

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

(incorporated in the Cayman Islands with limited liability)

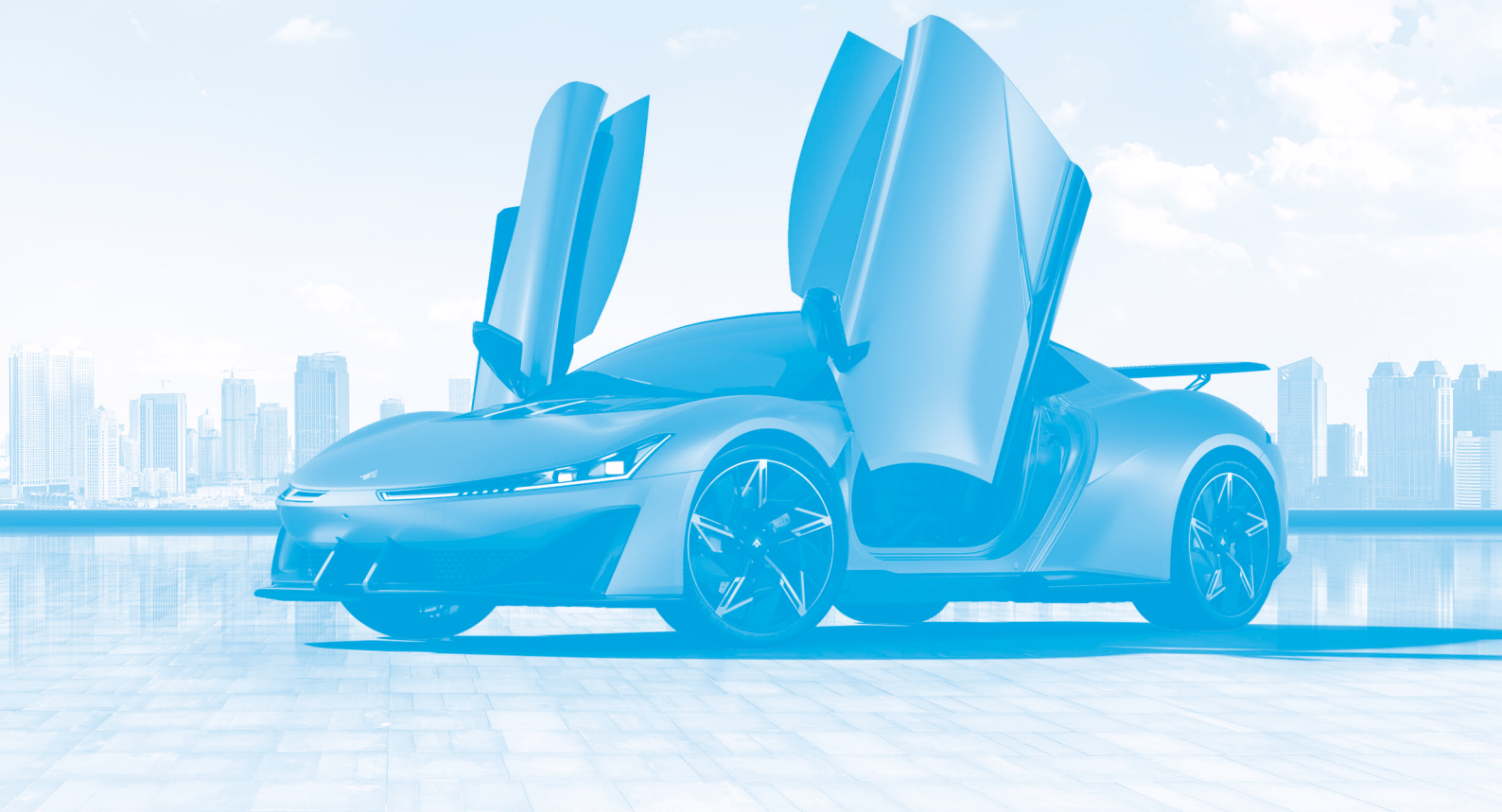
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INTERIM REPORT
2024

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CORPORATION INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. Woo King Hang, J.P. (Vice Chairman)
(resigned on 31 May 2024)

Independent Non-Executive Directors

Mr. Li Wai Keung
Mr. Hui Chun Tak, PDSM
(resigned on 19 July 2024)
Mr. Li Weining (appointed on 19 July 2024)
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, PDSM
(resigned on 19 July 2024)
Mr. Li Weining (appointed on 19 July 2024)
Ms. Yan Fei

REMUNERATION COMMITTEE

Mr. Li Weining (Chairman)
(appointed on 19 July 2024)
Mr. Hui Chun Tak, PDSM (resigned on 19 July 2024)
Mr. Chen Huaquan
Mr. Li Wai Keung

NOMINATION COMMITTEE

Mr. Law Hau Kit (Chairman)
Mr. Hui Chun Tak, PDSM
(resigned on 19 July 2024)
Mr. Li Weining (appointed on 19 July 2024)
Ms. Yan Fei

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

27/F, One Taikoo Place,

979 King's Road,

Quarry Bay, Hong Kong

STOCK CODE

1959

COMPANY'S WEBSITE

www.car2000.com.cn

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre,

16 Harcourt Road,

Hong Kong

PRINCIPAL BANKERS

**Industrial and Commercial Bank of China
(Zhongshan Shalang Branch)**

No. 4, Ganglong South Road

ICBC Building

Zhongshan, Guangdong Province

PRC

**China Construction Bank
(Zhongshan Shalang Branch)**

No. 2, Jinhua South Road

Zhongshan, Guangdong Province

PRC

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Centenary United Holdings Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2023 (the “**Previous Period**”).

INDUSTRY OVERVIEW

Despite the challenges and pressures facing the automobile industry, China’s auto sales increased by 6.1% year on year in the first half of 2024, of which sales in new energy vehicles grew by 32%, with a market share of 35.2%, according to the China Association of Automobile Manufacturers. This trend demonstrates that new energy vehicles have become an important force driving the growth of the industry, which is in line with the Group’s strategy of deploying new energy-related businesses in the Greater Bay Area.

