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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)**

## **CONTINUING CONNECTED TRANSACTIONS RENEWAL OF PROPERTY LEASING FRAMEWORK AGREEMENT**

Reference is made to the Prospectus of the Group dated 30 September 2019, containing, among other things, the Previous Property Leasing Framework Agreement, which will expire on 31 December 2021. The Group may elect to renew the Previous Property Leasing Framework Agreement for a further period of three years prior to the expiration by giving a renewal notice, but it shall comply with the relevant requirements on continuing connected transactions under the Listing Rules. The Company now intends to give a renewal notice to Zhongshan New Century prior to the expiration to renew the Previous Property Leasing Framework Agreement and to update the annual caps for the transactions contemplated thereunder for the three years ended 31 December 2022, 2023 and 2024, so as to comply with the Listing Rules.

According to Rule 14A.76 of the Listing Rules, as one or more of the applicable percentage ratios in respect of the annual caps for long-term lease transactions under the Property Leasing Framework Agreement are less than 5% but higher than 0.1%, entering into the Property Leasing Framework Agreement and the transactions contemplated thereunder are exempt from the independent shareholders' approval requirement, but subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

## **I. PROPERTY LEASING FRAMEWORK AGREEMENT**

### **i Background**

Reference is made to the Prospectus of the Group dated 30 September 2019, containing, among other things, the Previous Property Leasing Framework Agreement, which will expire on 31 December 2021.

Therefore, on 31 December 2021, the Company (as the Lessee) and Zhongshan New Century (as the Lessor) entered into a Property Leasing Framework Agreement, pursuant to which Zhongshan New Century agreed to continue leasing properties to the Group. The Property Leasing Framework Agreement will remain in effect for a period of three years from 1 January 2022 to 31 December 2024.

### **ii Property Leasing Framework Agreement**

The principal terms of the Property Leasing Framework Agreement are summarized as below:

Date:	31 December 2021
Parties:	(1) The Company (for itself and on behalf of its subsidiaries) (as the Lessee)  (2) Zhongshan New Century (for itself and on behalf of its subsidiaries) (as the Lessor)
Term:	The Property Leasing Framework Agreement shall come into force on 1 January 2022 after signed and stamped by the legal representatives or authorised representatives of both parties and will expire on 31 December 2024.
Purposes of leases:	The Excluded Group has leased and will from time to time lease properties (including land and buildings to be used for shops, offices, warehouses and parking spaces) to the Group to meet its daily operational needs.

The member companies of the Group and the Excluded Group will enter into separate agreements (“**Individual Lease Agreements**”) for the lease of properties from the Excluded Group to the Group, which shall be consistent with the terms and conditions of the Property Leasing Framework Agreement and its annual caps. Each Individual Lease Agreement shall be entered into on normal commercial terms (or terms no less favourable to the Group than those available to or from independent third parties), and the terms of each Individual Lease Agreement shall be reasonable.

Rent:

The transactions under the Property Leasing Framework Agreement shall be entered into on normal commercial terms that are no less favourable to the Group than those available from independent third parties in the same region in the market. The rent paid by the Group to Zhongshan New Century for the transactions under the Property Leasing Framework Agreement shall be determined by the two parties with reference to the following factors after an arm’s length negotiation:

- (1) First-level land development and consolidation cost; construction cost; cost for upgrading of water, electricity and heating systems; decoration cost and depreciation cost regarding the properties; and
- (2) The prevailing market conditions in the location of the properties and the prevailing rent rates for similar leases near the location of the properties.

Annual rent payable:

Both parties agree that for each of the three years ended 31 December 2022, 2023 and 2024, the estimated annual rent payable for transactions under the Property Leasing Framework Agreement shall not exceed RMB4,686,000, RMB4,686,000 and RMB4,686,000, respectively.

### iii Historical transaction amounts and annual caps of Previous Property Leasing Framework Agreement

#### *Historical transaction amounts and annual caps*

The total rents paid by the Group to Zhongshan New Century for each of the two years ended 31 December 2019 and 2020 and for the period from 1 January 2021 to 30 November 2021 and the historical annual caps are set out below:

		As at 31 December		The eleven months ended 30 November 2021		The year ended 31 December 2021	
2019		2020		2021		2021	
<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>			
(Audited)		(Audited)		(Unaudited)			
Actual payment	Historical annual cap	Actual payment	Historical annual cap	Actual payment	Historical annual cap <sup>Note 1</sup>		
5,056	6,000	435 <sup>Note 2</sup>	6,000	1,824 <sup>Note 2</sup>	6,000		

*Note:*

1. The Group has adopted IFRS 16 Leases since 1 January 2019. However, as IFRS 16 Leases have not yet come into force when the Previous Property Leasing Framework Agreement was entered into, the annual caps for the transactions under the Agreement is the maximum amount of rent payable by the Group to Zhongshan New Century for the lease of properties.
2. Certain monthly rent of which has been discretionarily reduced or waived by the Lessor due to the pandemic.

