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## **CENTENARY UNITED HOLDINGS LIMITED**

### **世紀聯合控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1959)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

### **FINANCIAL HIGHLIGHTS**

- Revenue increased by approximately RMB131.9 million, representing a year-on-year (“**YoY**”) growth of 6.8%.
- Revenue of sales of motor vehicles increased by approximately RMB131.6 million, representing a YoY growth of 7.9%.
- Gross profit increased by approximately RMB5.1 million, representing a YoY growth of 2.9%.
- Profit attributable to the equity shareholders (excluding listing expenses) increased to approximately RMB43.9 million, representing a YoY growth of 5.0%.

### **RESULTS**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Centenary United Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2019 (the “**Year 2019**” or the “**Year**”) together with comparative figures for the year ended 31 December in 2018 (the “**Year 2018**” or “**Previous Year**”) as set out below:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

		<b>2019</b>	2018
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>REVENUE</b>	4	<b>2,072,167</b>	1,940,311
Cost of sales		<u><b>(1,892,663)</b></u>	<u>(1,765,933)</u>
Gross profit		<b>179,504</b>	174,378
Other income and gains	4	<b>18,649</b>	12,698
Selling and distribution expenses		<b>(58,956)</b>	(59,224)
Administrative expenses		<b>(68,083)</b>	(66,724)
Other expenses, net		<b>(673)</b>	(633)
Finance costs	6	<u><b>(17,582)</b></u>	<u>(6,995)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>52,859</b>	53,500
Income tax expense	7	<b>(19,791)</b>	(19,062)
<b>PROFIT FOR THE YEAR</b>		<u><b>33,068</b></u>	<u>34,438</u>
Attributable to:			
Owners of the parent		<u><b>33,068</b></u>	<u>34,438</u>
		<i>RMB cents</i>	<i>RMB cents</i>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted	9	<u><b>8.3</b></u>	<u>9.2</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>	<b><u>33,068</u></b>	<b><u>34,438</u></b>
<b>OTHER COMPREHENSIVE LOSS</b>		
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(1,198)</u>	<u>—</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>	<b><u>(1,198)</u></b>	<b><u>—</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>31,870</u></b>	<b><u>34,438</u></b>
Attributable to:		
Owners of the parent	<b><u>31,870</u></b>	<b><u>34,438</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Notes</i>	<b>2019</b> <b>RMB'000</b>	2018 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>123,060</b>	98,155
Right-of-use assets		<b>44,597</b>	36,398
Other intangible assets		<b>430</b>	—
Deferred tax assets		<b>317</b>	957
		<hr/>	<hr/>
Total non-current assets		<b>168,404</b>	135,510
<b>CURRENT ASSETS</b>			
Inventories	10	<b>308,481</b>	242,682
Trade receivables	11	<b>5,821</b>	2,144
Prepayments, other receivables and other assets		<b>184,189</b>	158,658
Amounts due from related companies	14	<b>48,163</b>	19,586
Pledged deposits		<b>114,140</b>	87,000
Cash and cash equivalents		<b>28,967</b>	50,047
		<hr/>	<hr/>
Total current assets		<b>689,761</b>	560,117
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	<b>148,541</b>	109,808
Contract liabilities		<b>64,880</b>	59,562
Other payables and accruals		<b>53,825</b>	44,238
Interest-bearing bank and other borrowings		<b>302,108</b>	134,000
Tax payable		<b>16,250</b>	12,487
Amount due to a director	14	<b>—</b>	159,762
		<hr/>	<hr/>
Total current liabilities		<b>585,604</b>	519,857
<b>NET CURRENT ASSETS</b>			
		<hr/> <b>104,157</b> <hr/>	<hr/> 40,260 <hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/> <b>272,561</b> <hr/>	<hr/> 175,770 <hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		—	39,200
Lease liabilities		<u>30,925</u>	<u>25,700</u>
Total non-current liabilities		<u>30,925</u>	<u>64,900</u>
Net assets		<u><b>241,636</b></u>	<u><b>110,870</b></u>
<b>EQUITY</b>			
Equity attributable to owners of the parent:			
Share capital	13	<b>4,515</b>	—*
Reserves		<u>235,121</u>	<u>105,770</u>
Equity attributable to owners of the parent		<b>239,636</b>	105,770
Non-controlling interests		<u>2,000</u>	<u>5,100</u>
Total equity		<u><b>241,636</b></u>	<u><b>110,870</b></u>

\* Less than RMB1,000.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 GENERAL INFORMATION AND REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 October 2018. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 18 October 2019 (the “**Listing**”). The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

Pursuant to the paragraphs as set out in the section headed “History, Development and Reorganisation — Reorganisation” (the “**Reorganisation**”) to the prospectus of the Company dated 30 September 2019 (the “**Prospectus**”), the Company became the holding company of its subsidiaries now comprising the Group.

#### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) (which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations) issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Companies Ordinance (Chapter 622 of the laws of Hong Kong). They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except otherwise indicated.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has early adopted IFRS 16 “Leases” in previous years as disclosed in the Prospectus.

The Group has adopted the following new and revised IFRSs for the first time for the financial statements of the Year 2019.

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements to IFRSs 2015-2017 Cycle	<i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23</i>

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

## 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the sales of motor vehicles and provision of auto services in the PRC.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors, 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 Year 2019 and the Year 2018, the Group operated within one geographical segment because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located or incurred in the PRC. Accordingly, no further geographical segment information is presented.

## Information about major customers

No sales of motor vehicles or provision of service to a single customer amounted to 10% or more of total revenue of the Group during the Year 2019 and the Year 2018.

## 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*

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
<b>Type of goods or services</b>		
Sales of motor vehicles	1,790,482	1,658,936
Others integrated auto services	<u>281,685</u>	<u>281,375</u>
Total revenue from contracts with customers	<u><u>2,072,167</u></u>	<u><u>1,940,311</u></u>
<b>Timing of revenue recognition</b>		
Transferred at a point in time	1,884,834	1,767,923
Transferred over time	<u>187,333</u>	<u>172,388</u>
Total revenue from contracts with customers	<u><u>2,072,167</u></u>	<u><u>1,940,311</u></u>

#### (ii) *Performance obligations*

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

##### *Sales of goods*

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

### *Provision of services*

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

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

### **Other income and gains**

	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Bank interest income	<b>1,331</b>	2,879
Government grants released ( <i>Note (a)</i> )	<b>38</b>	953
Gain on disposal of property, plant and equipment	<b>3,221</b>	532
Others ( <i>Note (b)</i> )	<b>14,059</b>	8,334
	<b><u>18,649</u></b>	<u>12,698</u>

#### *Notes:*

- (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 institutions for vehicle financing and advertisement support received from automobile manufacturers for the advertising activities.*

## 5. PROFIT BEFORE TAX

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

	<i>Notes</i>	<b>2019</b> <b>RMB'000</b>	2018 RMB'000
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		<b>72,278</b>	78,051
Pension scheme contributions		<b>7,540</b>	8,043
		<b>79,818</b>	86,094
Cost of inventories sold ( <i>Note (a)</i> )		<b>1,755,705</b>	1,626,456
Cost of services provided		<b>136,958</b>	139,477
Depreciation of property, plant and equipment		<b>10,189</b>	12,350
Depreciation of right-of-use assets		<b>9,772</b>	4,817
Amortisation of other intangible assets		<b>31</b>	—
Listing expenses		<b>10,827</b>	7,430
Auditor's remuneration		<b>710</b>	—
Gain on disposal of property, plant and equipment		<b>(3,221)</b>	(532)
Impairment of trade receivables ( <i>Note (b)</i> )	11	<b>37</b>	16
Write-down of inventories to net realisable value		<b>1,269</b>	591
Interest income		<b>(1,331)</b>	(2,879)

*Notes:*

- (a) *Cost of inventories sold is inclusive of write-down of inventories to net realisable value.*
- (b) *Impairment of trade receivables are included in "Other expenses, net" in the consolidated statements of profit or loss and other comprehensive income.*

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest on bank and other borrowings	15,388	5,349
Interest on lease liabilities	<u>2,194</u>	<u>1,646</u>
	<u><u>17,582</u></u>	<u><u>6,995</u></u>

## 7. INCOME TAX

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

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

### Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Year 2019 and the Year 2018.

### 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 Year 2019 and the Year 2018.

CIT of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in the PRC during the Year 2019 and the Year 2018.

