CENTENARY UNITED

世紀聯合

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS:

The Group's revenue for the six months ended 30 June 2020 amounted to approximately RMB705.0 million, representing a decrease of approximately 24.2% as compared to the six months ended 30 June 2019.

The Group's gross profit for the six months ended 30 June 2020 amounted to approximately RMB62.5 million, representing a decrease of approximately 25.9% as compared to the six months ended 30 June 2019. Gross profit margin decreased by approximately 0.2% to approximately 8.9%, as compared to the six months ended 30 June 2019.

Profit attributable to owners of the Company amounted to approximately RMB8.3 million, representing a decrease of approximately 46.5% as compared to the six months ended 30 June 2019.

Basic earnings per share was approximately RMB1.66 cents for the six months ended 30 June 2020, representing a decrease of approximately 59.8% from approximately RMB4.13 cents for the six months ended 30 June 2019.

The Board has recommended the distribution of an interim dividend of HK2 cents per ordinary share for the six months ended 30 June 2020 out of the share premium account of the Company (for the six months ended 30 June 2019: nil), subject to the approval of the shareholders at the forthcoming extraordinary general meeting.

RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Centenary United Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**") together with comparative figures for the corresponding period in 2019 (the "**Previous Period**") as set out below:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	4	**705,034**	930,512
Cost of sales		**(642,534)**	(846,152)
Gross profit		**62,500**	84,360
Other income and gains	4	**8,196**	7,616
Selling and distribution expenses		**(22,354)**	(26,439)
Administrative expenses		**(24,132)**	(33,281)
Other expenses, net		**(248)**	(479)
Finance costs	6	**(8,198)**	(7,957)
PROFIT BEFORE TAX	5	**15,764**	23,820
Income tax expense	7	**(7,655)**	(8,319)
PROFIT FOR THE PERIOD		**8,109**	15,501

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the parent		**8,306**	15,501
Non-controlling interests		**(197)**	—
		8,109	15,501
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**RMB1.66 cents**	RMB4.13 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**8,109**	15,501
OTHER COMPREHENSIVE INCOME/(LOSS)		
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**91**	(34)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**91**	(34)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**8,200**	15,467
Attributable to:		
Owners of the parent	**8,397**	15,467
Non-controlling interests	**(197)**	—
	8,200	15,467

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**126,762**	123,060
Right-of-use assets		**40,222**	44,597
Other intangible assets		**407**	430
Deferred tax assets		**1,121**	317
Total non-current assets		**168,512**	168,404
CURRENT ASSETS			
Inventories	10	**269,706**	308,481
Trade receivables	11	**17,158**	5,821
Prepayments, other receivables and other assets	12	**132,645**	184,189
Amounts due from related companies		**—**	48,163
Pledged deposits		**48,223**	114,140
Cash and cash equivalents		**46,313**	28,967
Total current assets		**514,045**	689,761
CURRENT LIABILITIES			
Trade and bills payables	13	**57,460**	148,541
Contract liabilities		**40,560**	64,880
Other payables and accruals		**43,808**	53,825
Interest-bearing bank and other borrowings	14	**243,455**	302,108
Tax payable		**20,651**	16,250
Total current liabilities		**405,934**	585,604
NET CURRENT ASSETS		**108,111**	104,157
TOTAL ASSETS LESS CURRENT LIABILITIES		**276,623**	272,561

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

30 June 2020

	Notes	**30 June 2020** ***RMB'000*** **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**26,567**	30,925
Total non-current liabilities		**26,567**	30,925
Net assets		**250,056**	241,636
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	**4,515**	4,515
Reserves		**243,738**	235,121
Equity attributable to owners of the parent		**248,253**	239,636
Non-controlling interests		**1,803**	2,000
Total equity		**250,056**	241,636

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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**").

2.1 BASIS OF PRESENTATION

These unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and International Accounting Standard 34 Interim Financial Reporting issued by the International Accounting Standards Board. These unaudited interim condensed consolidated financial information are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial information are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new and revised International Financial Reporting Standards ("**IFRSs**") (which also include International Accounting Standards ("**IASs**") and Interpretations) as disclosed in note 2.2 below.

These unaudited interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

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 2019, except for the adoption of the following revised IFRSs for the first time for the current period's financial information:

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

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

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS

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

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of motor vehicles	**596,447**	810,284
Others	**108,587**	120,228
Total revenue from contracts with customers	**705,034**	930,512
Timing of revenue recognition		
Transferred at a point in time	**625,327**	846,405
Transferred over time	**79,707**	84,107
Total revenue from contracts with customers	**705,034**	930,512

(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	
	2020	2019
	RMB'000	*RMB'000*
Bank interest income	**936**	950
Government grants released *(note (a))*	**697**	24
Gain on disposal of property, plant and equipment	**524**	1,054
Others *(note (b))*	**6,039**	5,588
	8,196	7,616

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

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

5. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		**26,456**	34,430
Pension scheme contributions		**1,502**	4,409
		27,958	38,839
Cost of inventories sold *(note (a))*		**590,912**	784,623
Cost of services provided		**51,622**	61,529
Depreciation of property, plant and equipment		**7,539**	4,880
Depreciation of right-of-use assets		**4,607**	4,671
Equity-settled share option expense		**220**	—
Amortisation of other intangible assets		**23**	8
Listing expenses		**—**	5,663
Auditor's remuneration		**650**	355
Gain on disposal of property, plant and equipment		**(524)**	(1,054)
Impairment of trade receivables *(note (b))*	11	**114**	109
Write-down of inventories to net realisable value		**2,518**	873
Interest income		**(936)**	(950)

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

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**7,215**	6,905
Interest on lease liabilities	**983**	1,052
	8,198	7,957

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.

