construction. For the Reporting Period, the Group operated 17 4S dealership stores, five quick fix outlets, one insurance agency and three second-hand vehicle trading centres. The Group has more than 12 brands authorised by automobile manufacturers, including Jaguar Land Rover, FAW Volkswagen, Buick, Chevrolet, FAW Toyota, Dongfeng Nissan, Dongfeng Venucia, Cadillac, Beijing Hyundai, Volkswagen New Jetta and GAC Aion which was authorised during the Reporting Period.

SALES OF MOTOR VEHICLES

During the Reporting Period, revenue from sales of motor vehicles (comprising new vehicles and second-hand vehicles) were approximately RMB856.3 million, an increase of approximately 43.6% from approximately RMB596.4 million in the Previous Period.

SALES OF NEW VEHICLES

During the Reporting Period, the Group recorded sales revenue of approximately RMB833.2 million in new vehicles (7,079 units in total), a growth of approximately 42.1% from approximately RMB586.5 million (5,272 units in total) in the Previous Period. It sold a total of 108 units of new vehicles from luxury car brands, such as Jaguar and Land Rover, with sales of approximately RMB44.6 million, a significant increase of 92.2% from approximately RMB23.2 million (53 units in total) in the Previous Period. Sales of Japanese cars with constant solid performance were approximately RMB517.8 million (4,662 units in total) during the Reporting Period, an increase of approximately 38.6% from approximately RMB373.6 million (3,403 units in total) in the Previous Period. A total of 702 Chevrolet and Buick cars (Previous Period: 406 units) were sold during the Reporting Period which amounted to a revenue of approximately RMB75.2 million, representing an increase of approximately 67.8% as compared to the Previous Period. However, with the gradual economic recovery following the stabilisation of the pandemic, the automobile manufacturers have raised their sales target for automobile dealers in general for 2021. To boost the sales volume of new vehicles in achieving the year-end rebates, there was a downward adjustment in the sales prices of new vehicles, which in turn led to a decline in the Group's gross profit.

SALES AND SERVICES OF USED VEHICLES

Benefitting from favourable policies at the national level, the Group sold 487 used vehicles during the Reporting Period, with sales revenue of approximately RMB23.1 million, a significant year-on-year increase of 131% from approximately RMB10.0 million (230 units in total) as compared to the Previous Period.

The Group's three used vehicle trading centres have been offering ownership transfer services and used vehicle trade-in services for used vehicles sold by the Group and third-party used vehicle stores. The Group provided ownership transfer services for 3,433 used vehicles (Previous Period: 1,254 units) in total during the Reporting Period.

OTHER INTEGRATED AUTO SERVICES

As a 4S dealership group providing one-stop car services, the Group offers a series of hassle-free 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. Revenue from integrated auto services amounted to approximately RMB121.4 million during the Reporting Period, representing an increase of 11.8% from approximately RMB108.6 million in the Previous Period.

There are tremendous demands for diverse services including repair and maintenance, auto detailing and auto products due to a huge number of vehicles in Mainland China. With car owners' increasing awareness of maintenance, the size of the maintenance business in the automotive aftermarket will be further expanded and the service scope will be further widened.

To expand its sales network and after-sales services, the Group has developed the Centenary United Big Data Intelligence System (“**CUBDIS**”), a large database integrating data from its own sales platform, after-sales service platform and service sales platforms which are in cooperation to help improve its internal management mechanisms and strengthen compliance management capabilities. The dynamic analysis of user experience has been made possible with the big data system. The Group is committed to providing and promoting seamlessly one-stop integrated auto services through the system to raise customers' stickiness and loyalty and the overall business profitability for a sustainable closed-loop service ecosystem. The Group has more than 260,000 customers in Zhongshan and more than 60,000 followers on internet platforms.

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.

During the Reporting Period, revenue from repair services amounted to approximately RMB101.7 million (Previous Period: RMB79.7 million), accounting for approximately 10.4% of the total revenue, an increase of 27.6% as compared with the Previous Period. The gross margin rose 9.4% year-on-year to 39.7%.

INSURANCE AGENCY SERVICES

For the Reporting Period, revenue from the Group's insurance agency services was approximately RMB6.6 million, a decline of approximately 31.3% from RMB9.6 million in the Previous Period. Gross profit dropped 33.7% year-on-year to approximately RMB6.1 million from RMB9.2 million in the Previous Period. The decline in the gross profit from insurance agency services is mainly related to automakers' rebate policies and a decrease in auto insurance premiums.

The China Banking and Insurance Regulatory Commission has implemented the circular of the guiding opinions on the comprehensive reform of automobile insurance since September 2020, which requires various insurance companies to "cut prices, increase coverage, and improve quality". Given the wider coverage of vehicle damage insurance, the overall premiums paid by consumers have been lowered as consumers are not required to buy various automobile insurances such as insurances for robbery and theft, glass, spontaneous combustion, and flooded cars as in the past. Together with the lowering of handling fee rate provided by the insurance companies to agents, the Group's gross profit from insurance agency services resulted in a decline.

During the Reporting Period, 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

Other services of the Group mainly comprised of vehicle registration services and registration of title transfer of used vehicles. The gross profit from other services was approximately RMB6.5 million during the Reporting Period, a surge of approximately 85.7% from RMB3.5 million in the Previous Period.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: HK 2 cents per share).

PROSPECT

The continuing spread of COVID-19 and the latest Delta variant, which is raging in multiple regions, have created new uncertainties and challenges to the normalisation of the global economy, posing a threat to the economic prospect for the second half of 2021. However, with the steady recovery of China's economy and the continuous implementation of policies and measures to boost consumption, there will be a strong support for the development of the automobile market. CAAM predicted that sales volume of vehicles will grow 6.7% year-on-year to 27 million units in 2021. Sales volume of NEVs is expected to reach 2.4 million units, a year-on-year increase of 76%.