Due to insufficient internal demand and consumption downgrading, major automobile brands were faced with increasingly fierce competition, and price wars in the automobile sector had become normal since the beginning of this year. It was common for automobile dealers to reduce the risk of inventory by cutting prices and increasing sales. Meanwhile, as some automobile manufacturers still pushed their dealer to increase inventory and the government reduced rebates and subsidies, the dealers came under serious operating pressures and even incurred losses, and there was a large-scale withdrawal of the 4S outlets from the network. Additionally, the Group, affected by the price wars, made efforts to adjust the brand structure, the new organizational model and the focus of its operation, and continuously expanded new energy-related businesses, including the sales of new energy vehicles, charging piles, and online car hailing, in order to satisfy the new needs of consumers and to adapt to the new direction of the market.

BUSINESS REVIEW

During the Reporting Period, the Group recorded revenue of approximately RMB738.0 million, an increase of approximately 1.1% from the Previous Period. Gross profit decreased by approximately 67.7% to approximately RMB10.8 million, while gross profit margin decreased to approximately 1.5% from approximately 4.6% for the six months ended 30 June 2024.

Headquartered in Zhongshan City, Guangdong Province, the Group is located at the center of the Greater Bay Area as a leading provider of diversified vehicle mobility services in the Greater Bay Area. During the Reporting Period, the Group operated a total of 27 outlets in Zhongshan, Foshan, Jiangmen and other cities in the Greater Bay Area, one insurance agency company, three used-vehicle trading centres, and a company engaged in the construction of charging stations and operation of online ride-hailing business.

The Group has up to 19 brands authorised by automobile manufacturers, among which 10 are pure electric vehicle brands, namely GAC Aion, Hyper, Leapmotor, Great Wall ORA, Volkswagen ID, Dongfeng New Energy, EVH, JAC Yiwei New Energy, ARCFOX and MARVEL R, and 9 are mid-to-high-end joint venture brands, namely Jaguar Land Rover, FAW-Volkswagen, Buick, Chevrolet, FAW Toyota, Dongfeng Nissan, Dongfeng Venucia, Cadillac and Beijing Hyundai.

SALES OF MOTOR VEHICLES

During the Reporting Period, the sales of motor vehicles (comprising new vehicles and used vehicles) were approximately RMB553.2 million, representing a decrease of approximately 7.6% compared to approximately RMB598.4 million for the Previous Period.

SALES OF NEW VEHICLES

During the Reporting Period, the Group's sales revenue of new vehicles was approximately RMB543.2 million (4,832 units in total), a decrease of approximately 8.1% as compared to approximately RMB590.8 million (5,027 units in total) recorded in the Previous Period. The decline in sales of new vehicles was mainly due to the intensified competition in the automobile market and the decline in sales of fuel-powered vehicles.

SALES OF USED VEHICLES

The Group sold 335 used vehicles during the Reporting Period, with sales revenue of approximately RMB10.0 million, an increase of approximately 31.6% from approximately RMB7.6 million (234 units in total) as compared to the Previous Period. This is mainly due to the continued strong consumer demand for new energy vehicles ("**NEV(s)**"), coupled with the trade-in policy launched by the government in March this year, which has accelerated the speed of consumers selling and trading in vehicles. The increase in number of trade-in vehicles has promoted the sales of used vehicles.

OTHER INTEGRATED AUTO SERVICES

As a 4S dealership group providing one-stop car services, the Group offers a series of one-stop services such as after-sales services and customer feedback in addition to car sales. Other integrated auto services provided by the Group include repair and maintenance services, sales of spare parts, insurance agency services and other services. During the Reporting Period, revenue from comprehensive automobile services amounted to approximately RMB184.8 million, representing an increase of approximately 40.0% compared with approximately RMB131.9 million during the Previous Period.

MANAGEMENT DISCUSSION AND ANALYSIS

REPAIR SERVICES

The Group's repair services are comprised of repair and maintenance services, sales of spare parts, car care services and used vehicle warranty services. During the Reporting Period, revenue from repair services amounted to approximately RMB108.7 million (Previous Period: RMB94.4 million), accounting for approximately 14.7% of the total revenue, representing an increase of approximately 1.8% as compared with the Previous Period. The gross profit margin was approximately 27.2%.

INSURANCE AGENCY SERVICES

For the Reporting Period, revenue from the Group's insurance agency services was approximately RMB43.0 million, an increase of approximately 814.9% from approximately RMB4.7 million in the Previous Period. Gross profit increased 163.6% to approximately RMB5.8 million from approximately RMB2.2 million in the Previous Period.

OTHER SERVICES

Other services of the Group mainly comprised of vehicle registration services, registration of title transfer of used vehicles, charging station business and online ride-hailing services. Revenue from other services was approximately RMB33.1 million during the Reporting Period, a surge of approximately 30.8% from approximately RMB25.3 million in the Previous Period. This was mainly due to the increase in revenue from the charging pile business.

NEW-ENERGY VEHICLE RELATED SERVICES

During the Reporting Period, the Group had taken the NEV related businesses as one of the key development strategies. The Group's NEV related services are comprised of charging services fee generated from the electric vehicle charging network in the Greater Bay Area and rental and administrative fee from participating in the operation of the online ride-hailing business.

During the Reporting Period, revenue from newly launched NEV related services amounted to approximately RMB24.4 million (Previous Period: approximately 22.2 million), and gross profit from NEV related services amounted to approximately RMB1.7 million (Previous Period: approximately 1.2 million).