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current — the PRC		
Charge for the year	19,152	18,048
Deferred income tax	<u>639</u>	<u>1,014</u>
Total tax charge for the year	<u><u>19,791</u></u>	<u><u>19,062</u></u>

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate of the majority of the Group's subsidiaries to the tax expense at the effective tax rate for the Year 2019 and Year 2018 is as follows:

	<b>2019</b>	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u><b>52,859</b></u>	<u>53,500</u>
Tax at the statutory tax rate	<b>13,215</b>	13,375
Expenses not deductible for tax	<b>5,684</b>	5,865
Tax losses utilised from previous period	<b>(1,889)</b>	(302)
Tax effect of tax losses not recognised	<u><b>2,781</b></u>	<u>124</u>
Tax charge at the effective rate	<u><b>19,791</b></u>	<u>19,062</u>

## **8. DIVIDEND**

No dividend has been paid or declared by the Company since its incorporation. Dividends of RMB24,199,000 in aggregate have been declared by certain subsidiaries in the Year 2018 and paid in the Year 2018 and the Year 2019. Dividends of RMB9,080,000 in aggregate have been declared and paid by certain subsidiaries prior to the completion of the Reorganisation in the Year 2019.

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

The calculations of basic and diluted earnings per share amounts for the Year 2018 and the Year 2019 are based on the assumption that the Reorganisation and the capitalisation issue have been effective on 1 January 2018.

The calculations of the basic and diluted earnings per share amount are based on the profit the year attributable to ordinary equity holders of the parent and weighted average number of ordinary shares of 400,342,000 for the Year 2019 (2018: 375,000,000) in issue during the year.

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent	<u><b>33,068</b></u>	<u>34,438</u>
Shares		
Weighted average number of ordinary shares in issue during the year ( <i>in thousand</i> )	<u><b>400,342</b></u>	<u>375,000</u>
	<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share		
Basic and diluted	<u><b>8.3</b></u>	<u>9.2</u>

The Group had no potentially dilutive ordinary shares in issue during the Year 2019 and Year 2018 respectively.

## 10. INVENTORIES

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Vehicles	<b>298,492</b>	237,562
Accessories	<b>9,989</b>	5,120
	<u><b>308,481</b></u>	<u>242,682</u>

At 31 December 2019, the Group's inventories with a carrying amount of approximately RMB112,201,000 (as at 31 December 2018: nil) were pledged as security for the Group's interest-bearing bank and other borrowings.

## 11. TRADE RECEIVABLES

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade receivables	<b>5,880</b>	2,166
Impairment	<b>(59)</b>	(22)
	<b><u>5,821</u></b>	<u>2,144</u>

Trade receivables of the Group represented proceeds receivable from the sales 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 a 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 31 December 2019. Trade receivables were interest-free and unsecured as at 31 December 2019.

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

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Within 3 months	<b><u>5,821</u></b>	<u>2,144</u>

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

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
At beginning of year	<b>22</b>	6
Impairment losses recognised ( <i>note 5</i> )	<b>37</b>	16
At the end of year	<b><u>59</u></b>	<u>22</u>

## As at 31 December 2019

	<b>Invoice day Within 3 months</b>
Expected credit loss (“ECL”) rate	1%
Gross carrying amount ( <i>RMB’000</i> )	5,880
Expected credit losses (“ECLs”) ( <i>RMB’000</i> )	59

## As at 31 December 2018

	<b>Invoice day Within 3 months</b>
ECL rate	1%
Gross carrying amount ( <i>RMB’000</i> )	2,166
ECLs ( <i>RMB’000</i> )	22

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

## 12. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables of the Group, based on the invoice date, as at the end of the Year 2019 and the Year 2018, is as follows:

	<b>2019</b>	2018
	<b><i>RMB’000</i></b>	<i>RMB’000</i>
Within 3 months	<b>120,200</b>	76,000
3 to 12 months	<b>28,341</b>	33,808
	<b><u>148,541</u></b>	<u>109,808</u>

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

The Group’s bills payables are secured by the pledged deposits of approximately RMB88.3 million as at 31 December 2019 (2018: RMB87.0 million).