PRC Corporate Income Tax ("CIT")

Pursuant to the CIT Law and the respective regulations, the PRC subsidiaries were subject to income tax at a statutory rate of 25% for the six months ended 30 June 2020 and 2019.

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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — the PRC		
Charge for the period	**8,459**	9,058
Deferred income tax	**(804)**	(739)
Total tax charge for the period	**7,655**	8,319

8. DIVIDEND

No dividend has been paid or declared by the Company since its incorporation. Dividends of RMB9,080,000 in aggregate have been declared and paid by certain subsidiaries during six months ended 30 June 2019 prior to the completion of the reorganisation.

Subsequent to 30 June 2020, on 27 August 2020 the board of directors recommended that an interim dividend of HK2 cents per share for the six months ended 30 June 2020 which will be payable on or around 6 November 2020 to the shareholders on the register of members of the Company on 28 October 2020, totaling HK$10 million out of the share premium account of the Company, subject to the approval of the shareholders at the forthcoming extraordinary general meeting. The proposed interim dividend has not been recognised as a liability at the end of the Reporting Period, which will be reflected as interim dividend paid for the year ending 31 December 2020.

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

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

The calculations of the basic and diluted earnings per share amount are based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 500,000,000 (six months ended 30 June 2019: 375,000,000) in issue during the period.

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	**8,306**	15,501
Share		
Weighted average number of ordinary shares in issue during the period	**500,000**	375,000
Earning per share:		
Basic and diluted *(RMB cents per share)*	**1.66**	4.13

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

The Group had no potentially dilutive ordinary shares in issue for the six months ended 30 June 2019.

10. INVENTORIES

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Vehicles	**260,862**	298,492
Accessories	**8,844**	9,989
	269,706	308,481

At 30 June 2020, the Group's inventories with a carrying amount of approximately RMB13,955,000 (as at 31 December 2019: RMB112,201,000) were pledged as security for the Group's bank loans.

11. TRADE RECEIVABLES

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Trade receivables	**17,331**	5,880
Impairment	**(173)**	(59)
	17,158	5,821

Trade receivables of the Group represented proceeds receivable from 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 2020. Trade receivables were interest-free and unsecured as at 30 June 2020.

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**17,158**	5,821

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of period/year	**59**	22
Impairment losses recognised *(note 5)*	**114**	37
At the end of period/year	**173**	59

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Advances to suppliers	**82,033**	121,224
Deposit	**2,790**	2,206
Value added taxes recoverable	**35,193**	43,929
Prepayments	**1,942**	1,069
Other receivables	**10,687**	15,761
	132,645	184,189

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.

13. 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 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Within 3 months	**45,200**	120,200
3 to 12 months	**12,260**	28,341
	57,460	148,541

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 RMB47,223,000 as at 30 June 2020 (as at 31 December 2019: RMB88,340,000).

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Effective interest rate *(%)*	*Maturity*	*RMB'000*	Effective interest rate *(%)*	*Maturity*	*RMB'000*
Current						
Bank loans — secured	**4.75–5.655**	**July 2020 to June 2021**	**235,800**	4.75–5.655	February to October 2020	292,770
Other loans — secured	**4.20**	**October to December 2020**	**7,655**	4.20	May to June 2020	9,338
Total			**243,455**			302,108

Notes:

(a) As at 30 June 2020 and 31 December 2019, 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 RMB13,955,000 (note 10) as at 30 June 2020 (as at 31 December 2019: RMB112,201,000);

(ii) the Group's buildings, which a net carrying amount of approximately RMB8,054,000 as at 30 June 2020 (as at 31 December 2019: RMB8,398,000);

(iii) the Group's right of use assets, which a net carrying amount of approximately RMB10,851,000 as at 30 June 2020 (as at 31 December 2019: RMB11,103,000); and

(iv) no pledged deposit to certain subsidiaries of the Group in respect of any bank and other borrowings as at 30 June 2020 (as at 31 December 2019: RMB24,800,000).