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), an indirect wholly-owned subsidiary of the Group, signed a strategic cooperation framework agreement with Guangzhou Wancheng Wanchong New Energy Technology Co., Ltd.* (廣州萬城萬充新能源科技有限公司). Both parties agree to jointly establish a charging network for NEVs and carry out in-depth cooperation in the building and operation of such charging network. The two parties confirm their strategic cooperation on the building and operation of the charging network in the Guangdong-Hong Kong-Macao Greater Bay Area, including cooperation on regional resources, joint construction of charging stations, purchase and sales of facilities, and cooperation on platform services. For details, please refer to the announcement of the Company dated 8 April 2021.

As of 30 June 2021, the Group built 15 charging stations encompassing 80 charging posts in Zhongshan. Besides, another 6 charging stations under construction will be equipped with 57 charging posts. As of the date of this report, the Group had 21 charging stations with 123 charging posts in Zhongshan, Zhuhai and Foshan. In addition, another two charging stations under construction will encompass 28 charging posts. The Group will further increase resources to accelerate the establishment of the charging network in the Greater Bay Area and strive to build 50 charging stations with a total of 500 charging posts in Zhongshan, Zhuhai, Foshan, Dongguan and other cities in the area by the end of 2021, matching the rapid development of NEVs.

With the continuous implementation of the “carbon peak, carbon neutrality” and “dual carbon” strategy, the market environment of NEVs will be further optimised, which will promote the all-round development of NEVs. Zhongshan Shian New Energy Technology Co., Ltd.* (中山市世安新能源科技有限公司), an indirect wholly-owned subsidiary of the Group, became an authorised dealer of GAC Aion New Energy Automobile Co., Ltd.* (廣汽埃安新能源汽車有限公司), an innovative tech company under Guangzhou Automobile Group Co., Ltd. (stock code on the Main Board of Hong Kong Stock Exchange: 2238, and stock code on the Main Board of the Shanghai Stock Exchange: 601238), in order to ride on the momentum of the development of NEVs. The Group's GAC Aion store was put into operation in May 2021, which is expected to generate revenue in the second half of 2021.

Moreover, the Group launched an internet-based ride-hailing service in June 2021 and recruited drivers for GAC Aion NEVs. It rented the NEVs to drivers in the form of operating lease, i.e., charging a fixed rent for operating the ride-hailing business. The Zhuhai branch of 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**”), an indirect wholly-owned subsidiary of the Group, signed a franchise agreement with Guangzhou Qichen Technology Co., Ltd.* (廣州祺宸科技有限公司) in June 2021. Under the agreement, it connected GAC Aion vehicles and recruited drivers to the Ruqi Mobility Platform to operate the ride-hailing service. In addition, the Group established in July 2021 the Foshan branch of Guangdong Centenary United New Energy and planned to further operate the ride-hailing service in Foshan.

The Group believes that with the growth and maturity of the charging poles and ride-hailing businesses, an increased amount of stable and recurring revenue and cash income can be brought.

In the context of the gradual penetration of NEVs, automobile consumption in the next stage will be driven by NEVs. The Group will continue to expand its NEV business and explore business possibilities in various aspects.

Stimulated by national favourable policies, the used vehicle market will become a new growth engine for the automobile industry in the Greater Bay Area. Policies on promotion of the inter-city transfer registration of used vehicles have been issued since the beginning of this year. The removal of such restrictions in June 2021 by the Ministry of Commerce has facilitated the trading of used vehicles and related services, which accelerated the development of the used vehicle market.

In addition, the arrival of peak period for trade-in provided a large number of cars for the used vehicle market. Also, the implementation of policies will greatly vitalise the used vehicle market as well. With the improvement of various standards and regulations, the order of the used vehicle market will be gradually established. The financial, after-sales and other related service systems of used vehicle will gradually provide consumers with the same experience as purchasing new vehicles, which will further improve consumers’ acceptance of used vehicles and expand the base of used vehicles consumers.

On the other hand, with the postponement of the delivery of new vehicles due to the continuous shortage of chips which causes problems such as tight inventory and reduced discount, some consumers will choose to buy used vehicles instead of waiting for new vehicles, which will further provide opportunities for the development of the used vehicle market.

The China Automobile Dealers Association expects used vehicle transactions to grow approximately 15% year-on-year to over 16 million units in 2021. By 2025, used vehicle transactions will basically match with new vehicle transactions. The sales ratio of used and new vehicles increased significantly from 0.55:1 in the first half of 2020 to 0.65:1 in the first half of 2021. It is proven that the development of the used vehicle market has been gradually accelerating. Despite the significant increase in the above ratio, comparison with developed countries which generally have a ratio of more than 1.50:1 clearly shows that there is still huge room for development of Mainland China’s used vehicle sector.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group offers one-stop diverse and convenient services, such as used vehicle acquisition, sales, quality assurance, registration, transfer and auto insurance, in a bid to ride on the growth momentum of NEVs and used vehicles, and to continuously transform to participate in this potential market. The Group has currently established three used vehicle trading centres in Zhongshan until now and is preparing for the construction of a used vehicle sales building. The Group will unleash its long-accumulated potential in one-stop auto services for used vehicles to NEVs in the form of used vehicle trade-in cooperation agreement with different manufacturers. 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.

Zhongshan New Century Second-hand Car Market Co., Ltd.* (中山市創世紀二手車交易市場有限公司), the Group's indirect wholly-owned subsidiary, 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 indirectly wholly-owned subsidiary of Li Auto Inc. (stock code on NASDAQ : LI and stock code on the Main Board of Hong Kong Stock Exchange: 2015) ("**Leading Ideal**"), on 21 April 2021 to provide used vehicle acquisition service for Leading Ideal's customers.