In respect of the Property Leasing Framework Agreement, proposed annual caps for each of the three years ended 31 December 2022, 2023 and 2024 are set out below:

According to IFRS 16 Leases, the Group's lease transactions under the Property Leasing Framework Agreement are divided into long-term leases and short-term leases. Long-term leases refer to leases with a lease term of more than 12 months, for which the Group adopts a single methodology to recognise and measure the right-of-use assets and lease liabilities, while short-term leases are leases with a lease term of 12 months or less.

For long-term leases under the Property Leasing Framework Agreement, the Group shall, in accordance with IFRS 16 Leases, recognise the right-of-use assets and lease liabilities relating to the leases entered into by the Group as the Lessee and measure them at the present value of the lease payments discounted using the Lessee’s incremental borrowing rate. Therefore, the Group shall, in accordance with the Property Leasing Framework Agreement, set annual caps on the total value of the right-of-use assets relating to the long-term leases to be entered into by the Group, as the Lessee, and Zhongshan New Century. The annual caps for right-of-use assets for the three years ended 31 December 2022, 2023 and 2024 are set out below:

	<b>The year ended 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Annual caps for new right-of-use assets	13,011	—	—

The above annual caps are determined by considering the following factors:

1. Based on the actual business needs of the Group, the area of properties leased from Zhongshan New Century from 2022 to 2024 was reduced from approximately 49,000 sq.m. to approximately 30,000 sq.m., of which the reduced leased properties were mainly outdoor parking lots and one of the less utilized staff dormitories, in consideration of the optimization of the efficiency of the use of site resources and thereby saving property leasing costs.
2. With reference to the Zhongshan Municipal Reference Price of Housing Rentals\* (中山市房屋租金參考價) (“**Reference Price of Housing Rental**”) published by Zhongshan Municipal Bureau of Housing and Urban-Rural Development\* (中山市住房和城鄉建設局) in November 2021, there is no significant change between the prevailing market prices for similar leases in or near the location of the properties listed and the market prices listed in the Reference Price of Housing Rentals published in October 2017, and taking into account the fluctuations in the market prices of property leases over the next three years;
3. The incremental borrowing rate used in the accounting judgment of the lease term and the measurement of the discounted present value of the lease payments involved in the determination of the total value of the right-of-use assets recognised in the leases that the Group expects to enter into; and

4. The historical actual amounts of transactions under the Previous Property Leasing Framework Agreement, certain monthly rent of which has been discretionarily reduced or waived by the Lessor due to the pandemic, resulting in a downward trend in the historical rent required to be paid to Zhongshan New Century in 2020 and 2021.

**iv. Internal control measures**

In order to protect the interests of the Group, the Group will take the following internal control measures:

1. The relevant personnel of the Group will closely monitor that the rents payable by the Group should be within the prevailing market rents of the properties and the Group will collect and refer to market rental data of comparable properties;
2. The relevant personnel of the Group will closely monitor the Group's transactions under the Property Leasing Framework Agreement to ensure that the transaction amounts do not exceed the annual caps for the lease transactions under the Property Leasing Framework Agreement;
3. Each property lease to be conducted by the Group shall be properly approved by the relevant department of the Company to ensure that each property lease complies with the pricing policy and principal terms of the Property Leasing Framework Agreement;
4. The auditors of the Company will conduct an annual review of the pricing and annual caps of the continuing connected transactions to ensure that the transaction amounts fall within the annual caps and that the transactions in all material respects are entered into in accordance with the terms set out in the relevant agreements on the transactions; and

5. The independent non-executive Directors of the Company will conduct an annual review of the continuing connected transactions contemplated under the Property Leasing Framework Agreement to ensure that the transactions are entered into on normal commercial terms in the Group's ordinary and usual course of business, and that the terms in the relevant agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Directors (including independent non-executive Directors) believe that the aforementioned internal control measures adopted by the Group in relation to the Property Leasing Framework Agreement are appropriate, which can ensure that the continuing connected transactions are conducted on normal commercial terms and are properly monitored.

**v. Reasons for and benefits of entering into the Property Leasing Framework Agreement**

The directors (including independent non-executive directors) believe that entering into the Property Leasing Framework Agreement and the transactions contemplated thereunder will be beneficial to the Group for the following reasons:

1. The rent paid or payable under the Property Leasing Framework Agreement is determined after arm's length negotiations and on normal commercial terms, and the terms are fair and reasonable, and by reference to the prevailing market conditions in the location of the properties, Zhongshan New Century has offered the Group prevailing rent rates which are no less favourable than those of similar properties leased to nearby independent third parties;
2. The acquisition of the target properties in the transactions from Zhongshan New Century will require considerable expenses, which will have a material adverse impact on the Group's financial position. By entering into the Property Leasing Framework Agreement and the transactions contemplated thereunder, the Group can reallocate resources to implement strategies;
3. The Group has been operating on properties owned by the Excluded Group. Given that the ultimate beneficial owner of the Lessor is a Controlling Shareholder of the Group, the Directors believe that entering into the Property Leasing Framework Agreement will reduce the risk of non-renewal of the leases and maintain the stability of operations; and
4. By entering into the Property Leasing Framework Agreement, the Group can flexibly relocate to other properties, and if it believes that the properties leased under the Property Leasing Framework Agreement is no longer suitable for use by the Group or is no longer cost-competitive, it can terminate the leases at any time.