15. SHARE CAPITAL

Shares

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Authorised:		
2,000,000,000 ordinary shares of HKD0.01 each as at 30 June 2020 and 31 December 2019	**HK$20,000,000**	HK$20,000,000
Issued and fully paid:		
500,000,000 ordinary shares of HK$0.01 each as at 30 June 2020 and 31 December 2019	**HK$5,000,000**	HK$5,000,000
Equivalent to	**RMB4,515,000**	**RMB4,515,000**

16. 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 period/year:

(a) Name and relationship of a related party

Name	Relationship
Mr. Law Hau Kit	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 follows:

Amounts due from related parties

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Non-trade		
Zhongshan New Century Pioneering Automobile Co., Limited*	—	15,998
Huichuang Financial Leasing (Zhuhai) Co., Ltd.*	—	808
	—	16,806
Trade		
Zhongshan New Century Car Rental Co., Ltd.*	—	31,357
	—	48,163

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 reporting periods:

(1) Sales of goods to related parties

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Zhongshan New Century Car Rental Co., Ltd.*	**—**	31,920

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Zhongshan New Century Car Rental Co., Ltd.*	**—**	22
Huichuang Financial Leasing (Zhuhai) Co., Ltd.*	**9**	1
	9	23

(3) Rental fee paid to related parties

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Zhongshan Dongri Automobile Co., Ltd.*	**146**	714
Zhongshan New Century Pioneering Automobile Co., Limited*	**519**	1,616
	665	2,330

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

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

* The English names of all the above companies represent the best effort made by the directors of the Company (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 the first half of 2020, the COVID-19 pandemic had made a big and substantial impact on China's and the world's economy, causing unprecedented blows to many industries, especially in the consumer industry. With the broken global supply chain and blocked supply of raw materials, the global automobile manufacturing industry, including auto dealers, are not immune to the impact and are facing many challenges. According to data released by the National Bureau of Statistics of China, the total profit of China's automobile manufacturing industry fell by 79.6% year-on-year ("**YoY**") with production and sales basically suspended in the first quarter. We are grateful for the orderly implementation of the central government's anti-epidemic measures, the auto spending suppressed in the first quarter regained momentum in the second quarter, bringing auto sales growth back to the positive territory. From the perspective of market segmentation, sales performance varied between high, mid and low-end cars. Sales increased among high-end cars, shrank among the low-end cars, and showed resilience among mid-range cars.

Luxury auto brands maintained their leading position in the sluggish auto market in the first half of the year. Their number of cars sold in the retail market reached 1.05 million in the first half of this year, representing an 1% YoY increase, although the growth rate was down by 12% over the Previous Period, according to data from the China Passenger Car Association (CPCA). CPCA's data also shows that in the first half of 2020, the share of high-end cars priced over RMB200,000 surpassed that of low-end cars priced below RMB100,000 for the very first time. The sales of the latter were only 886,000 units, representing a YoY decline of nearly 40%. With the recovery in the second quarter, the sales of mid-to-high-end passenger cars in China will enter the stable situation, according to China Association of Automobile Manufacturers (CAAM). The market share of mainstream mid-range joint-venture brands still reached 52.2% in the first half of the year despite an expected drop in sales, among which German and Japanese brands still account for over half of joint-venture car brands, and the Japanese brands are more resilient.

Owing to the central government's effective anti-epidemic policy, China's economy has gradually recovered and consumer confidence has rebounded. Several measures have been in place to support the auto industry, with a view to offset the negative impact of the epidemic and boost confidence in the auto market. On 31 March 2020, the Standing Committee of the State Council implemented three major measures to stimulate auto consumption, including 1) extending new energy vehicle (NVE) purchase subsidies and purchase tax exemption policy by two years to the end of 2022; 2) providing rewards instead of subsidies to encourage the elimination of diesel trucks of National III emission standards and below in key areas like the Beijing-Tianjin-Hebei region; and 3) selling used vehicles by used car dealers and levying a value-added tax (VAT) of 0.5% decreased, by 1.5% from the original 2% on used vehicle sales from 1 May 2020 to the end of 2023. At the end of 2019, the number of private cars nationwide has reached 140 million, representing an increase of more than 10 million over last year, indicating a hidden and high demand for one-stop auto services. The global epidemic has prevented Chinese people from travelling abroad, so they choose domestic self-driving tours instead, leading to an increase in demand for car maintenance and insurance.

BUSINESS REVIEW

For the Reporting Period, the Group recorded revenue of approximately RMB705.0 million, representing a decline of 24.2% compared to the Previous Period, and the profit attributable to shareholders decreased by 46.5% to RMB8.3 million. The sales volume of new cars amounted to 5,272 units in the Reporting Period, representing a decrease of 34.5% from 8,046 units in the Previous Period. Gross profit fell by 25.9% from approximately RMB84.4 million in the Previous Period to approximately RMB62.5 million during the Reporting Period.