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

PROSPECT AND OUTLOOK

In the second half of 2024, the automobile market is expected to remain active and competitive. Automobile dealers will continuously face problems such as price wars, transformation pressure and inventory management. When the external environment changes drastically, enterprises that are large in scale, high in cost and slow in transformation will often be the first to be eliminated. As a small and exquisite auto dealer in the Greater Bay Area, the Group will step up efforts and undergo transformation surrounding its key businesses of the “Greater Bay Area”, “after-sales service”, “mobility”, “new energy vehicles”, “charging stations” and more, and proactively respond to changes in the market. In the meantime, it will focus on the enhancement of service quality and customer satisfaction, in order to stabilize and strengthen its market competitiveness. The Group is confident of its sustainable growth in a market that is accelerating the pace of integration and upholding the principle of survival of the fittest.

Of particular note is the charging station business. According to the China Electric Vehicle Charging Infrastructure Promotion Alliance, the newly added charging infrastructure was 1.647 million units in the first half of 2024, and the ratio of increased piles and vehicles was 1:3, which indicates that the growth of charging piles is still not able to keep up with the growth of new energy vehicles, and there is still a lot of room for the charging station construction market. Currently, few automobile dealership groups have entered the charging industry. However, the Group started to build a charging station network as early as in 2019. As of June 2024, we have built (including those under construction) 95 charging stations, 616 piles, providing 1,129 charging spots in cities across the Greater Bay Area, including Zhuhai, Dongguan, Foshan, Zhongshan, and Guangzhou. We are currently transitioning towards building charging stations on behalf of others and selling charging stations externally.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded revenue of approximately RMB738.0 million, representing an increase of approximately RMB7.7 million or approximately 1.1% from that of approximately RMB730.3 million for the Previous Period. Sales of motor vehicles contributed approximately RMB553.2 million for the Reporting Period (Previous Period: approximately RMB598.4 million) of the Group's total revenue whereas other integrated auto services brought in revenue of approximately RMB184.8 million for the Reporting Period (Previous Period: approximately RMB131.9 million), representing approximately 75.0% (Previous Period: approximately 81.9%) and 25.0% (Previous Period: approximately 18.1%) of the Group's total revenue, respectively. The decrease of revenue mainly derived from the decrease of sales of motor vehicles.

Cost of sales and gross profit margin

The Group's cost of sales primarily consists of (i) cost of motor vehicles, (ii) cost of spare parts and accessories, (iii) staff costs, (iv) depreciation, and (v) others. Cost of motor vehicles is the main source of cost of sales, accounting for approximately 81.3% for the Reporting Period (Previous Period: approximately 87.3%). For the Reporting Period, the Group's cost of sales amounted to approximately RMB727.3 million, representing an increase of approximately 4.3% as compared to that of approximately RMB697.0 million for the Previous Period. The increase was mainly due to the increase in demand of motor vehicles and spare parts.

The Group recorded gross profit of approximately RMB10.8 million for the Reporting Period, representing a decrease of approximately 67.7% as compared to that of approximately RMB33.3 million for the Previous Period. The decrease in gross profit was mainly attributable to the lower selling prices of motor vehicles due to intensified competition in the automobile market. Overall gross profit margin of the Group decreased to approximately 1.5% from approximately 4.6% for the Previous Period.

Other income and gains

Other income and gains decreased by approximately RMB2.4 million, or 10.7%, from approximately RMB22.5 million for the Previous Period to approximately RMB20.1 million for the Reporting Period, primarily attributable to the commission income from releasing vehicle mortgage for the customers, commission income for automotive explosion-proof membrane, commission income from third party financing institution for vehicle financing and advertisement support received from automobile manufacturers for the advertising activities.

Selling and distribution expenses

The Group's selling and distribution expenses slightly decreased by approximately RMB2.8 million, or 8.4%, from approximately RMB33.2 million for the Previous Period to approximately RMB30.4 million for the Reporting Period.

The decrease in selling and distribution expenses for the Reporting Period was primarily due to the decrease in advertising and office expenses as compared to the Previous Period.

Administrative expenses

Administrative expenses primarily consist of (i) salary and wages of administrative staff; (ii) rental expenses; (iii) depreciation and amortization of fixed asset; (iv) property repair and maintenance expenses; (v) sundry expenses such as utility expenses and telephone expenses; and (vi) bank charges. The Group's administrative expenses for the Reporting Period were approximately RMB46.7 million, representing an increase of approximately RMB4.3 million from the Previous Period. Such increase was mainly due to the combined effect of (i) the decrease in salary and wages of administrative staff of approximately RMB1.4 million; (ii) the decrease in rental expense of approximately RMB5.7 million; (iii) the increase in depreciation and amortization of fixed assets and right-of-use assets of approximately RMB11.0 million; (iv) the decrease in repair and maintenance expenses of approximately RMB2.5 million and (v) the increase in sundry expenses of approximately RMB2.8 million.

Finance costs

For the Reporting Period, the Group's finance costs were approximately RMB5.6 million (Previous Period: approximately RMB5.1 million), which represented a slight increase as compared to the Previous Period due to the increase of interest rates.

Loss for the period

As a result of the foregoing, the Group's loss for the Reporting Period was approximately RMB52.4 million as compared to approximately RMB28.1 million for the Previous Period. The decline in financial performance was mainly due to the macroeconomic downturn of China, which has led to a decrease in consumer purchasing power and intensified the price war in the automotive market. The competition of price for quantity has ultimately led to a decrease in car sales prices, resulting in a decrease in gross profit of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

For the Reporting Period, the income tax expense of the Group was approximately RMB0.1 million (Previous Period: approximately RMB0.6 million). The decrease was primarily attributable to the decrease in the Group's taxable profit for the Reporting Period.

Liquidity, financial resources and capital structure

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

The Group's gearing ratio, which is total debt divided by total equity, as at 30 June 2024 was approximately 2.12 times (as at 31 December 2023: 1.85 times). The increase was mainly due to the decrease in equity due to the Group's loss during the Reporting Period.

The Group's pledged bank deposits and cash and cash equivalents balances as at 30 June 2024 amounted to approximately RMB103.9 million, representing a decrease of approximately RMB5.4 million as compared to that of approximately RMB109.3 million as at 31 December 2023.