In view of this, despite the fact that traditional 4S stores are facing more and more challenges, the Group actively seeks for transformation and enters the Guangdong-Hong Kong-Macao Greater Bay Area while consolidating its basic businesses. Headquartered in Zhongshan, the Group utilises its location advantage of being the geometric centre of the Greater Bay Area as a solid foundation and embraces NEVs as its development strategy to further develop in the area. In the aspect of developing NEV business, the Group focuses on charging poles, charging stations, ride-hailing businesses and sales of NEVs and keeps a close eye on businesses related to the NEV supply chain. In the aspect of traditional vehicles, the Group will strengthen the expansion of used vehicles and after-sales services and seize the opportunities arising from policies in order to consistently create value for shareholders.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the Group recorded a revenue of approximately RMB979.6 million, representing an increase of approximately RMB274.6 million or 39.0% from that of approximately RMB705.0 million for the Previous Period. Sales of motor vehicles contributed approximately RMB856.3 million for the Reporting Period (Previous Period: approximately RMB596.4 million) of the Group's total revenue whereas other integrated auto services brought in revenue of approximately RMB123.3 million for the Reporting Period (Previous Period: approximately RMB108.6 million), representing approximately 87.4% (Previous Period: approximately 84.6%) and 12.6% (Previous Period: approximately 15.4%) of the Group's total revenue, respectively. The increase of revenue mainly derived from increase of sales of motor vehicles.

Cost of sales and gross profit margin

The Group's cost of sales primarily consists of (i) cost of motor vehicles, (ii) cost of spare parts and accessories, (iii) staff costs, (iv) depreciation, and (v) others. Cost of motor vehicles is the main source of cost of sales, accounting for approximately 92.7% for the Reporting Period (Previous Period: approximately 91.0%). For the Reporting Period, the Group's cost of sales amounted to RMB934.6 million, representing an increase of approximately 45.5% as compared to that of approximately RMB642.5 million for the Previous Period. The increase was mainly due to the increase in demand of motor vehicles and spare parts, as well as the increase in staff costs owing to the resuming of salary level and cease of no pay leave for employees since the stabilization of the pandemic.

The Group recorded gross profit of approximately RMB45.0 million for the Reporting Period, representing a decrease of approximately 28.0% as compared to that of approximately RMB62.5 million for the Previous Period. As the automobile manufacturers raised their sales target for automobile dealers in general in the Reporting Period as compared to the Previous Period, the Group had a downward adjustment in the sales price of new vehicles in order to boost the sales volume of new vehicles for guaranteeing the year ended incentive rebate, which in turn led to a decline in the Group's gross profit. Overall gross profit margin of the Group decreased to approximately 4.6% for the Reporting Period from approximately 8.9% for the Previous Period.

Other income and gains

Other income and gains increased by approximately RMB7.1 million, or 86.6%, from approximately RMB8.2 million for the Previous Period to approximately RMB15.3 million for the Reporting Period, primarily attributable to the increase in service charge for providing customer loan services.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately RMB8.4 million, or 37.5%, from approximately RMB22.4 million for the Previous Period to approximately RMB30.8 million for the Reporting Period.

The increase in selling and distribution expenses for the Reporting Period was primarily due to the increase in commission of sales staff as a result of increased sales of motor vehicles and spare parts and accessories, as well as the increase in salary and wages as a result of resuming of salary level and cease of no pay leave for employees since the stabilization of the pandemic as compared to the Previous Period.

Administrative expenses

Administrative expenses primarily consist of (i) salary and wages of administrative staff; (ii) rental expenses; (iii) sundry expenses such as utility expenses and telephone expenses (iv) consultation expenses; (v) depreciation of fixed asset; (vi) property repair and maintenance expenses; (vii) taxation; and (viii) bank charges. The Group's administrative expenses for the Reporting Period were approximately RMB33.1 million, representing an increase of approximately RMB9.0 million from the Previous Period. Such increase was mainly due to the combined effect of (i) the increase in salary and wages of administrative staff of approximately RMB4.5 million; (ii) the increase of rental expense of approximately RMB2.6 million; (iii) the increase in sundry expenses such as utility expenses and telephone expenses of approximately RMB1.5 million and (iv) the increase in repair and maintenance expenses of approximately RMB0.1 million.

Finance costs

For the Reporting Period, the Group's finance costs were approximately RMB5.8 million (Previous Period: RMB8.2 million), representing a decrease of approximately RMB2.4 million or 29.3%, which was mainly due to the decrease of interest on bank and other borrowings.

Loss for the period

As a result of the foregoing, the Group's loss for the Reporting Period was approximately RMB8.1 million as compared to a profit of RMB8.1 million for the Previous Period. The decrease in profit is mainly attributable to the change of rebate policy of automobile manufacturers and a decline in gross profit of insurance agency services due to reduced automobile insurance premiums.

Income tax credit/expense

For the Reporting Period, the income tax credit of the Group was approximately RMB1.5 million (Previous Period: income tax expense of approximately RMB7.7 million). The income tax credit as at 30 June 2021 was mainly due to the recognition of deferred tax assets of losses available for offsetting against future taxable income.

Liquidity, financial resources and capital structure

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

The Group's gearing ratio, which is total debt divided by total equity, as at 30 June 2021 was approximately 0.79 times (as at 31 December 2020: 0.80 times). The decrease was mainly due to the repayment of the bank and other borrowings during the Reporting Period.

The Group's pledged bank deposits and cash and cash equivalents balances as at 30 June 2021 amounted to approximately RMB61.3 million, representing a decrease of approximately RMB86.8 million as compared to that of approximately RMB148.1 million as at 31 December 2020.

The Group's bank and other borrowings as at 30 June 2021 were all denominated in Renminbi. The interest rates ranged from 4.2% to 5.7% per annum.

As at 30 June 2021, the Group's interest-bearing bank and other borrowings amounted to RMB197.8 million, representing a decrease of 4.3% as compared to RMB206.7 million as at 31 December 2020. Short-term loans and borrowings amounted to approximately RMB197.8 million (as at 31 December 2020: RMB107.2 million), and long-term loans and borrowings was nil. (as at 31 December 2020: RMB99.5 million).

The Group's total equity attributable to owners of the parent was approximately RMB249.0 million as at 30 June 2021 (as at 31 December 2020: approximately RMB253.8 million). The capital of the Group mainly comprises share capital and reserves.

Capital expenditures and commitments

As at 30 June 2021, the capital commitments of the Group in connection with building expenditures was approximately RMB0.53 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 Renminbi. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that the Group should have sufficient resources to meet foreign exchange requirement if they arise. Therefore, the Group did not engage in any derivative contracts to hedge its exposure to foreign exchange risk during the Reporting Period.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2021 (as at 31 December 2020: nil).