The Group is based in Zhongshan City of Guangdong Province, one of the important hub cities in the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area). The Group has established long-term, stable relationship with many leading mid-to-high-end passenger car manufacturers and owns significant market share in Zhongshan City. As at 30 June 2020, we had more than ten authorised brands, mainly including Jaguar and Land Rover, FAW-Volkswagen, Buick, Chevrolet, FAW Toyota, Dongfeng Nissan, Dongfeng Qichen, Cadillac, Beijing Hyundai and Volkswagen New Jetta. We have opened a total of 16 outlets of 4S dealership, including our first Cadillac outlet and first Volkswagen New Jetta brand outlet newly opened in Zhongshan City during the Reporting Period. Excluding the abovesaid newly opened two outlets, our 4S dealership outlets had been operating for approximately 9 years on average. The Group also owns an insurance agency company, six quick fix service points, and two used vehicle trading centre (one of which is located in Minzhong Town of Zhongshan City and will be completed in the fourth quarter of this year).

Sales of motor vehicles

During the Reporting Period, the sales of motor vehicles (comprising new vehicles and used vehicles) were approximately RMB596.4 million, down by 26.4% from RMB810.3 million in the Previous Period.

Sales of new vehicles

In the first half of 2020, the Group sold 5,272 new cars for approximately RMB586.5 million, representing a decrease of 26.9% from 8,046 cars for approximately RMB802.1 million in the Previous Period. The newly added Cadillac and Volkswagen New Jetta brands recorded revenue of RMB3.5 million. Luxury car brands such as Jaguar and Land Rover sold 53 new cars for approximately RMB23.2 million, which were introduced in June 2019. As for Japanese cars, one of consistently best sellers, 3,403 new cars were sold for approximately RMB374.0 million during the Reporting Period, representing a decrease of 29.3% from 5,187 units for approximately RMB529.3 million in the Previous Period. During the epidemic, the West District Government of Zhongshan City issued a subsidy of RMB6 million to the public, so as to promote local auto consumption. As the largest 4S dealership group in Zhongshan City, the Company has also been benefited from the policy. Thanks to various anti-epidemic measures implemented appropriately in China, COVID-19 was gradually under control and the business environment in general and the consumption propensity in particular have been improving gradually.

Sales of used vehicles

As the epidemic drives up the demand for used cars, many consumers turn to the second-hand car market for its price advantage during economic turmoil. The Group's base of sales of used vehicles is relatively small compared to the sales of new vehicles. A total of 244 used vehicles (Previous Period: 230) were sold, and their sales amounted to RMB10.0 million during the Reporting Period, representing an increase of 22.0% from RMB8.2 million in the Previous Period. Notably, since March 2020, the Group's first used vehicle trade center provided used car transfer services for self-sell used cars and other used car from dealership other than the Group. As of 30 June 2020, a total of over 1,000 vehicles received transfer services. This business generated revenue for the Group since the second quarter, and with the scale in Zhongshan and the strength of possessing two trade centers for used cars, the Group will be expected to receive stable revenue. The Group believes that the used vehicle business and other integrated auto services will create stronger synergistic effect, which, apart from earning the price differences, can drive after-sale service demand for repairs, accessory sales and vehicle insurance as well as broaden the base of client data.

Others integrated auto services

As a 4S dealership group providing one-stop car services, the Group offers a series of hassle-free services such as after-sales services and feedback in addition to car sales. Other integrated auto services provided by the Group include repair services, the sales of accessories, insurance agency services and other services. During the Reporting Period, the revenue of integrated auto services was approximately RMB108.6 million, representing a decrease of 9.7% from RMB120.2 million in the Previous Period. The decrease was mainly attributable to a decline in revenue in the first quarter arising from the restriction on traveling as caused by the epidemic.

To expand its sales network and after-sales services, the Group has developed the Centenary United Big Data Intelligence System ("**CUBDIS**"), a large database integrating data from its own sales platform and after-sales service platform and service sales platforms that are in cooperation with it to help improve its internal management mechanisms and strengthen compliance management capabilities. The dynamic analysis of user experience has been made possible with the big data system. The Group is committed to providing and promoting seamlessly integrated automotive services through the system to improve customers' stickiness and loyalty and the overall business profitability for a sustainable closed service ecosystem. The Group has more than 200,000 customers in Zhongshan and more than 50,000 followers on internet platforms.

Repair services

The Group's repair services are 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.

During the Reporting Period, revenue from repair services amounted to approximately RMB79.7 million (Previous Period: approximately RMB84.1 million), accounting for approximately 11.3% of total revenue (Previous Period: approximately 9.0%), with a gross profit margin of approximately 34.3% (Previous Period: approximately 28.3%).

Sales of accessories

While selling cars, the Group will also arrange practitioners who have extensive product marketing knowledge to accurately and quickly find the spare parts customers need. During the Reporting Period, the revenue from the Group's sales of accessories amounted to approximately RMB15.8 million (Previous Period: approximately RMB25.2 million), with a gross profit of approximately RMB9.8 million (Previous Period: approximately RMB16.0 million), accounting for 15.7% (Previous Period: 19.0%) of the total gross profit.

Insurance agency services

During the Reporting Period, the Group acted as a business insurance agent 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 provided 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.

In the Reporting Period, the revenue from insurance agency services amounted to approximately RMB9.6 million (Previous Period: approximately RMB7.5 million), with a gross profit of approximately RMB9.2 million (Previous Period: approximately RMB7.0 million), representing an increase of 31.4%, accounting for approximately 14.7% (Previous Period: approximately 8.3%) of the total gross profit.