The Group's interest-bearing bank and other borrowings as at 30 June 2024 were all denominated in Renminbi. The interest rates ranged from 1.8% to 5.3% per annum.

As at 30 June 2024, the Group's interest-bearing bank and other borrowings amounted to RMB151.3 million, representing a decrease of 24.5% as compared to RMB200.4 million as at 31 December 2023. Short-term loans and borrowings amounted to approximately RMB147.1 million (as at 31 December 2023: approximately RMB199.0 million), and long-term loans and borrowings was RMB4.1 million (as at 31 December 2023: RMB1.3 million).

The Group's total equity attributable to owners of the parent was approximately RMB136.6 million as at 30 June 2024 (as at 31 December 2023: approximately RMB189.0 million). The capital of the Group mainly comprises share capital and reserves.

Capital expenditures and commitments

As at 30 June 2024, the capital commitments of the Group in connection with building expenditures was approximately RMB2.87 million (as at 31 December 2023: approximately RMB3.1 million).

Foreign exchange

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

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2024 (as at 31 December 2023: nil).

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

The Group had no material acquisitions or disposals during the Reporting Period and up to the date of this report.

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

Pledge of assets

As at 30 June 2024, the Group's utilised banking facilities amounting to approximately RMB151.3 million (as at 31 December 2023: approximately RMB200.4 million) were secured by:

- (i) certain of the Group's merchandised goods amounting to approximately RMB77.4 million as at 30 June 2024 (as at 31 December 2023: approximately RMB81.5 million);
- (ii) the Group's buildings, which a net carrying amount of approximately RMB5.3 million as at 30 June 2024 (as at 31 December 2023: approximately RMB5.6 million);
- (iii) the Group's right of use assets, which a net carrying amount of approximately RMB12.3 as at 30 June 2024 (as at 31 December 2023: approximately RMB9.1 million);
- (iv) the Group's bills payable was secured by pledged deposits of approximately RMB33.4 million as at 30 June 2024 (as at 31 December 2023: approximately RMB47.7 million); and
- (v) pledged deposits for others of approximately RMB1.0 million as at 30 June 2024 (as at 31 December 2023: approximately RMB1.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had a total workforce of approximately 667 employees (as at 31 December 2023: 816). Most of the Group's employees were located in China. The Group offered its staff with competitive remuneration packages. In addition, the Group conducts annual review on salary increment, discretionary bonuses and promotions based on the performance of each employee. During the Reporting Period, the Group did not experience any significant problems with its employees due to labour disputes nor did we experience any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

The Board has the general power of determining the Directors' remuneration, subject to authorization of the shareholders of the Company at the annual general meeting each year. The remuneration of the executive Directors is subject to review by the remuneration committee ("**Remuneration Committee**") of the Company, and their remuneration is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group. As for the independent non-executive Directors remuneration, 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 2024, 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 2024
Mr. Law Hau Kit	Interest in a controlled corporation	373,916,000 (Note 1)	—	373,916,000	Long	74.01%
	Beneficial owner	—	6,000,000 (Note 2)	6,000,000	Long	1.19%
Mr. Chen Huaquan	Beneficial owner	1,842,000	2,780,000 (Note 2)	4,622,000	Long	0.91%
Ms. Li Huifang	Beneficial owner	—	1,900,000 (Note 2)	1,900,000	Long	0.38%
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, Ms. Yan, Mr. Li and Mr. Hui in 6,000,000, 2,780,000, 1,900,000, 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 17 of this report. Each of Mr. Law, Mr. Chen, Ms. Li, 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 2024, 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 2024, 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 2024
Chong Kit Limited (Note 1)	Beneficial owner	373,916,000	Long	74.01%
Ms. Liu Yali (Note 2)	Interest of spouse	379,916,000	Long	75.20%

Notes:

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

Save as disclosed above, as at 30 June 2024, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or Chief Executive of the Company) in the Shares or underlying Shares which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

UPDATE ON DIRECTORS' INFORMATION

- Mr. Woo King Hang has resigned from the position of a non-executive Director with effect from 31 May 2024.
- Mr. Hui Chun Tak has resigned from the position of an independent non-executive Director and ceased to be the chairman of the Remuneration Committee and a member of each of the audit committee of the Company (the “**Audit Committee**”) and the nomination committee of the Company (the “**Nomination Committee**”) with effect from 19 July 2024.
- Mr. Li Weining has been appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of Audit Committee and Nomination Committee with effect from 19 July 2024.
- Mr. Li Wai Keung has resigned from the position of an independent non-executive director of Hans Energy Company Limited (HKEX Stock Code: 554) with effect from 31 July 2024.

Save as disclosed above, there is no other changes in the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of the 2023 annual report of the Company and up to the date of this report.

SHARE OPTION SCHEME

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

OTHER INFORMATION

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

The number of options available for grant under the existing General Scheme Limit as at 1 January 2024 and 30 June 2024 and the maximum number of Shares of the Company which may be issued upon exercise of all options that may be granted under the existing General Scheme Limit was 5,500,000, representing approximately 1.09% of the issued share capital of the Company as at the date of this interim report.

During the six months ended 30 June 2024, no share option was granted under the Share Option Scheme. The number of Shares that may be issued in respect of options granted under the Share Option Scheme during the six months ended 30 June 2024 divided by the weighted average number of Shares in issue for the six months ended 30 June 2024 is therefore not applicable.

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

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised, cancelled or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

Pursuant to the terms of the Share Option Scheme, the period within which the Shares must be taken up under an option shall be the period of time to be notified by the Board to each grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant.

There is no general requirement on the minimum period for which an option must be held before an option can be exercised under the terms of the Share Option Scheme. Upon fulfilment of the vesting conditions of the share options, the share options are exercisable in the manner set out herein below.

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 (i.e. 18 October 2019).

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.