Future Plans for material investments or capital assets

Save as disclosed under the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 September 2019 (the “**Prospectus**”), the Group did not have any other plans for material investments or capital assets during the six months ended 30 June 2021 and up to the date of this report.

Material acquisitions and disposals

During the Reporting Period, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures (Previous Period: nil).

Pledge of assets

As at 30 June 2021, the Group’s utilised banking facilities amounting to approximately RMB197.8 million (as at 31 December 2020: RMB206.7 million) were secured by:

- (i) certain of the Group’s merchandised goods amounting to approximately RMB47.8 million as at 30 June 2021 (as at 31 December 2020: RMB11.4 million);
- (ii) the Group’s buildings, which had a net carrying amount of approximately RMB7.4 million as at 30 June 2021 (as at 31 December 2020: RMB7.7 million);
- (iii) the Group’s right-of-use assets, which had a net carrying amount of approximately RMB10.3 million as at 30 June 2021 (as at 31 December 2020: RMB10.6 million);
- (iv) a pledged deposit of approximately RMB10.0 million as at 30 June 2021 (as at 31 December 2020: RMB10.0 million); and
- (v) the Group’s bills payable was secured by pledged deposits of approximately RMB36.8 million as at 30 June 2021 (as at 31 December 2020: RMB97.6 million).

USE OF NET PROCEEDS FROM LISTING

The ordinary shares of the Company (the “**Share(s)**”) were listed (the “**Listing**”) on the Main Board of the Stock Exchange on 18 October 2019. The net proceeds from Listing amounted to approximately HK\$105.2 million. For the six months ended 30 June 2021, the net proceeds have been applied in the manner as set out in the section headed “Future Plans and Use Of Proceeds” of the Prospectus. As of 30 June 2021, the Company cumulatively used approximately HK\$9.5 million, accounting from approximately 9.0% of the proceeds from Listing. The Company expects to utilise the balance of net proceeds of approximately HK\$62.2 million by the end of 2022.

	Estimated use of Proceeds <i>HK\$ million</i>	Adjusted use of proceeds* <i>HK\$ million</i>	Remaining net proceeds as at 31 December 2020 <i>HK\$ million</i>	Actual used net proceeds for the six months ended 30 June 2021 <i>HK\$ million</i>	Unutilised up to 30 June 2021 <i>HK\$ million</i>	Expected timeline of full utilisation of the remaining proceeds from the Listing as at 30 June 2021
Organic growth of the Group’s expansion network	33.4	32.7	6.7	6.7	–	N/A
Selective acquisition	27.4	26.8	26.8	–	26.8	By the end of 2022
Expansion of the Group’s other integrated auto services	30.2	29.6	28.3	2.0	26.3	By the end of 2021
Big data analysis and online marketing	11.0	10.7	9.9	0.8	9.1	By the end of 2021
General working capital	5.5	5.4	–	–	–	N/A
Total	107.5	105.2	71.7	9.5	62.2	

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

MANAGEMENT DISCUSSION AND ANALYSIS

The remaining unused net proceeds as at 30 June 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 Prospectus and the Company's 2020 annual report and there was no material change or delay in the use of proceeds. Given the impacts of the pandemic on the economy, the Company will continue to evaluate and adopt a prudent and flexible approach for utilizing the net proceeds effectively and efficiently for the long-term benefit and development of the Group. The expected timeline of full utilisation is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had a total workforce of approximately 857 employees (as at 31 December 2020: 837). Most of the Group's employees were located in Mainland China. The Group offered its staff with competitive remuneration packages. In addition, the Group conducts annual review on salary increment, discretionary bonuses and promotions based on the performance of each employee. During the Reporting Period, the Group did not experience any significant problems with its employees due to labour disputes nor did we experience any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

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

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

OTHER INFORMATION

DISCLOSURE OF INTERESTS

As at 30 June 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 30 June 2021
Mr. Law Hau Kit	Interest in a controlled corporation	373,916,000 (Note 1)	–	373,916,000	Long	74.11%
	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:

- Chong Kit Limited is wholly owned by Mr. Law. Under the SFO, Mr. Law is deemed to be interested in the same number of Shares in which Chong Kit Limited is interested.
- The interest of each of Mr. Law, Mr. Chen, Ms. Li, Mr. Woo, Ms. Yan, Mr. Li and Mr. Hui in 6,000,000, 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 21 of this report. Each of Mr. Law, Mr. Chen, Ms. Li, Mr. Woo, Ms. Yan, Mr. Li and Mr. Hui has confirmed that he/she will not exercise any Share Options if as a result of which the Company will not be able to comply with the public float requirement of the Listing Rules.

OTHER INFORMATION

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

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

Note:

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

Save as disclosed above, as at 30 June 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 30 June 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 30 June 2021
Chong Kit Limited (<i>Note 1</i>)	Beneficial owner	373,916,000	Long	74.11%
Ms. Liu Yali (<i>Note 2</i>)	Interest of spouse	379,916,000	Long	75.30%

Notes:

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

Save as disclosed above, as at 30 June 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.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 16 September 2019. The Group granted share options (“**Share Options**”) to Directors and certain employees on 21 May 2020 and 21 May 2021 respectively. Details of the grant of Share Options are as follows:

Option type	Date of grant	Number of Share Options granted	Exercisable period	Exercise price
2020 Options	21/05/2020	19,500,000	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	25,000,000	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

OTHER INFORMATION

For details, please refer to the announcement of the Company dated 21 May 2020 and 21 May 2021 respectively.

Based on the valuation report of an independent valuer, the fair value of the share options granted during the six months ended 30 June 2021 was approximately HK\$6,761,000. The measurement date used in the valuation calculations was the date on which the Share Options were granted.

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

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

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

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

As at 30 June 2021, the Company had 39,988,000 share options outstanding under the Share Option Scheme, representing approximately 7.93% of the issued share capital of the Company as at the date of this report. Particulars of the Company's Share Option Scheme are set out in note 20 to the consolidated financial statements on page 53.

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

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

OTHER INFORMATION

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.