### 13. SHARE CAPITAL

#### Shares

	2019	2018
Authorised:		
2,000,000,000 ordinary shares of HK\$0.01 each as at 31 December 2019 (2018: 38,000,000 ordinary shares)	<u>HK\$20,000,000</u>	<u>HK\$380,000</u>
Issued and fully paid:		
500,000,000 ordinary shares of HK\$0.01 each as at 31 December 2019 (2018: 7,500 ordinary shares)	<u>HK\$5,000,000</u>	<u>HK\$75</u>
Equivalent to	<u>RMB4,515,000</u>	<u>RMB68</u>

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

	Number of shares in issue	Share capital RMB'000
Issue of share at 4 October 2018 (date of incorporation) ( <i>Note (a)</i> ) and 31 December 2018	7,500	—*
Capitalisation issue ( <i>Note (b)</i> )	374,992,500	3,386
Initial public offering ( <i>Note (c)</i> )	<u>125,000,000</u>	<u>1,129</u>
At 31 December 2019	<u>500,000,000</u>	<u>4,515</u>

\* Less than RMB1,000.

#### Notes:

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

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

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

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

## **14. 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 2019 and the Year 2018:

### **(a) Names and relationships with the related parties**

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

**(b) Outstanding balances with related parties**

As disclosed in the consolidated statements of financial position, the Group had outstanding balances with its related parties as at 31 December 2018 and 2019 as follows:

Amounts due from related parties

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
<b>Non-trade</b>		
Zhongshan New Century Pioneering Automobile Co., Limited*	<b>15,998</b>	16,000
Zhongshan New Century Car Rental Co., Ltd.*	—	3,086
Huichuang Financial Leasing (Zhuhai) Co., Ltd.*	<b>808</b>	500
	<b>16,806</b>	19,586
<b>Trade</b>		
Zhongshan New Century Car Rental Co., Ltd.*	<b>31,357</b>	—
	<b>48,163</b>	19,386

Amounts due to a Director

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Mr. Law	—	159,762

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

**(c) Transactions with related parties**

In addition to the transactions disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the Year 2019 and the Year 2018:

**(1) Sales of goods to related parties**

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Zhongshan New Century Car Rental Co., Ltd.*	<b>33,561</b>	2,680

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

(2) *Services provided to related parties*

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Zhongshan New Century Car Rental Co., Ltd.*	<b>258</b>	—
Huichuang Financial Leasing (Zhuhai) Co., Ltd.*	<b>112</b>	—
	<u><b>370</b></u>	<u>—</u>

(3) *Rental paid to related parties*

	<b>2019</b> <i>RMB'000</i>	2018 <i>RMB'000</i>
Zhongshan Dongri Automobile Co., Ltd.*	<b>1,558</b>	193
Zhongshan New Century Pioneering Automobile Co., Limited*	<b>3,498</b>	1,133
	<u><b>5,056</b></u>	<u>1,326</u>

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

- (d) During the Year 2019 and the Year 2018, 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.*

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview

In 2019, the overall automobile market in the PRC was under tremendous sales pressure owing to the impact of Sino-US trade disputes and sluggish domestic consumption. According to the statistics of the China Association of Automobile Manufacturers, the sales of passenger vehicles in 2019 in the PRC totalled 21.4 million, reflecting a 9.6% YoY decrease. Nonetheless, according to the statistics of the Ministry of Public Security of China, the number of motor vehicles in the country reached 348.0 million and the number of vehicles reached 260.0 million in 2019, representing an increase of 8.8% YoY. The aftersales market of car, including sales of used cars, car insurance, aftersales maintenance services and car grooming services, is of huge potential for development.

### BUSINESS REVIEW

During the Year 2019, the Group recorded a stable growth of 6.8% in revenue, to approximately RMB2,072.2 million from RMB1,940.3 million of the Year 2018. The sales volume of new vehicles was 17,050 units in the Year 2019, which maintained at a stable level compared with the Year 2018 amid the adverse operating environment in 2019. The gross profit grew by 2.9% to approximately RMB179.5 million for the Year 2019 from approximately RMB174.4 million for the Year 2018.

Headquartered in Zhongshan City in Guangdong Province, as at 31 December 2019, the Group operated 14 outlets of 4S dealership, one quick fix auto centre, five quick fix service points, one insurance agency company and one used vehicle trading centre in Zhongshan City, one of the important cities in the development of the Guangdong-Hong Kong-Macao Greater Bay Area (the “GBA”) and one of the hub cities located along the main route of the Shenzhen-Zhongshan Bridge.