As at 30 June 2024, the Company had 28,768,000 share option outstanding under the Share Option Scheme, representing approximately 5.7% of the issued share capital of the Company as at the date of this interim report. The following table discloses movements in the share options of the Company during the Reporting Period:

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

OTHER INFORMATION

	Date of grant	Exercise period (Note)	Exercise price (HK\$)	Number of options at 01/01/2024	Movements during the six months ended 30 June 2024			Number of options at 30/06/2024
					Granted	Exercised	Lapsed	
Mr. Chen Huaquan	21/05/2020	21/05/2021 to 20/05/2025	0.48	320,000	—	—	—	320,000
		21/05/2022 to 20/05/2025	0.48	480,000	—	—	—	480,000
		21/05/2023 to 20/05/2025	0.48	480,000	—	—	—	480,000
	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
				2,780,000	—	—	—	2,780,000
Ms. Li Huifang	21/05/2020	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
				1,900,000	—	—	—	1,900,000

OTHER INFORMATION

	Date of grant	Exercise period (Note)	Exercise price (HK\$)	Number of options at 01/01/2024	Movements during the six months ended 30 June 2024			Number of options at 30/06/2024
					Granted	Exercised	Lapsed	
Mr. Woo King Hang (Note 1)	21/05/2020	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	—
				2,100,000	—	—	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
				1,000,000	—	—	—	1,000,000

OTHER INFORMATION

	Date of grant	Exercise period (Note)	Exercise price (HK\$)	Number of options at 01/01/2024	Movements during the six months ended 30 June 2024			Number of options at 30/06/2024
					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
				1,000,000	—	—	—	1,000,000
Mr. Hui Chun Tak	21/05/2020	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
				800,000	—	—	—	800,000
Total Directors				15,580,000	—	—	2,100,000	13,480,000

	Date of grant	Exercise period (Note)	Exercise price (HK\$)	Number of options at 01/01/2024	Movements during the six months ended 30 June 2024			Number of options at 30/06/2024
					Granted	Exercised	Lapsed	
Employees	21/05/2020	21/05/2021 to 20/05/2025	0.48	558,000	—	—	—	558,000
		21/05/2022 to 20/05/2025	0.48	2,490,000	—	—	—	2,490,000
		21/05/2023 to 20/05/2025	0.48	2,490,000	—	—	—	2,490,000
	21/05/2021	21/05/2022 to 20/05/2026	0.81	4,080,000	—	—	180,000	3,900,000
		21/05/2023 to 20/05/2026	0.81	3,060,000	—	—	135,000	2,925,000
		21/05/2024 to 20/05/2026	0.81	3,060,000	—	—	135,000	2,925,000
Total Employees				15,738,000	—	—	450,000	15,288,000
Total				31,318,000	—	—	2,550,000	28,768,000

Notes:

- (1) Mr. Woo King Hang resigned as a non-executive Director on 31 May 2024 and 2,100,000 options were lapsed due to his resignation.
- (2) The closing price of the Shares on the trading day immediately before 21 May 2020 and 21 May 2021, on which the share options were granted, was HK\$0.445 per share and HK\$0.790 per share respectively.
- (3) 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.

OTHER INFORMATION

- (4) 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 2024 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 C1 to the Listing Rules throughout the six months ended 30 June 2024, save for the deviations which are explained below:

In relation to provision C.2.1 of the CG Code where the roles of the Group's chairman and chief executive officer ("**CEO**") are both performed by Mr. Law. Provision C.2.1 of the CG Code requires that the roles of chairman and CEO should be separate and should not be performed by the same individual. Mr. Law has been responsible for overall strategic planning and management of the Group since the Group was founded in 1999. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, both of which comprise experienced and high-calibre individuals. The Board currently comprises three executive Directors (including Mr. Law) 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 2023 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the CG Code during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

Mr. Hui Chun Tak resigned as an independent non-executive Director on 19 July 2024 and ceased to be the chairman of the Remuneration Committee and a member of each of the audit committee of the Company (the “**Audit Committee**”) and the nomination committee of the Company (the “**Nomination Committee**”). Mr. Li Weining was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of Audit Committee and Nomination Committee on 19 July 2024. For details, please refer to the announcement of the Company dated 19 July 2024.

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 C3 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 2024.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2024 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.

OTHER INFORMATION

ACKNOWLEDGEMENT

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

By order of the Board

Law Hau Kit

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 28 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
CONTINUING OPERATIONS			
REVENUE	4	738,039	730,287
Cost of sales		(727,289)	(697,019)
Gross profit		10,750	33,268
Other income and gains	4	20,133	22,474
Selling and distribution expenses		(30,390)	(33,200)
Administrative expenses		(46,710)	(42,414)
Other expenses		(473)	(2,517)
Finance costs	6	(5,644)	(5,138)
LOSS BEFORE TAX	5	(52,334)	(27,527)
Income tax expense	7	(106)	(578)
LOSS FOR THE PERIOD		(52,440)	(28,105)
Attributable to:			
Owners of the parent		(52,356)	(27,608)
Non-controlling interests		(84)	(497)
		(52,440)	(28,105)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	RMB (10.36) cents	RMB (5.46) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
LOSS FOR THE PERIOD	(52,440)	(28,105)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(175)	(7)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(175)	(7)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(52,615)	(28,112)
Attributable to:		
Owners of the parent	(52,531)	(27,615)
Non-controlling interests	(84)	(497)
	(52,615)	(28,112)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	178,612	194,807
Right-of-use assets		80,082	78,002
Other intangible assets		326	1,015
Deferred tax assets		3,055	2,133
Total non-current assets		262,075	275,957
CURRENT ASSETS			
Inventories	11	153,417	289,228
Trade receivables	12	14,475	5,823
Prepayments, other receivables and other assets	13	103,491	180,645
Pledged deposits		20,630	48,746
Cash and cash equivalents		83,289	60,592
Total current assets		375,302	585,034
CURRENT LIABILITIES			
Trade and bills payables	14	57,307	124,493
Contract liabilities		15,493	42,654
Other payables and accruals		39,188	59,103
Interest-bearing bank and other borrowings	15	147,122	199,047
Amount due to a director	17	18,767	101,545
Tax payable		26,314	26,314
Total current liabilities		304,191	553,156