Other services

The gross profit of other services (mainly comprising vehicle licensing registration services and registration of title transfer of used vehicles) was approximately RMB3.1 million during the Reporting Period, representing an increase of 14.8% over the Previous Period (Previous Period: approximately RMB2.7 million).

Dividends

The board of directors has recommended to declare an interim dividend of HK2 cents per share for the six months ended 30 June 2020 on 27 August 2020. The interim dividend will be payable on or around 6 November 2020 to the shareholders on the register of members of the Company on 28 October 2020 in the amount of HK$10 million out of the share premium account of the Company, subject to the approval of the shareholders at the forthcoming extraordinary general meeting.

PROSPECTS

Looking forward, uncertainty remains in the second half of 2020 and even the future amid a rise in Sino-US tensions and a turbulent global economy if the repeated global COVID-19 pandemic is not fundamentally controlled. The domestic economy, however, is experiencing a sustainable recovery with a rebound in supply and demand of the manufacturing industry and an increasingly improved consumer market. As a mass consumer product, automobiles are believed to be supported by more government policies. China's automobile market will step into a relatively steady development stage thanks to supportive macroeconomic policies and local policies to promote auto consumption. The domestic demand for automobiles is expected to increase, and a further recovery in auto sales volume shown in the second quarter will sustain throughout the year.

According to the statistics of CAAM, the sales volume of passenger cars in China in July increased by 7.7% YoY to 159 million units, achieving the positive growth for the fourth consecutive month. In the same month, the retail sales of mainstream joint-venture brands increased by 4% YoY. As a national pillar industry, the automobile industry continued to receive policy support during the epidemic. In addition to the aforesaid favourable policies, there are also many local stimulus policies. The Group can benefit from the re-launch of the policy of "**bringing automobiles to the countryside**" in Guangdong Province to promote rural car consumption. The West District Government of Zhongshan City has issued another subsidy of RMB6 million to boost car sales.

In terms of used vehicle sales, the implementation of the VAT reduction policy for used vehicles will bring new opportunities for the development of the industry by reducing the burden on used car dealers, promoting healthy competition among car dealers, and further promoting domestic car consumption. The prosperity of the second-hand car market will also drive demand for other integrated used vehicle services. Therefore, the Group believes that the automotive aftermarket will have huge growth potential and become a hot, profitable market. The Group will open a used vehicle trading centre in Minzhong Town of Zhongshan City to expand used vehicle sales and other integrated used vehicle services. The Group's used vehicle sales and after-sales service businesses are expected to benefit from this, and they are expected to be a major revenue source of the Group. In the future, Minzhong Town will be built into another important automobile trading center in Zhongshan City, which will include a transfer qualification and service centre for the second-hand market trading.

To seize the opportunity, the Group plans to strengthen the one-stop comprehensive automotive service ecosystem and expand its automotive sales and maintenance networks mainly through mergers and acquisitions and supplemented by organic growth. According to the Group's data for the first half of 2020, the sales of motor vehicles decreased by 26.4%, and the sales of other integrated auto services declined only by 9.7% compared with the Previous Period, showing the potential of auto services, and the gross profit margin of automobile services was far higher than that of motor vehicle sales, which could more effectively make up for the shortfall in earnings caused by the pandemic. The Group will identify opportunities in automotive services and work to improve and expand the one-stop integrated auto services to increase business profitability.

Meanwhile, the Group will proactively promote the CUBDIS to improve management and efficiency. Through the promotion of the Group and 4S outlets, various businesses such as sales, after-sales and derivative businesses will be integrated on the platform to achieve control over various business scenarios, processes and efficiency and enhance the Group's management of diversified businesses. At the same time, this digital system will shorten the time spent on the financial settlement of businesses and allow for more timely and accurate management and business decisions. CUBDIS is also a cross-brand platform for the Group to integrate potential customers and retain customers. By pooling customer resources together, the Group will maximise the utilization of resources to lay a solid foundation for the accurate delivery of subsequent derivative businesses and set up an integrated standard service system. As the sales volume of luxury cars continues to be strong, the Group will use its self-owned database to expand cooperation networks with mid-to-high-end passenger car manufacturers to deal in more brands, especially luxury car brands and new energy vehicle brands.

Since the sales of electric vehicles will be a key market trend in the coming years and the Greater Bay Area has become an important base for the production and sales of such vehicles, there will be more new energy-saving vehicles in the market. The Group will also coordinate and plan consulting services, customer service systems, service evaluation systems, appointments, and other services through the CUBDIS to obtain timely feedback on customer experience and help the Group make right decisions, improve customer journey, and provide the most efficient services in response to the huge demand for sales and after-sales of new energy-saving vehicles. Through the implementation of the CUBDIS, all the businesses related to customers will be concentrated in the Group's APP, official account, and mini-program to improve engagement with customers and build a benign interaction system with customers.