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

Date of grant	Exercise period <i>(Notes 1, 2)</i>	Exercise price <i>(HK\$)</i>	Number of options at 01/01/2021	Movements during the six months ended 30 June 2021			Number of options at 30/06/2021
				Granted	Exercised	Lapsed	
Directors and Chief Executive							
Mr. Law Hau Kit	21/05/2020 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

OTHER INFORMATION

	Date of grant	Exercise period (Notes 1, 2)	Exercise price (HK\$)	Number of options at 01/01/2021	Movements during the six months ended 30 June 2021			Number of options at 30/06/2021
					Granted	Exercised	Lapsed	
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	—
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	—

OTHER INFORMATION

	Date of grant	Exercise period (Notes 1, 2)	Exercise price (HK\$)	Number of options at 01/01/2021	Movements during the six months ended 30 June 2021			Number of options at 30/06/2021
					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	—

OTHER INFORMATION

	Date of grant	Exercise period (Notes 1, 2)	Exercise price (HK\$)	Number of options at 01/01/2021	Movements during the six months ended 30 June 2021			Number of options at 30/06/2021
					Granted	Exercised	Lapsed	
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

OTHER INFORMATION

	Date of grant	Exercise period (Notes 1, 2)	Exercise price (HK\$)	Number of options at 01/01/2021	Movements during the six months ended 30 June 2021			Number of options at 30/06/2021
					Granted	Exercised	Lapsed	
Employees	21/05/2020	21/05/2021 to 20/05/2025	0.48	4,800,000	—	3,112,000	—	1,688,000
		21/05/2022 to 20/05/2025	0.48	3,600,000	—	—	—	3,600,000
		21/05/2023 to 20/05/2025	0.48	3,600,000	—	—	—	3,600,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	—	6,680,000	—	—	6,680,000
		21/05/2023 to 20/05/2026	0.81	—	5,010,000	—	—	5,010,000
		21/05/2024 to 20/05/2026	0.81	—	5,010,000	—	—	5,010,000
Total Employees			12,000,000	16,700,000	3,112,000	—	25,588,000	
Total				19,500,000	25,000,000	4,512,000	—	39,988,000

Notes:

- (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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021 and up to the date of this report.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all code provisions ("**Code Provisions**") and, where applicable, the recommended best practices of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021, save for the deviations which are explained below:

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 Hau Kit ("**Mr. Law**"). Provision A.2.1 of the CG Code requires that the roles of chairman and CEO should be separate and should not be performed by the same individual. Mr. Law has been responsible for overall strategic planning and management of the Group since the Group was founded in 1999. The Board considers that vesting the roles of chairman and CEO in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, both of which comprise experienced and high-calibre individuals. The Board currently comprises three executive Directors (including Mr. Law), one non-executive Director and three independent non-executive Directors, and therefore has a strong independence element in its composition.

Save as disclosed above and those disclosed in the corporate governance report in the 2020 annual report of the Company, none of the Directors is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the CG Code during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

Save for disclosed in this report, there was no material event which could have material impact to the Group's operating and financial performance after the Reporting Period and up to the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions conducted by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own Code of Conduct for securities transactions conducted by relevant Directors. All Directors of the Company have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2021 including the interim report and discussed with the management of the Company and is of the view that such financial information and report have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made with no disagreement by the Audit Committee of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules of at least 25% of the Company’s total number of issued shares which was held by the public.

ACKNOWLEDGEMENT

We would like to pay tribute to the management and all of our staff for their hard work and dedication, as well as our shareholders for their continuous support to the Group.

By order of the Board

Law Hau Kit

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 27 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CONTINUING OPERATIONS			
REVENUE	4	979,587	705,034
Cost of sales		(934,587)	(642,534)
Gross profit		45,000	62,500
Other income and gains	4	15,333	8,196
Selling and distribution expenses		(30,774)	(22,354)
Administrative expenses		(33,097)	(24,132)
Other expenses, net		(332)	(248)
Finance costs	6	(5,795)	(8,198)
(LOSS)/PROFIT BEFORE TAX	5	(9,665)	15,764
Income tax credit/(expense)	7	1,531	(7,655)
(LOSS)/PROFIT FOR THE PERIOD		(8,134)	8,109
Attributable to:			
Owners of the parent		(7,921)	8,306
Non-controlling interests		(213)	(197)
		(8,134)	8,109
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	RMB(1.58) cents	RMB1.66 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	(8,134)	8,109
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	79	91
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	79	91
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(8,055)	8,200
Attributable to:		
Owners of the parent	(7,842)	8,397
Non-controlling interests	(213)	(197)
	(8,055)	8,200

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	136,023	129,629
Right-of-use assets		31,384	35,765
Other intangible assets		361	384
Deferred tax assets		3,767	1,086
Total non-current assets		171,535	166,864
CURRENT ASSETS			
Inventories	11	215,672	299,520
Trade receivables	12	10,272	12,128
Prepayments, other receivables and other assets	13	173,559	188,472
Pledged deposits	14	48,332	108,674
Cash and cash equivalents	14	12,966	39,396
Total current assets		460,801	648,190
CURRENT LIABILITIES			
Trade and bills payables	15	74,037	195,470
Contract liabilities	16	34,421	61,392
Other payables and accruals	17	35,801	52,577
Interest-bearing bank and other borrowings	18	197,798	107,166
Tax payable		17,867	20,503
Total current liabilities		359,924	437,108

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NET CURRENT ASSETS		100,877	211,082
TOTAL ASSETS LESS CURRENT LIABILITIES		272,412	377,946
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	18	—	99,500
Lease liabilities	17	21,561	22,550
Total non-current liabilities		21,561	122,050
Net assets		250,851	255,896
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	4,552	4,515
Reserves	21	244,407	249,276
Equity attributable to owners of the parent		248,959	253,791
Non-controlling interests		1,892	2,105
Total equity		250,851	255,896