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NET CURRENT (LIABILITIES)/ASSETS		71,111	31,878
TOTAL ASSETS LESS CURRENT LIABILITIES		333,186	307,835
NON-CURRENT LIABILITIES			
Lease liabilities		70,200	66,735
Interest-bearing bank and other borrowings		4,132	1,308
Amount due to a director		120,000	48,394
Deferred income		1,821	1,928
Total non-current liabilities		196,153	118,365
Net assets		137,033	189,470
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	4,558	4,558
Reserves		132,053	184,406
Equity attributable to owners of the parent		136,611	188,964
Non-controlling interests		422	506
Total equity		137,033	189,470

Law Hau Kit
Director

Chen Hua Quan
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the parent							Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 Note 19	Share premium* RMB'000 Note 21	Share option reserve* RMB'000 Note 20	Other reserve* RMB'000 Note 21	Statutory surplus reserve* RMB'000 Note 21	Foreign currency translation reserve* RMB'000	Retained profits* RMB'000			
At 1 January 2024 (audited)	4,558	103,214	6,676	(44,512)	37,454	(590)	82,164	188,964	506	189,470
Loss for the period:	–	–	–	–	–	–	(52,356)	(52,356)	(84)	(52,440)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(175)	–	(175)	–	(175)
Total comprehensive loss for the period	–	–	–	–	–	(175)	(52,356)	(52,531)	(84)	(52,615)
Issue of shares										
Transfer from retained profits	–	–	–	–	312	–	(312)	–	–	–
Equity-settled share option arrangements	–	–	178	–	–	–	–	178	–	178
At 30 June 2024 (unaudited)	4,558	103,214	6,854	(44,512)	37,766	(765)	29,496	136,611	422	137,033

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

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

* These reserve accounts comprise the reserves of RMB132,053,000 in the interim condensed consolidated statement of financial position as at 30 June 2024 (30 June 2023: RMB208,933,000).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

		Six months ended 30 June	
	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(52,334)	(27,527)
Adjustments for:			
Finance costs	6	5,644	5,138
Bank interest income	4	(487)	(758)
Gain on disposal of items of property, plant and equipment	4	(1,417)	(874)
Depreciation of property, plant and equipment	5	21,293	17,933
Depreciation of right-of-use assets/ recognition of prepaid land lease payments	5	7,514	11,364
Amortisation of other intangible assets	5	62	23
Government grant released		(107)	(135)
Write-down/(reversal) of impairment of trade receivables	5	210	30
Write-down/(reversal) of inventories to net realisable value	5	(2,631)	3,986
Remeasurement from early termination of a lease		—	7,558
Equity-settled share option expense	5	178	574
Covid-19-related rent concessions from lessors		—	—
		(22,075)	17,312
Increase in inventories		138,442	(63,620)
(Increase)/decrease in trade receivables		(8,652)	(3,015)
Decrease in prepayments, other receivables and other assets		77,154	33,672
Decrease in pledged deposits		28,116	25,850
Decrease in trade and bills payables		(67,186)	(28,665)
(Decrease)/increase in other payables and accruals		(23,479)	(3,599)
Decrease in contract liabilities		(27,161)	(4,387)
Cash used in operations		95,159	(26,452)
Interest received		487	758
Income tax refund/(paid)		(106)	513
Net cash flows used in operating activities		95,540	(25,181)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net cash flows used in operating activities		95,540	(25,181)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(12,557)	(28,844)
Proceeds from disposals of items of property, plant and equipment		12,199	9,748
Net cash flows used in investing activities		(358)	(19,096)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(4,356)	(3,072)
New bank borrowings		315,115	248,208
Repayments of bank and other borrowings		(364,216)	(242,492)
Increase in amount due to shareholders		(11,172)	—
Principal portion of lease payments		(7,681)	(12,308)
Net cash flows (used in)/from financing activities		(72,310)	(9,664)
NET DECREASE IN CASH AND CASH EQUIVALENTS		22,872	(53,941)
Cash and cash equivalents at beginning of period		60,592	82,229
Effect of foreign exchange rate changes, net		(175)	(7)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		83,289	28,281
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		103,919	56,792
Less: Pledged deposits	14	(20,630)	(28,511)
Cash and cash equivalents as stated in the interim consolidated statement of financial position	14	83,289	28,281

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. CORPORATE AND GROUP INFORMATION

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

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

2.1 BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023. The unaudited interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

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 2023, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

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

The adoption of the above revised IFRSs has no significant financial effect on the interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Information about major customers

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

4. REVENUE, OTHER INCOME AND GAINS

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

Revenue from contracts with customers

(i) *Disaggregated revenue information from contracts with customers*

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Types of goods or services		
Sale of motor vehicles	553,199	598,369
Others	184,840	131,918
Total revenue from contracts with customers	738,039	730,287
Timing of revenue recognition		
Transferred at a point in time	661,935	620,480
Transferred over time	76,104	109,807
Total revenue from contracts with customers	738,039	730,287

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

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

Sales of goods

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

Provision of services

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

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

Other income and gains

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Bank interest income	487	758
Government grants released (note (a))	607	3,767
Gain on disposal of property, plant and equipment	1,417	874
Others (note (b))	17,622	17,075
	20,133	22,474

Notes:

- (a) Government grant released represented the funds for stable employment. There were no unfulfilled conditions or contingencies in relation to the grants.
- (b) Others mainly included commission income from releasing vehicle mortgage for the customers, commission income for automotive explosion-proof membrane, commission income from third party financing institution for vehicle financing and advertisement support received from automobile manufacturers for the advertising activities.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