Although the Group was unexpectedly hit by the epidemic within less than one year after its listing, it will be undoubtedly capable of expanding its presence, improving consumer satisfaction, and bringing greatest return to stakeholders given its solid foundation established from our over 20 years of experience in the industry and under the collaborated efforts of the management team. The Group expects that there will be no material changes to the future development of the Group's business, except for the impact of the outbreak of COVID-19.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the Group recorded a revenue of approximately RMB705.0 million, representing a decline of approximately RMB225.5 million or 24.2% from that of approximately RMB930.5 million for the Previous Period. Sales of motor vehicles contributed approximately RMB596.4 million for the Reporting Period (Previous Period: approximately RMB810.3 million) of the Group's total revenue whereas other integrated auto services brought in revenue of approximately RMB108.6 million for the Reporting Period (Previous Period: approximately RMB120.2 million), representing approximately 84.6% (Previous Period: approximately 87.1%) and 15.4% (Previous Period: approximately 12.9%) of the Group's total revenue, respectively. The decline of the revenue mainly derived from decreased of sales of motor vehicles. Since January 2020, the outbreak of COVID-19 has adversely affected the business environment, the overall sales performance of the Group was therefore dropped.

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 91.0% for the Reporting Period (Previous Period: approximately 91.6%). For the Reporting Period, the Group's cost of sales amounted to RMB642.5 million, representing a decrease of approximately 24.1% as compared to that of approximately RMB846.2 million for the Previous Period. The decrease was mainly due to the decline in demand of motor vehicles and spare parts, as well as the decrease in staff costs owing to a drop in the total workforce.

The Group recorded gross profit of approximately RMB62.5 million for the Reporting Period, representing a decrease of approximately 25.9% as compared to that of approximately RMB84.4 million for the Previous Period. Meanwhile, attributed to the decrease in the sales volume of new vehicles, the incentive rebates provided by automobile manufacturers also decrease accordingly, which also constitute part of the decline of the Group's gross profit. Overall gross profit margin of the Group decreased to approximately 8.9% for the Reporting Period from approximately 9.1% for the Previous Period. The decrease in revenue generated from sales of motor vehicles outweighed the decrease in cost of motor vehicles during the Reporting Period, leading to a decrease in the gross profit margin.

Other income and gains

Other income and gains increased by approximately RMB0.6 million, or 7.9%, from approximately RMB7.6 million for the Previous Period to approximately RMB8.2 million for the Reporting Period, primarily attributable to the increase in advertisement subsidy received from automobile manufacturers for the Reporting Period.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately RMB4.0 million, or 15.2%, from approximately RMB26.4 million for the Previous Period to approximately RMB22.4 million for the Reporting Period.

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

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 expenses; (vi) taxation; and (vii) bank charges. The Group's administrative expenses for the Reporting Period were approximately RMB24.1 million, representing a decrease of approximately RMB9.2 million from the Previous Period. Such decrease was mainly due to the combined effect of (i) the decrease in listing expenses of approximately RMB5.7 million; (ii) the decrease of depreciation and amortisation of approximately RMB0.3 million; (iii) the decrease in salary and wages of administrative staff of approximately RMB1.4 million; (iv) the decrease in repair and maintenance expenses of approximately RMB0.5 million; and (v) the increase in rental reduction of approximately RMB3.1 million.

Finance costs

For the Reporting Period, the Group's finance costs were approximately RMB8.2 million (Previous Period: RMB8.0 million), representing an increase of approximately RMB0.2 million or 2.5%, which was mainly due to the higher amount of borrowings at the beginning of the Reporting Period, which decreased gradually during the Reporting Period. Please refer to the section headed "Liquidity, Financial Resources and Capital Structure" of page 33.

Profit for the period

As a result of the foregoing, the Group's profit for the Reporting Period amounted to approximately RMB8.1 million, representing a decrease of approximately RMB7.4 million or 47.7% as compared with that of approximately RMB15.5 million for the Previous Period.

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

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
Profit before income tax	**15.8**	23.8
Add: non-recurring listing expenses	**—**	5.7
Profit before income tax excluding listing expenses	**15.8**	29.5
Income tax expense	**(7.7)**	(8.3)
Profit for the period excluding listing expenses	**8.1**	21.2
Net profit margin excluding listing expenses	**1.1%**	2.3%

During the Reporting Period, the profit excluding listing expenses decreased by 61.8%, which was resulted from the decrease in the sales volume of the Group during the Reporting Period. Meanwhile, owing to the decrease in the sales volume of new vehicles, the incentive rebates provided by automobile manufacturers also decrease accordingly, which constitute part of the decline of the Group's gross profit.

Income tax expenses

For the Reporting Period, the income tax of the Group was approximately RMB7.7 million (Previous Period: RMB8.3 million). The decrease was primarily due to the decrease in taxable income. The effective tax rate for the Reporting Period and Previous Period was approximately 48.7% and 34.9%, respectively.