Law Hau Kit
Director

Chen Shaoxing
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent									
	Share capital	Share Premium*	Share option Reserve*	Other reserve*	Statutory surplus reserve*	Foreign currency translation Reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 19	Note 21	Note 20	Note 21	Note 21					
At 1 January 2021 (audited)	4,515	100,440	1,211	(44,512)	33,565	(790)	159,362	253,791	2,105	255,896
Loss for the period:	-	-	-	-	-	-	(7,921)	(7,921)	(213)	(8,134)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	79	-	79	-	79
Total comprehensive loss for the period	-	-	-	-	-	79	(7,921)	(7,842)	(213)	(8,055)
Issue of shares	37	2,451	(697)	-	-	-	-	1,791	-	1,791
Transfer from retained profits	-	-	-	-	145	-	(145)	-	-	-
Equity-settled share option arrangements	-	-	1,219	-	-	-	-	1,219	-	1,219
At 30 June 2021 (unaudited)	4,552	102,891	1,733	(44,512)	33,710	(711)	151,296	248,959	1,892	250,851

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent									
	Share capital	Share Premium*	share option Reserve*	Other reserve*	Statutory surplus reserve*	Foreign currency translation Reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 19	Note 21	Note 20	Note 21	Note 21					
At 1 January 2020 (audited)	4,515	109,333	—	(44,512)	30,787	(1,198)	140,711	239,636	2,000	241,636
Profit for the period:	—	—	—	—	—	—	8,306	8,306	(197)	8,109
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	—	91	—	91	—	91
Total comprehensive income for the period	—	—	—	—	—	91	8,306	8,397	(197)	8,200
Transfer from retained profits	—	—	—	—	1,315	—	(1,315)	—	—	—
Equity-settled share option arrangements	—	—	220	—	—	—	—	220	—	220
At 30 June 2020 (unaudited)	4,515	109,333	220	(44,512)	32,102	(1,107)	147,702	248,253	1,803	250,056

* These reserve accounts comprise the reserves of RMB244,407,000 in the consolidated statements of financial position as at 30 June 2021.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(9,665)	15,764
Adjustments for:			
Finance costs	6	5,795	8,198
Bank interest income	4	(875)	(936)
Gain on disposal of items of property, plant and equipment	4	(903)	(524)
Depreciation	5	9,272	7,539
Depreciation of right-of-use assets	5	4,381	4,607
Equity-settled share option expense	5	1,219	220
Amortisation of other intangible assets	5	23	23
Impairment/(reverse of impairment) of trade receivables	5	(19)	114
Write-down of inventories to net realisable value	5	1,113	2,518
		10,341	37,523
Decrease in inventories		82,735	36,257
Decrease/(Increase) in trade receivables		1,875	(11,451)
Decrease in prepayments, other receivables and other assets		14,913	51,544
Decrease in amount due from a related company		—	48,163
Decrease in pledged deposits		60,342	65,917
Decrease in trade and bills payables		(121,433)	(91,081)
Decrease in other payables and accruals		(13,748)	(9,994)
Decrease in contract liabilities		(26,971)	(24,320)
Cash generated from operations		8,054	102,558
Interest received		875	936
Income taxes paid		(3,786)	(4,058)
Net cash flows from operating activities		5,143	99,436

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net cash flows from operating activities		5,143	99,436
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(20,345)	(17,872)
Proceeds from disposals of items of property, plant and equipment		5,582	7,155
Net cash flows used in investing activities		(14,763)	(10,717)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(5,023)	(7,215)
New bank borrowings		180,468	95,634
Repayments of bank and other borrowings		(189,336)	(154,287)
Proceeds from issue of shares		1,791	—
Principal portion of lease payments		(4,789)	(5,596)
Net cash flows used in financing activities		(16,889)	(71,464)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(26,509)	17,255
Cash and cash equivalents at beginning of period		39,396	28,967
Effect of foreign exchange rate changes, net		79	91
CASH AND CASH EQUIVALENTS AT END OF PERIOD		12,966	46,313
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		61,298	94,536
Less: Pledged deposits	14	(48,332)	(48,223)
Cash and cash equivalents as stated in the statement of financial position	14	12,966	46,313

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 October 2018. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are mainly engaged in the sale of motor vehicles and provision of services in the People’s Republic of China (the “**PRC**” or “**Mainland China**”).

2.1 BASIS OF PRESENTATION

These unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and International Accounting Standard 34 Interim Financial Reporting issued by the International Accounting Standards Board. These unaudited interim condensed consolidated financial information are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial information are the same as those used in the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the new and revised International Financial Reporting Standards (“**IFRSs**”) (which also include International Accounting Standards (“**IASs**”) and Interpretations) as disclosed in note 2.2 below.

These unaudited interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised IFRSs for the first time for the current period's financial information

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

The adoption of the above revised standards has no significant financial effect on these consolidated financial statements

3. OPERATING SEGMENT INFORMATION

The Group principally engages in the sale and service of motor vehicles in Mainland China.

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

Geographical information

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

Information about major customers

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. REVENUE, OTHER INCOME AND GAINS

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

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Types of goods or services		
Sale of motor vehicles	856,278	596,447
Other integrated auto services	123,309	108,587
Total revenue from contracts with customers	979,587	705,034
Timing of revenue recognition		
Transferred at a point in time	877,909	625,327
Transferred over time	101,678	79,707
Total revenue from contracts with customers	979,587	705,034

(ii) Performance obligations

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

Sales of goods

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. REVENUE, OTHER INCOME AND GAINS (continued)

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

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Provision of services

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

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

Other income and gains

	For the six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Bank interest income	875	936
Government grants released (note (a))	599	697
Gain on disposal of property, plant and equipment	903	524
Others (note (b))	12,956	6,039
	15,333	8,196

(a) Government grant released represented the funds for hosting of vehicle exhibitions and other promotional activities from the PRC government authorities. There were no unfulfilled conditions or contingencies in relation to the grants.