According to the report of the Association of Car MR for 2018, in respect of premium and luxury car brands and in terms of the number of 4S dealership outlets, the Group was the largest 4S dealership group in Zhongshan and ranked 13th amongst privately owned 4S dealership groups in the Guangdong Province. The brands that the Group carries in the 4S dealership outlets are those which are very sought-after in the Guangdong province, such as Dongfeng Nissan, Beijing Hyundai, FAW Toyota, FAW Volkswagen, Dongfeng Venucia, Chevrolet and Buick. In the second quarter of 2019, the Group further opened a new Jaguar and Land Rover 4S dealership outlets. The Group has opened a new Cadillac outlet in the first quarter of 2020.

## **Sales of motor vehicles**

During the Year 2019, the sales of motor vehicles, which mainly comprised of the sales of new vehicles and used vehicles, was approximately RMB1,790.5 million, increased by 7.9% from approximately RMB1,658.9 million of the Year 2018.

### ***Sales of new vehicles***

During the Year 2019, the Group's revenue from the sales of new vehicles amounted to approximately RMB1,771.7 million (17,050 vehicles in total), representing an increase of 8.0% from approximately RMB1,641.4 million (17,037 vehicles in total) for the Year 2018. The newly added Jaguar and Land Rover brand has become a new growth contributor for the luxury car segment by contributing a revenue of RMB24.3 million for the Year 2019.

### ***Sales of used vehicles***

The Group opened the first used vehicles trading centre in October 2018. During the Year 2019, the revenue of sales of used vehicles amounted to approximately RMB18.8 million, representing a 7.3% growth from approximately RMB17.5 million of the Year 2018. As a newly developed business segment, the sales volume of used vehicles reached 656 units, increased by 62.8% from the Year 2018. For the time being, the base of sales of used vehicles is relatively small compared to the sales of new vehicles. However, the Group will be able to capitalise a higher growth with the one-stop integrated car services platform and the new used vehicle trading centre to be opened in 2020.

## **Other integrated auto services**

The revenue from other integrated auto services, which mainly comprised of repair services, sales of accessories, insurance agency services and other services, amounted to approximately RMB281.7 million in the Year 2019, representing a slight growth of 0.1% from approximately RMB281.4 million of the Year 2018.

### ***Repair Services***

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

For the Year 2019, the revenue of repair services increased to approximately RMB187.3 million from RMB172.4 million of the Year 2018, accounting for approximately 9.0% of the total revenue; the gross profit from the Group's repair services increased to approximately RMB52.6 million from RMB35.1 million of the Year 2018. The gross profit margin of repair services was approximately 28.1%.

### ***Sales of accessories***

From time to time, the Group offers to sell new vehicles with complimentary accessories such as global positioning system (GPS) tracking devices, seat covers, automotive window films and air-fresheners in packages as part of its marketing and promotion efforts. In addition, in the Year 2019, the gross profit from the Group's sales of accessories was approximately RMB35.2 million (in the Year 2018: approximately RMB42.9 million), representing 19.6% (in the Year 2018: 24.6%) its gross profit.

### ***Insurance Agency Services***

During the Year 2019, the Group acted as business insurance agents for insurance companies in the PRC for promoting and handling motor vehicle insurance, including but not limited to compulsory third-party liability vehicle insurance and commercial vehicle insurance. The Group also provides insurance agency services for insurance companies in the PRC in relation to other non-motor vehicle insurance products including personal insurance and property insurance products.

During the Year 2019, the gross profit of insurance agency services grew by 14.7% to approximately RMB31.9 million compared with RMB27.8 million of the Year 2018 and accounted for approximately 17.8% of the total gross profit.

### ***Other Services***

The gross profit of the other services, which mainly comprised of vehicle licensing registration services and registration of title transfer of used vehicle, was approximately RMB7.4 million in the Year 2019. Since the used vehicle trading centre launched in October 2018, the Group leveraged its large scale customers data platform in driving the business potentials of the sales and services of used vehicles in order to enhance its integrated auto services ecosystem. The used vehicle trading centre currently provides used vehicle management services such as registration of title transfer of used vehicles.

## PROSPECTS

Looking forward, Chinese automotive industry remains uncertain with both challenges and opportunities. The COVID-19 outbreak in the PRC and across the globe poses unprecedented challenges to global auto manufacturers and dealers. However, the Group believes this black swan event may eventually accelerate the elimination of weaker players with the stronger players to survive in the industry. The automobile industry is a key industry in the PRC and in response to the epidemic, the PRC government has introduced a number of favorable measures emphasising on stabilising traditional mass consumption such as automobiles, and stimulating demand in areas with automobile purchase restrictions by increasing the license plates quota in an appropriate manner to drive consumption on automobiles and related products. After experiencing the epidemic, the psychology and purchasing behavior of consumer on automobile in avoiding close contact between people on public transport of consumers will evolve and it is believed that compensatory consumption on automobile may increase explosively after the epidemic.