5. LOSS BEFORE TAX

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

	Note	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		30,131	31,001
Pension scheme contributions		6,972	7,173
		37,103	38,174
Cost of inventories sold (note (a))		652,180	612,306
Cost of services provided		54,225	84,713
Depreciation of property, plant and equipment		21,293	17,933
Depreciation of right-of-use assets		7,514	11,364
Equity-settled share option expense		178	574
Amortisation of other intangible assets		62	23
Auditor's remuneration		590	895
Gain on disposal of property, plant and equipment		(1,417)	(874)
Write-down/(reversal) of impairment of trade receivables (note (b))	12	87	30
Write-down/(reversal) of inventories to net realisable value		(2,631)	3,986
Interest income		(487)	(758)
Stock loss (note (b))		—	—

Notes:

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest on bank and other borrowings	4,356	3,072
Interest on lease liabilities	1,288	2,066
	5,644	5,138

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

7. INCOME TAX (Continued)

PRC Corporate Income Tax ("CIT")

Certain subsidiaries of the Group operating in Mainland China were certified as small and micro-sized enterprises ("SMEs") in 2024. They enjoyed a 75% reduction of the first RMB1,000,000 of taxable income, a 75% reduction of taxable income between RMB1,000,000 and RMB3,000,000 and the preferential CIT rate of 20%.

Pursuant to the CIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the six months ended 30 June 2024 and 30 June 2023.

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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current — the PRC		
Charge for the period	1,028	2,121
Deferred income tax	(922)	(1,543)
Total tax charge for the period	106	578

8. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted loss per share amount are based on the loss for the Reporting Period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 505,202,000 (six months ended 30 June 2024: 505,202,000) in issue during the Reporting Period.

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

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2024 and 30 June 2023 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation: (RMB' 000)	(52,356)	(27,608)
Shares		
Weighted average number of ordinary shares in issue during the period in the basic loss per share calculation (in thousand)	505,202	505,202
	RMB cents	RMB cents
Loss per share: Basic and diluted	(10.36)	(5.46)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired assets at a cost of approximately RMB12,557,000 (30 June 2023: RMB28,844,000).

Assets with a net book value of approximately RMB10,783,000 (six months ended 30 June 2023: RMB8,817,000) were disposed of by the Group during the six months ended 30 June 2024, resulting in a net gain on disposal of approximately RMB1,417,000 (six months ended 30 June 2023: RMB874,000).

11. INVENTORIES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Vehicles	138,742	276,662
Accessories	14,675	12,566
	153,417	289,228

At 30 June 2024, the Group's inventories with a carrying amount of approximately RMB77,402,000 (31 December 2023: RMB81,500,000), respectively, were pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 15 the financial statements.

12. TRADE RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	14,621	5,882
Impairment	(146)	(59)
	14,475	5,823

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

12. TRADE RECEIVABLES (Continued)

Trade receivables of the Group represented proceeds receivable from the sale of motor vehicles and the provision of services. The Group's trading terms with its customers normally require payment in advance, except for certain of provision of services where credit is allowed. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control management system to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risk as at 30 June 2024. Trade receivables were interest-free and unsecured as at 30 June 2024.

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	10,416	5,625
3–12 months	4,059	198
	14,475	5,823

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At beginning of period/year	59	148
Impairment (note 5)	87	(89)
At end of period/year	146	59

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Advances to suppliers	169,73	118,511
Deposit	44,538	10,501
Value added taxes recoverable	25,573	40,385
Prepayments	68	3,773
Other receivables	16,339	7,475
	103,491	180,645

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. In view of the fact that the Group's deposits and other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its deposits and other receivable balances. Other receivables are non-interest-bearing and not secured with collateral.

Other receivables were settled within 12 months and had no historical default, the financial assets included in the above balances were categorised in stage 1 at the end of the reporting period. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the reporting period, the Group estimated the expected loss rate for other receivables is minimal.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Cash and bank balances	103,919	109,338
Less: Pledged deposits:		
Pledged for bills payables	(19,630)	(47,706)
Others	(1,000)	(1,040)
	(20,630)	(48,746)
Cash and cash equivalents	83,289	60,592

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB103,919,000 (31 December 2023: RMB109,338,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	41,489	98,280
3 to 12 months	15,818	26,213
	57,307	124,493

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 RMB33,370,000 as at 30 June 2024 (as at 31 December 2023: RMB47,706,000).

16. CONTRACT LIABILITIES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contract liabilities:		
Advances from customers	15,493	42,654

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

16. CONTRACT LIABILITIES (Continued)

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At beginning of the period/year	42,654	38,222
Revenue recognised that was included in the contract liabilities at the beginning of the period/year	(42,654)	(38,222)
Increases due to cash received, excluding amounts recognised as revenue during the period/year	15,493	42,654
At end of the period/year	15,493	42,654

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

17. OTHER PAYABLES AND ACCRUALS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Lease liability	10,075	11,460
Payroll payable	4,384	6,526
Other taxes payable	237	943
Others	24,492	40,174
	39,188	59,103

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2024 (Unaudited)			31 December 2023 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans	3.41	July 2024 to	91,055	2.70–5.655	April to	127,000
– secured		June 2025			September 2024	
Other loans	2.84	August 2024 to	50,067	2.70–5.655	January to	66,047
– secured		April 2025			September 2024	
Bank loans	3.37	July 2024 to	6,000	3.40–4.30	March to	6,000
– unsecured		March 2025			July 2024	
Total – current			147,122			199,047
Non-current						
Bank loans	5.30	April 2028	4,132	5.30	April 2028	1,308
– secured						
Total			151,254			200,355

Notes:

- (a) As at 30 June 2024 and 31 December 2023, the Group's bank and other borrowings are all denominated in RMB.
- (b) The Group's bank and other borrowings are secured by:
 - (i) certain of the Group's merchandised goods amounting to approximately RMB77,402,000 (note 11) as at 30 June 2024 (as at 31 December 2023: RMB81,500,000);
 - (ii) the Group's buildings, which a net carrying amount of approximately RMB5,282,000 as at 30 June 2024 (as at 31 December 2023: RMB5,630,000);
 - (iii) the Group's right of use assets, which a net carrying amount of approximately RMB12,273,000 as at 30 June 2024 (as at 31 December 2023: RMB9,091,000);
 - (iv) certain buildings and leasehold lands held by the Group's related parties as at 30 June 2024.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

19. SHARE CAPITAL

Shares

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Authorised: 2,000,000,000 ordinary shares of HKD0.01 each as at 30 June 2024 and 31 December 2023	HK\$20,000,000	HK\$20,000,000
Issued and fully paid: 505,202,000 ordinary shares of HK\$0.01 each as at 30 June 2024 and 31 December 2023	HK\$5,052,020	HK\$5,052,020
Equivalent to	RMB4,558,000	RMB4,558,000

No share options were exercised for the six months ended 30 June 2024 and the year ended 31 December 2023.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

20. SHARE OPTION SCHEME

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

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

	Six months ended 30 June 2024	
	Weighted average exercise price HK\$ per share	Number of options '000
At 31 December 2023 (Audited)	0.68	31,318
Forfeited for 2020 Share Option Scheme	0.48	(600)
Forfeited for 2021 Share Option Scheme	0.81	(1,950)
At 30 June 2024 (Unaudited)	0.68	28,768

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

No share options were exercised during the six months ended 30 June 2024 and the six months ended 30 June 2023.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

20. SHARE OPTION SCHEME (Continued)

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

As at 30 June 2024 (unaudited)

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

20. SHARE OPTION SCHEME (Continued)

As at 30 June 2024 (unaudited) (Continued)

Name and category of participants	Number of share options '000	Exercise price* per share HK\$	Grant date of share option	Exercise period
Ms. Li Huifang	300	0.48	21-5-2020	21-5-2022 to 20-5-2025
	300	0.48	21-5-2020	21-5-2023 to 20-5-2025
	520	0.81	21-5-2021	21-5-2022 to 20-5-2026
	390	0.81	21-5-2021	21-5-2023 to 20-5-2026
	390	0.81	21-5-2021	21-5-2024 to 20-5-2026
	1,900			
Ms. Yan Fei	200	0.48	21-5-2020	21-5-2021 to 20-5-2025
	150	0.48	21-5-2020	21-5-2022 to 20-5-2025
	150	0.48	21-5-2020	21-5-2023 to 20-5-2025
	200	0.81	21-5-2021	21-5-2022 to 20-5-2026
	150	0.81	21-5-2021	21-5-2023 to 20-5-2026
	150	0.81	21-5-2021	21-5-2024 to 20-5-2026
	1,000			
Mr. Li Wai Keung	200	0.48	21-5-2020	21-5-2021 to 20-5-2025
	150	0.48	21-5-2020	21-5-2022 to 20-5-2025
	150	0.48	21-5-2020	21-5-2023 to 20-5-2025
	200	0.81	21-5-2021	21-5-2022 to 20-5-2026
	150	0.81	21-5-2021	21-5-2023 to 20-5-2026
	150	0.81	21-5-2021	21-5-2024 to 20-5-2026
	1,000			

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

20. SHARE OPTION SCHEME (Continued)

As at 30 June 2024 (unaudited) (Continued)

Name and category of participants	Number of share options '000	Exercise price* per share HK\$	Grant date of share option	Exercise period
Mr. Hui Chun Tak	150	0.48	21-5-2020	21-5-2022 to 20-5-2025
	150	0.48	21-5-2020	21-5-2023 to 20-5-2025
	200	0.81	21-5-2021	21-5-2022 to 20-5-2026
	150	0.81	21-5-2021	21-5-2023 to 20-5-2026
	150	0.81	21-5-2021	21-5-2024 to 20-5-2026
	800			
Other Employees	558	0.48	21-5-2020	21-5-2021 to 20-5-2025
	2,490	0.48	21-5-2020	21-5-2022 to 20-5-2025
	2,490	0.48	21-5-2020	21-5-2023 to 20-5-2025
	3,900	0.81	21-5-2021	21-5-2022 to 20-5-2026
	2,925	0.81	21-5-2021	21-5-2023 to 20-5-2026
	2,925	0.81	21-5-2021	21-5-2024 to 20-5-2026
	15,288			
	28,768			

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

20. SHARE OPTION SCHEME (Continued)

No share options were granted for the six months ended 30 June 2024. The Group recognised a share option expense of HK\$195,000, equivalent to RMB178,000 for the six months ended 30 June 2024 (Six month ended 30 June 2023: HK\$627,000, equivalent to RMB574,000).

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

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

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

At the end of the reporting period, the Company had 28,768,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 28,768,000 additional ordinary shares of the Company and additional share capital of HK\$287,680 (equivalent to RMB263,000) (before issue expenses).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

21. RESERVES

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

Share premium

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

Other reserve

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

Statutory surplus reserve

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

22. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

During the reporting period, certain subsidiaries leased the buildings and leasehold lands owned by Zhongshan Dongri Automobile Co., Ltd.* (中山市東日汽車有限公司) and Zhongshan New Century Pioneering Automobile Co., Limited* (中山市創世紀汽車有限公司) with nil consideration under rent concessions.

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial assets at amortised costs		
Trade receivables	14,475	5,823
Financial assets included in prepayments, other receivables and other assets	60,877	17,976
Pledged deposits	20,630	48,746
Cash and cash equivalents	83,289	60,592
	179,271	133,137

Financial liabilities

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial liabilities at amortised costs		
Trade and bills payables	57,307	124,493
Lease liabilities (non-current)	70,200	66,735
Financial liabilities included in other payables and accruals	34,567	51,636
Interest-bearing bank borrowings	151,254	200,355
Amount due to a director	138,767	149,939
	452,095	593,158

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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