(b) Others mainly included commission income from releasing vehicle mortgage for the customers, commission income from third party financing institution for vehicle financing and advertisement support received from automobile manufacturers for the advertising activities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

5. (LOSS)/PROFIT BEFORE TAX

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

	Note	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		33,398	26,456
Pension scheme contributions		6,793	1,502
		40,191	27,958
Cost of inventories sold (note (a))		872,065	590,912
Cost of services provided		62,522	51,622
Depreciation of property, plant and equipment		9,272	7,539
Depreciation of right-of-use assets		4,381	4,607
Equity-settled share option expense		1,219	220
Amortisation of other intangible assets		23	23
Auditor's remuneration		650	650
Gain on disposal of property, plant and equipment		(903)	(524)
Impairment/(reverse of impairment) of trade receivables (note (b))	12	(19)	114
Write-down of inventories to net realisable value		1,113	2,518
Interest income		(875)	(936)

(a) Inclusive of write-down of inventories to net realisable value.

(b) Included in "Other expenses, net" in the consolidated statements of profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest on bank and other borrowings	5,023	7,215
Interest on lease liabilities	772	983
	5,795	8,198

7. INCOME TAX

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

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

Hong Kong Profits Tax

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

7. INCOME TAX (continued)

PRC Corporate Income Tax (“CIT”)

Pursuant to the CIT Law and the respective regulations, the PRC subsidiaries were subject to income tax at a statutory rate of 25% for the six months ended 30 June 2021 and 30 June 2020.

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current — the PRC		
Charge for the period	1,150	8,459
Deferred income tax	(2,681)	(804)
Total tax charge for the period	(1,531)	7,655

8. DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2021.

On 18 September 2020 an interim dividend of HK\$2 cents per share for the six months ended 30 June 2020, totaling 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 30 June 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted (loss)/earnings per share amount are based on the (loss)/profit for the Reporting Period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 500,887,000 (six months ended 30 June 2020: 500,000,000) in issue during the Reporting Period.

	For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation (RMB'000)	(7,921)	8,306
Shares		
Weighted average number of ordinary shares in issue during the Reporting Period used in the basic (loss)/earnings per share calculation (in thousand)	500,887	500,000
(Loss)/earnings per share:		
Basic and diluted (RMB cents per share)	(1.58)	1.66

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the six months ended 30 June 2021 and 30 June 2020, in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired assets with a cost of approximately RMB19,685,000 (six months ended 30 June 2020: RMB17,872,000).

Assets with a net book value of approximately RMB4,679,000 were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB6,631,000), resulting in a net gain on disposal of approximately RMB903,000 (six months ended 30 June 2020: RMB524,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

11. INVENTORIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Vehicles	209,052	292,687
Accessories	6,620	6,833
	215,672	299,520

At 30 June 2021, the Group's inventories with a carrying amount of approximately RMB47,848,000 (as at 31 December 2020: RMB11,398,000) were pledged as security for the Group's interest-bearing bank and other borrowings.

12. TRADE RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	10,376	12,251
Impairment	(104)	(123)
	10,272	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 is no significant concentration of credit risk as at 30 June 2021. Trade receivables were interest-free and unsecured as at 30 June 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

12. TRADE RECEIVABLES (continued)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	9,637	11,092
3–12 months	635	1,036
	10,272	12,128

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
At beginning of period/year	123	59
Impairment losses recognised (note 5)	(19)	64
At the end of period/year	104	123

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Advances to suppliers	116,747	129,819
Deposit	4,167	3,080
Value added taxes recoverable	35,155	44,237
Prepayments	2,603	1,863
Other receivables	14,887	9,473
	173,559	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 the expected loss rate for other receivables is minimal.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash and bank balances	61,298	148,070
Less: Pledged deposits:		
Pledged for bills payables	(37,291)	(97,606)
Bank loans	(10,000)	(10,000)
Others	(1,041)	(1,068)
Cash and cash equivalents	12,966	39,396

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB57,754,000 (as at 31 December 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

15. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables of the Group, based on the invoice date, as at the end of the reporting period, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	54,900	171,955
3 to 12 months	19,137	23,515
	74,037	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 payables are secured by the pledged deposits of approximately RMB36,760,000 as at 30 June 2021 (as at 31 December 2020: RMB97,606,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

16. CONTRACT LIABILITIES

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contract liabilities:		
Advances from customers	34,421	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:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
At beginning of the period/year	61,392	64,880
Revenue recognised that was included in the contract liabilities at the beginning of the period/year	(61,392)	(64,880)
Increases due to cash received, excluding amounts recognised as revenue during the year	34,421	61,392
At end of the period/year	34,421	61,392

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

17. OTHER PAYABLES AND ACCRUALS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Lease liability	26,565	30,581
Payroll payable	6,616	8,521
Other taxes payable	806	138
Dividend payable	—	6,670
Others	23,375	29,217
	57,362	75,127
Analysed into:		
Non-current portion	21,561	22,550
Current portion	35,801	52,577
	57,362	75,127

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	4.35–4.5	October 2021 to June 2022	41,580	4.35–4.750	March to December 2021	40,180
Bank loans – secured	4.35–5.655	July 2021 to June 2022	142,800	4.35–5.655	February to October 2021	58,000
Other loans – secured	4.20	October to December 2021	13,418	4.2	May to October 2021	8,986
			197,798			107,166
Non-current						
Bank loans – secured			–	4.45	February to March 2021	99,500
Total			197,798			206,666

Notes:

- (a) As at 30 June 2021 and 31 December 2020, the Group's bank and other borrowings are all denominated in RMB.
- (b) The Group's bank and other borrowings are secured by:
- certain of the Group's merchandised goods amounting to approximately RMB47,848,000 (note 11) as at 30 June 2021 (as at 31 December 2020: RMB11,398,000);
 - the Group's buildings, which a net carrying amount of approximately RMB7,366,000 as at 30 June 2021 (as at 31 December 2020: RMB7,710,000);
 - the Group's right of use assets, which a net carrying amount of approximately RMB10,348,000 as at 30 June 2021 (as at 31 December 2020: RMB10,600,000); and
 - a pledged deposit of approximately RMB10,000,000 (note 14) as at 30 June 2021 (as at 31 December 2020: RMB10,000,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