Despite the severe challenges in the first quarter of year 2020, with the unremitting efforts of the Group, the high popularity among consumers of the brands it deals, its huge customer base support and the quality and comprehensive automobile services which the Group provides, the Directors believe that the Group can endure the short-term threat caused by the novel coronavirus outbreak and grasp opportunities to grow steadily in the future.

With the promotion of the GBA and the completion of the Shenzhen-Zhongshan Bridge, it will not only further improve the transportation infrastructure and the interconnection between the whole Guangdong Province and Zhongshan City, but will also drive the growth of passenger car market in Zhongshan City. To capture the tremendous growth potential in the GBA, the Group will continue to expand its car sales and other integrated auto services the preparation of such as opening the second used vehicle trading centre in 2020 and to seek for an appropriate acquisitions and merger target to expand its sales network and service platform. With the prominent presence of the Group in Zhongshan City, the Group developed a strong customer base for deploying in the construction of the first ever Centenary United Big Data Digital Integrated System in Zhongshan City to provide seamless integrated auto services for customers.

## **FINANCIAL REVIEW**

### **Revenue**

For the Year 2019, the Group recorded a revenue of approximately RMB2,072.2 million, representing a growth of approximately RMB131.9 million or 6.8% from that of approximately RMB1,940.3 million for the Year 2018. Sales of motor vehicles contributed approximately RMB1,790.5 million for the Year (the Year 2018: approximately RMB1,658.9 million) of the Group's total revenue whereas other integrated auto services brought in revenue of approximately RMB281.7 million for the Year 2019 (the Year 2018: approximately RMB281.4 million), representing approximately 86.4% (the Year 2018: approximately 85.5%) and 13.6% (the Year 2018: approximately 14.5%) of the Group's total revenue, respectively. The growth of the annual revenue mainly derived from sales of motor vehicles.

### **Cost of Goods Sold and gross profit margin**

The Group's cost of sales primarily consists of cost of motor vehicles, cost of spare part and accessories, staff costs, depreciation, and others. Cost of motor vehicles is the main cost of sales, accounting for approximately 91.8% for the Year 2019 (the Year 2018: approximately 90.5%). For the Year, the Group's cost of good sold amounted to RMB1,892.7 million, representing an increase of approximately 7.2% as compared to that of approximately RMB1,765.9 million for the Previous Year.

The Group recorded gross profit of approximately RMB179.5 million for the Year, representing an increase of approximately 2.9% as compared to that of approximately RMB174.4 million for the Previous Year. Overall gross profit margin of the Group decreased to approximately 8.7% for the Year from approximately 9.0% for the Previous Year. The increase in cost of motor vehicles outweighed the increase in revenue from sales of motor vehicles during the Year and led to a decrease in the gross profit margin.

### **Selling and Distribution Expenses**

The Group's selling and distribution expenses decreased by approximately RMB0.2 million, or 0.3%, from approximately RMB59.2 million for the Previous Year to approximately RMB59.0 million for the Year.

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

## Administrative Expenses

Administrative expenses primarily consist of (i) salary and wages of administrative staff; (ii) property repair and maintenance expenses; (iii) listing expenses; (iv) depreciation and amortisation (including depreciation of right-of-use assets); (v) sundry expenses such as utility expenses and telephone expense; (vi) taxation; and (vii) bank charges. The Group's administrative expenses for the Year were approximately RMB68.1 million, representing an increase of approximately RMB1.4 million from the Previous Year. Such increase was mainly due to the combined effect of (i) the increase in listing expenses of approximately RMB3.4 million; (ii) the increase of depreciation and amortisation of approximately RMB5.9 million; (iii) the decrease in salary and wages of administrative staff of approximately RMB6.8 million; and (iv) the decrease in repair and maintenance expenses of approximately RMB1.0 million.

## Finance Costs

For the Year, the Group's finance costs were approximately RMB17.6 million (the Year 2018: RMB7.0 million), representing an increase of approximately RMB10.6 million or 151.4%, which was mainly due to significantly increase in borrowing for operational needs for the Year.