The Group's effective tax rate was higher than the PRC statutory tax rate during the Reporting Period and Previous Period. The increase in the effective tax rate was primarily due to the increase in loss generated from the Group's Cayman Islands entity and no deferred tax was recognised in relation to losses arising from certain subsidiaries in the PRC.

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 2020 was approximately 1.0 times (as at 31 December 2019: 1.3 times). The decrease was mainly due to the repayment of the bank and other borrowings during the Reporting Period.

The Group's pledged bank deposits and cash and cash equivalents balances as at 30 June 2020 amounted to approximately RMB94.5 million, representing a decrease of approximately RMB48.6 million as compared to that of approximately RMB143.1 million as at 31 December 2019.

The Group's bank and other borrowings as at 30 June 2020 were all denominated in Renminbi. The interest rates ranged from 4.2% to 5.7% per annum.

As at 30 June 2020, the Group's interest-bearing bank and other borrowings amounted to RMB243.5 million, representing a decrease of 19.4% as compared to RMB302.1 million of the corresponding period, mainly owing to the growth of the business. The Group had no long term loans and borrowings as at 30 June 2020 and 31 December 2019.

The Group's total equity attributable to owners of the parent was approximately RMB248.3 million as at 30 June 2020 (as at 31 December 2019: approximately RMB239.6 million). The capital of the Group mainly comprises share capital and reserves.

Capital expenditures and commitments

As at 30 June 2020, the capital commitments of the Group in connection with building expenditures was approximately RMB3.0 million (as at 31 December 2019: approximately RMB1.2 million).

Foreign exchange

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

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2020 (as at 31 December 2019: nil).

Significant investments held

The Group had not held any significant investments as at 30 June 2020 (as at 31 December 2019: nil).

Future Plans for material investments or capital assets

Save as disclosed under the section headed "**Future Plans and Use of Proceeds**" in the prospectus of the Company dated 30 September 2019 (the "**Prospectus**"), the Group did not have any other plans for material investments or capital assets during the six months ended 30 June 2020 and up to the date of this report.

Material acquisitions and disposals

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

Pledge of assets

As at 30 June 2020, the Group's utilised banking facilities amounting to approximately RMB243.5 million (as at 31 December 2019: RMB302.1 million) were secured by:

(i) certain of the Group's merchandised goods amounting to approximately RMB14.0 million as at 30 June 2020 (as at 31 December 2019: RMB112.2 million);

(ii) the Group's buildings, which had a net carrying amount of approximately RMB8.1 million as at 30 June 2020 (as at 31 December 2019: RMB8.4 million);

(iii) the Group's right-of-use assets, which had a net carrying amount of approximately RMB10.9 million as at 30 June 2020 (as at 31 December 2019: RMB11.1 million); and

(iv) no pledged deposit to certain subsidiaries of the Group in respect of any bank and other borrowings as at 30 June 2020 (as at 31 December 2019: RMB24.8 million).

(v) the Group's bills payable was secured by pledged deposits of approximately RMB 47.2 million as at 30 June 2020 (as at 31 December 2019: RMB88.3 million).

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The shares of the Company were listed (the "**Listing**") on the Main Board of the Stock Exchange on 18 October 2019 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 30 June 2020 is as below:

	Estimated use of proceeds	**Adjusted use of proceeds**	**Remaining net proceeds as at 31 December 2019**	**Actual used net proceeds for the six months ended 30 June 2020**	**Unutilised up to 30 June 2020**	**Expected timeline of full utilisation of the remaining proceeds from the Global Offering as at 30 June 2020**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	
Organic growth of the Group's expansion network	33.4	32.7	30.2	19.7	10.5	By the end of 2020
Selective acquisition	27.4	26.8	26.8	—	26.8	By the end of 2020
Expansion of the Group's other integrated auto services	30.2	29.6	29.4	0.4	29.0	By the end of 2021
Big data analysis and online marketing	11.0	10.7	10.7	0.2	10.5	By the end of 2020
General working capital	5.5	5.4	—	—	—	N/A
Total	107.5	105.2	97.1	20.3	76.8	

The remaining unused net proceeds as at 30 June 2020 were held in bank and it is intended that they will be applied in the manner consistent with the proposed allocations as set out in the Prospectus and there was no material change or delay in the use of proceeds. Given the impacts of the COVID-19 on the economy, the Company will continue to evaluate and adopt a prudent and flexible approach for utilizing the net proceeds effectively and efficiently for the long-term benefit and development of the Group. The expected timeline of full utilisation is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions.

INTERIM DIVIDEND

The Board has recommended the distribution of an interim dividend of HK2 cents per ordinary share for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil) to shareholders on the register of members of the Company on Wednesday, 28 October 2020, in aggregate amounting to approximately HK$10 million out of the share premium account of the Company which will be subject to the approval of the Company's shareholders in an extraordinary general meeting to be held on Thursday, 15 October 2020 (the "**EGM**"). Subject to the approval by the shareholders of the Company, the interim dividend will be paid to the eligible shareholders of the Company on or around Friday, 6 November 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the eligibility to attend the EGM to be held on 15 October 2020, the register of members of the Company will be closed from 12 October 2020 (Monday) to 15 October 2020 (Thursday) (both days inclusive), during which period no transfer of the shares of the Company can be registered. In order to qualify for attending the EGM, all transfer of the shares of the Company 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 not later than 4:30 p.m. on 9 October 2020 (Friday).