19. SHARE CAPITAL

Shares

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Authorised: 2,000,000,000 ordinary shares of HKD0.01 each as at 30 June 2021 and 31 December 2020	HK\$20,000,000	HK\$20,000,000
Issued and fully paid: 504,512,000 ordinary shares of HK\$0.01 each as at 30 June 2021 and 500,000,000 ordinary shares of HK\$0.01 each as at 31 December 2020	HK\$5,045,120	HK\$5,000,000
Equivalent to	RMB4,552,000	RMB4,515,000

The subscription rights attaching to 4,512,000 share options were exercised at the subscription price of HK\$0.48 per share, resulting in the issue of 4,512,000 shares for a total cash consideration, before expenses, of HK\$2,165,760, equivalent to approximately RMB1,791,000. An amount of HK\$784,103, equivalent to approximately RMB697,000, was transferred from the share option reserve to share premium upon the exercise of the share options.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

20. 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 period:

	Six months ended 30 June 2021	
	Weighted average exercise price HK\$ per share	Number of options '000
At 31 December 2020 (Audited)	0.48	19,500
Exercised during the six months ended 30 June	0.48	4,512
Granted during the six months ended 30 June	0.81	25,000
At 30 June 2021 (Unaudited)	0.79	39,988
	Six months ended 30 June 2020	
	Weighted average exercise price HK\$ per share	Number of options '000
At 31 December 2019 (Audited)	—	—
Granted during the year	0.48	19,500
At 31 December 2020 (Audited)	0.48	19,500

The weighted average share price at the date of exercise for share options exercised during the six months ended 30 June 2021 was HK\$0.48 per share (six months ended 30 June 2020: No share options were exercised).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

20. SHARE OPTION SCHEME (continued)

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

For the six months ended 30 June 2021

Number of options '000	Exercise price HK\$ per share	Exercise period
4,512	0.48	21-5-2021 to 20-5-2025

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

As at 30 June 2021 (unaudited)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

20. SHARE OPTION SCHEME (continued)

As at 30 June 2021 (unaudited) (continued)

Name of Category of participants	Number of share options '000	Exercise price* per share HK\$	Grant date of share option	Exercise period
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			

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20. SHARE OPTION SCHEME (continued)

As at 30 June 2021 (unaudited) (continued)

Name of Category of participants	Number of share options '000	Exercise price* per share HK\$	Grant date of share option	Exercise period
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			

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30 June 2021

20. SHARE OPTION SCHEME (continued)

As at 30 June 2021 (unaudited) (continued)

Name of Category of participants	Number of share options '000	Exercise price* per share HK\$	Grant date of share option	Exercise period
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			
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			

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

20. SHARE OPTION SCHEME (continued)

As at 30 June 2021 (unaudited) (continued)

Name of Category of participants	Number of share options '000	Exercise price* per share HK\$	Grant date of share option	Exercise period
Other Employees	1,688	0.48	21-5-2020	21-5-2021 to 20-5-2025
	3,600	0.48	21-5-2020	21-5-2022 to 20-5-2025
	3,600	0.48	21-5-2020	21-5-2023 to 20-5-2025
	6,680	0.81	21-5-2021	21-5-2022 to 20-5-2026
	5,010	0.81	21-5-2021	21-5-2023 to 20-5-2026
	5,010	0.81	21-5-2021	21-5-2024 to 20-5-2026
		25,588		
	39,988			

* 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 six months ended 30 June 2021 was approximately HK\$6,761,000, equivalent to approximately RMB5,601,000 (six months ended 30 June 2020: approximately HK\$3,429,000, equivalent to approximately RMB3,131,000), of which the Group recognised a share option expense of approximately HK\$1,466,000, equivalent to approximately RMB1,219,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$243,000, equivalent to approximately RMB220,000).

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20. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during the six months ended 30 June 2021 and the six months ended 30 June 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 six months ended 30 June	
	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.

21. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on page 32 to 33 of this report.

Share premium

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

Other reserve

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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21. RESERVES (continued)

Statutory surplus reserve

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

22. RELATED PARTY TRANSACTIONS AND BALANCES

The directors are of the view that the following companies are related parties that had material transactions or balances with the Group during the 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 (a)) (中山市創世紀汽車租賃有限公司)	Controlled by a Director
Zhongshan Dongri Automobile Co., Ltd.* (中山市東日汽車有限公司)	Controlled by a Director
Zhongshan New Century Pioneering Automobile Co., Limited* (中山市創世紀汽車有限公司)	Controlled by a Director
Huichuang Financial Leasing (Zhuhai) Co., Ltd.* (滙創融資租賃(珠海)有限公司)	Controlled by a Director

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

22. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Outstanding balances with related parties

The Group did not have outstanding balance with related parties as at 30 June 2021 and 30 June 2020.

(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 Periods:

(1) Sales of goods to related parties

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Zhongshan New Century Car Rental Co., Ltd.* (Note (a))	4,144	—
Huichuang Financial Leasing (Zhuhai) Co., Ltd.*	242	—
	4,386	—

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

- (a) On 7 June 2021, the shares Mr. Law Hau Kit interested in Zhongshan New Century Car Rental Co., Ltd. ("**New Century Rental**"), which amounted to 80% of shareholding out of the total shares, have been 100% acquired by independent third 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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22. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Transactions with related parties (continued)

(2) Services provided to related parties

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Huichuang Financial Leasing (Zhuhai) Co., Ltd.*	2	9

(3) Rental fee paid to related parties

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Zhongshan Dongri Automobile Co., Ltd.*	579	146
Zhongshan New Century Pioneering Automobile Co., Limited*	1,245	519
	1,824	665

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

(d) During the reporting periods, the Group did not identify any personnel as key management other than the directors of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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23. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial assets at amortised costs		
Trade receivables	10,272	12,128
Financial assets included in prepayments, other receivables and other assets	19,054	12,553
Pledged deposits	48,332	108,674
Cash and cash equivalents	12,966	39,396
	90,624	172,751

Financial liabilities

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial liabilities at amortised costs		
Trade and bills payables	74,037	195,470
Lease liabilities	21,561	22,550
Financial liabilities included in other payables and accruals	28,379	37,248
Interest-bearing bank borrowings	197,798	206,666
	321,775	461,934

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalent, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bill payables, 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.