## Profit for the year

As a result of the foregoing, the Group's profit for the Year amounted to approximately RMB33.1 million, representing a decrease of approximately RMB1.3 million or 3.8% as compared with that of approximately RMB34.4 million for Previous Year.

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

	<b>2019</b>	2018
	<i>RMB million</i>	<i>RMB million</i>
Profit before income tax	<b>52.9</b>	53.5
<b>Add: non-recurring Listing expenses</b>	<b>10.8</b>	7.4
Profit before income tax excluding Listing expenses	<b>63.7</b>	60.9
Income tax expense	<b>(19.8)</b>	(19.1)
Profit for the year excluding Listing expenses	<b>43.9</b>	41.8
Net profit margin excluding Listing expenses	<b>2.1%</b>	2.2%

During the year, the profit excluding Listing expenses increased by 5.0% and the net profit margin excluding Listing expenses was largely stable as compared to Year 2018.

## **Income tax expenses**

For the Year 2019, the income tax of the Group was approximately RMB19.8 million (the Year 2018: RMB19.1 million). The increase was primarily due to the increase in taxable income. The effective tax rate for the Year and Previous year was approximately 37.4% and 35.6%, respectively.

The Group's effective tax rate was higher than the PRC statutory tax rate during the Year and Previous Year. Effective tax rate was increased by certain expenses and listing expenses which were non-deductible for taxation purposes.

## **Liquidity, Financial Resources and Capital Structure**

The Group's gearing ratio, which is net debt divided by total equity, as at 31 December 2019 was approximately 1.3 times (as at 31 December 2018: 3.0 times). The decrease was mainly due to the increase in the total equity after listing and repay all the amount due to a Director which netted off the effect of the increase in the bank borrowings.

The Group's pledged bank deposits and cash and cash equivalents balances as at 31 December 2019 amounted to approximately RMB143.1 million, representing an increase of approximately RMB6.1 million as compared to that of approximately RMB137.0 million as at 31 December 2018.

The Group's bank borrowings as at 31 December 2019 were all denominated in Renminbi. The interest rates ranged from 4.2% to 5.7% per annum.

As at 31 December 2019, the Group's interest-bearing bank and other borrowings amounted to RMB302.1 million, representing an increase of 74.4% as compared to RMB173.2 million of Previous Year, mainly owing to the growth of the business. Short-term loans and borrowings amounted to approximately RMB302.1 million (the Year 2018: approximately RMB134.0 million), and long-term loans and borrowings amounted to nil (the Year 2018: approximately RMB39.2 million).

## **Capital expenditures and commitments**

As at 31 December 2019, the capital commitments of the Group in connection with building expenditures was approximately RMB1.2 million (as at 31 December 2018: approximately RMB19.3 million).

## **Foreign exchange**

The Group mainly operates in the PRC and 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 Year 2019.

## **Contingent Liabilities**

The Group had no material contingent liabilities as at 31 December 2019 (as at 31 December 2018: nil).

## **Significant investments held**

The Group had not held any significant investments during the as at 31 December 2019 (as at 31 December 2018: nil).

## **Material acquisitions and disposals**

During the Year 2019, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures (as at 31 December 2018: nil).

## **Pledge of assets**

As at 31 December 2019, the Group's utilised banking facilities amounting to approximately RMB302.1 million (as at 31 December 2018: RMB173.2 million) were secured by:

- (i) certain of the Group's merchandised goods amounting to approximately RMB112.2 million (note 10) as at 31 December 2019 (as at 31 December 2018: nil);
- (ii) the Group's buildings, which a net carrying amount of approximately RMB8.4 million as at 31 December 2019 (as at 31 December 2018: nil);
- (iii) the Group's right of use assets, which a net carrying amount of approximately RMB11.1 million as at 31 December 2019 (as at 31 December 2018: nil);
- (iv) pledged deposit of approximately RMB24.8 million as at 31 December 2019 (as at 31 December 2018: nil);

- (v) nil building and leasehold lands held by the Group's related parties were pledged for securing bank borrowings of the Group as at 31 December 2019 as security for the Group's bank loans (As at 31 December 2018: certain buildings and leasehold lands held by the Group's related parties were pledged) for securing bank borrowings of the Group; and
- (vi) as at 31 December 2019, no personal guarantees by a Director for securing any banking facilities of the Group (As at 31 December 2018: a Director of the Company provided guarantees the banking facilities of certain subsidiaries of RMB54.0 million).