The Directors (including the independent non-executive Directors) confirm that the Property Leasing Framework Agreement is entered into in the ordinary and usual course of business of the Group and the transactions contemplated thereunder are conducted on the Company's normal commercial terms or better, the annual rent paid and expected to be paid by the Group to Zhongshan New Century for the lease of properties is determined on an arm's length basis and with reference to the prevailing market conditions in nearby regions and the market rents for comparable properties. In no event will the annual rent be higher than the rent applicable to independent third-party tenants at the relevant time and the terms and the annual caps under the Property Leasing Framework Agreement are fair and reasonable for the Company and in the interests of the Company and its shareholders as a whole.

## **II. INFORMATION ON THE GROUP AND EACH TRADING PARTY**

As the 4S dealership group with the longest history and the largest sales and service network in Zhongshan City, Guangdong Province, the Group creates an integrated service ecosystem that combines automotive sales, after-sales service, used vehicle sales and other value-added services.

Zhongshan New Century is mainly engaged in the business of its self-owned property lease management.

## **III. HONG KONG LISTING RULES IMPLICATIONS**

Zhongshan New Century is wholly owned by Mr. Law, the Company's Controlling Shareholder and Director. Accordingly, Zhongshan New Century is a connected person of the Company as defined in Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the proposed continuing transactions under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14A.77 of the Hong Kong Listing Rules) in respect of the annual caps for long-term lease transactions under the Property Leasing Framework Agreement are higher than 0.1% but less than 5%, long-term lease transactions under the Property Leasing Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As Zhongshan New Century is wholly owned by Mr. Law, a director of the Company, is considered to have a material interest in the transactions contemplated under the Property Leasing Framework Agreement. Therefore, he has abstained from voting on the relevant resolution at the board meeting. Save as disclosed above, no other Director has any material interest in the transactions above or is required to abstain from voting on any resolution at any board meeting.

#### IV. DEFINITIONS

In this announcement, the following terms shall have the following meanings unless the context otherwise requires:

“Board”	the Board of Directors of the Company;
“Company”	Centenary United Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability (SEHK stock code: 1959);
“Connected Person”	has the meaning ascribed to it under the Listing Rules;
“Connected Transaction”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“Dongri Automobile”	Zhongshan Dongri Automobile Co., Ltd., a company established in the People’s Republic of China with limited liability on 12 November 2003, which is wholly owned by Zhongshan New Century and is the predecessor of Dongri Sales and Services and a connected person of the Company;
“Excluded Group”	Zhongshan New Century, Huichuang Financial Leasing and Dongri Automobile, each of which is wholly owned by Mr. Law;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Huichuang Financial Leasing”	Huichuang Financial Leasing (Zhuhai) Co., Ltd., a company established in the People’s Republic of China with limited liability on 5 July 2018, which is wholly owned by Zhongshan New Century and is a connected person of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Law”	Mr. Law Hau Kit, Chairman, Chief Executive Officer and Controlling Shareholder of the Company;
“Mr. Lin”	Mr. Lin Tiaohao, the brother-in-law of Mr. Law and a connected person of the Company;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan of PRC;
“Previous Property Leasing Framework Agreement”	the framework agreement entered into between the Company and Zhongshan New Century on 23 September 2019 in respect of the lease of properties from Zhongshan New Century Group to the Group from 18 October 2019 to 31 December 2021;
“Property Leasing Framework Agreement”	the framework agreement entered into between the Company and Zhongshan New Century on 31 December 2021 in respect of the lease of properties from Zhongshan New Century Group to the Group from 1 January 2022 to 31 December 2024;
“RMB”	Renminbi, the lawful currency of the PRC;
“SEHK”	The Stock Exchange of Hong Kong Limited;

“Zhongshan New Century”

Zhongshan New Century Pioneering Automobile Co., Ltd., a company established in the People’s Republic of China with limited liability on 17 May 1999, which is wholly owned by Mr. Law (80% of the equity interest is directly owned by Mr. Law and 20% of the equity interest is owned by Mr. Lin as a nominee on behalf of Mr. Law pursuant to a nominee arrangement dated 10 May 2005 between Mr. Law and Mr. Lin) and a connected person of the Company; and

“%”

percent.

\* *for identification purpose only*

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

Hong Kong, 31 December 2021

*As at the date of this announcement, the executive Directors are Mr. Law Hau Kit, Mr. Chen Shaoxing and Ms. Li Huifang; the non-executive Director is Mr. Woo King Hang; and the independent non-executive Directors are Mr. Li Wai Keung, Mr. Hui Chun Tak and Ms. Yan Fei.*