## USE OF NET PROCEEDS FROM LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing date by way of Global Offering. The net proceeds from the Listing, after deducting the Listing Expenses of approximately HK\$29.8 million, amounted to approximately HK\$105.2 million, which is slightly lower than the estimated net proceeds of approximately HK\$107.5 million as disclosed in the Prospectus. The difference of approximately HK\$2.3 million has been adjusted in the same manner and in the same proportion to the use of proceeds as disclosed in the section headed "Future Plans And Use Of Proceeds" in the Prospectus. The utilisation of net proceeds raised by the Group from the date of Listing up to 31 December 2019 is as below:

	<b>Estimated use of proceeds</b> <i>HK\$ million</i>	<b>Adjusted use of proceeds</b> <i>HK\$ million</i>	<b>Utilised up to 31 December 2019</b> <i>HK\$ million</i>	<b>Unutilised up to 31 December 2019</b> <i>HK\$ million</i>
Organic growth of the Group's expansion network	33.4	32.7	2.5	30.2
Selective acquisition	27.4	26.8	—	26.8
Expansion of the Group's other integrated auto services	30.2	29.6	0.2	29.4
Big data analysis and online marketing	11.0	10.7	—	10.7
General working capital	5.5	5.4	5.4	—
<b>Total</b>	<b>107.5</b>	<b>105.2</b>	<b>8.1</b>	<b>97.1</b>

The remaining unused net proceeds as at 31 December 2019 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.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2019, the Group had a total workforce of approximately 927 employees (the Year 2018: 984). Most of the Group's employees were located in China. The Group offered its staff with competitive remuneration packages. In addition, the Group conducts annual review on salary increment, discretionary bonuses and promotions based on the performance of each employee. During the Year, the Group did not experience any significant problems with its employees due to labour disputes nor did it experience any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

## **EVENTS AFTER THE BALANCE DATE**

No event has occurred after 31 December 2019 and up to the date of this announcement which would have a material effect on the Group.

## **DIVIDEND**

The Board does not recommended the payment of any dividend for the Year 2019 (the Year 2018: nil).

## **ANNUAL GENERAL MEETING**

The annual general meeting (“AGM”) of the Company will be held on 20 May 2020. A notice convening the AGM together with the circular of the Company will be published on the Company's website and the Stock Exchange website and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 15 May 2020 (Friday) to 20 May 2020 (Wednesday), both dates inclusive, during which period no transfer of its shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on 14 May 2020 (Thursday).

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (“**CG Code**”) upon Listing and has complied with the code provisions since then and up to 31 December 2019, except in relation to provision A.2.1 of the CG Code where the roles of the Group’s chairman and chief executive officer (“**CEO**”) are both performed by Mr. Law. Provision A.2.1 of the CG Code requires that the roles of chairman and CEO should be separate and should not be performed by the same individual. Mr. Law has been responsible for overall strategic planning and management of the Group since the Group was founded in 1999. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, both of which comprise experienced and high-calibre individuals. The Board currently comprises three executive Directors (including Mr. Law), and three independent non-executive Directors, and therefore has a strong independence element in its composition.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions conducted by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own Code of Conduct for securities transactions conducted by relevant Directors. After making specific enquires to all Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code during the period from the Listing date until 31 December 2019.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period from the Listing date to 31 December 2019.

## **MANAGEMENT CONTRACTS**

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

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **AUDIT COMMITTEE**

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

The Audit Committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2019 and the financial statements for the year ended 31 December 2019 prepared in accordance with the IFRSs.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group’s auditor, Ernst & Young (“**EY**”), to the amounts set out in the Group’s draft consolidated financial statements for the Year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

## **PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT**

The annual results announcement for Year has been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.car2000.com.cn](http://www.car2000.com.cn)), and the annual report for the Year 2019 containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the aforesaid websites of the Stock Exchange and the Company in due course.

## **APPRECIATION**

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

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

Hong Kong, 26 March 2020

*As at the date of this announcement, the executive Directors are Mr. Law Hau Kit, Mr. Chen Shaoxing and Ms. Li Huifang, and the independent non-executive Directors are Mr. Li Wai Keung, Mr. Chang Eric Jackson and Ms. Yan Fei.*