For determining the entitlement to the proposed interim dividend, the register of members of the Company will be closed from 22 October 2020 (Thursday) to 28 October 2020 (Wednesday) (both days inclusive), during which period no transfer of the shares of the Company can be registered. In order to qualify for the interim dividend, all transfer of the shares of the Company 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 not later than 4:30 p.m. on 21 October 2020 (Wednesday).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a total workforce of approximately 833 employees (as at 31 December 2019: 927). 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, 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 a Share Option Scheme as an incentive to Directors and eligible employees.

CHANGES SINCE 31 DECEMBER 2019

Save as disclosed in this announcement, there were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the Company's 2019 Annual Report.

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 2020 and up to the date of this report.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all code provisions ("**Code Provisions**") and, where applicable, the recommended best practices of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020, save for the deviations which are explained below:

In relation to provision A.2.1 of the CG Code where the roles of the Group's chairman and chief executive officer ("**CEO**") are both performed by Mr. Law. 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), one non-executive Director and three independent non-executive Directors, and therefore has a strong independence element in its composition.

Save as disclosed above and those disclosed in the corporate governance report in the 2019 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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions conducted by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own Code of Conduct for securities transactions conducted by relevant Directors. All Directors of the Company have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2020.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 16 September 2019 and The Group granted share options to Directors and employees on 21 May 2020 to subscribe for a total of 19,500,000 ordinary shares of HK$0.01 per share with the exercise price of HK$0.48 per share. Details of the grant of share option on 21 May 2020 are set out in announcement of the Company dated 21 May 2020.

Based on the valuation report of an independent valuer, the aggregate estimated fair value of the options granted on 21 May 2020 under the Share Option Scheme was approximately HK$3,429,000.

As at 30 June 2020, 19,500,000 share options were still outstanding under the Share Option Scheme.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. It is expected that grantees of an option will make an effort to contribute to the Group's development so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted. The Board may, at its absolute discretion, grant options pursuant to the Share Option Scheme to any directors or employees of the Company or its subsidiaries and any other persons (including customer, supplier, adviser or consultant of the Group) on the basis of the Board's opinion as to the grantee's contribution to the development and growth of the Group.

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 our Group) to be granted under the Share Option Scheme and any other share option scheme of our 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 renew 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 our Group as renewed must not exceed 10% of the Shares in issue as at the date of approval provided that the options previously granted will not be counted for purpose of calculating the General Scheme Limit as renewed.

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

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

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

The following table disclosed movements in the Company's share options during the six months ended 30 June 2020:

	Date of grant	Exercise period *(Note 1)*	Exercise price *(HK$)*	Number of options at 01/01/2020	Movements during the six months ended 30 June 2020 Granted	Exercised	Lapsed	Number of options at 30/06/2020
Directors and Chief Executive								
Mr. Law Hau Kit	21/05/2020	21/05/2021 to 20/05/2025	0.48	—	1,200,000	—	—	1,200,000
		21/05/2022 to 20/05/2025	0.48	—	900,000	—	—	900,000
		21/05/2023 to 20/05/2025	0.48	—	900,000	—	—	900,000
				—	3,000,000	—	—	3,000,000
Mr. Chen Shaoxing	21/05/2020	21/05/2021 to 20/05/2025	0.48	—	400,000	—	—	400,000
		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
				—	1,000,000	—	—	1,000,000
Ms. Li Huifang	21/05/2020	21/05/2021 to 20/05/2025	0.48	—	400,000	—	—	400,000
		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
				—	1,000,000	—	—	1,000,000
Mr. Woo King Hang	21/05/2020	21/05/2021 to 20/05/2025	0.48	—	400,000	—	—	400,000
		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
				—	1,000,000	—	—	1,000,000

	Date of grant	Exercise period *(Note 1)*	Exercise price *(HK$)*	Number of options at 01/01/2020	Movements during the six months ended 30 June 2020 Granted	Exercised	Lapsed	Number of options at 30/06/2020
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
				—	500,000	—	—	500,000
Mr. Li Wai Keung	21/05/2020	21/05/2021 to 20/05/2025	0.48	—	200,000	—	—	200,000
		21/05/2022 to 20/05/2025	0.48	—	150,000	—	—	150,000
		21/05/2023 to 20/05/2025	0.48	—	150,000	—	—	150,000
				—	500,000	—	—	500,000
Mr. Hui Chun Tak	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
				—	500,000	—	—	500,000
Total Directors and Chief Executive				—	7,500,000	—	—	7,500,000
Employees	21/05/2020	21/05/2021 to 20/05/2025	0.48	—	4,800,000	—	—	4,800,000
		21/05/2022 to 20/05/2025	0.48	—	3,600,000	—	—	3,600,000
		21/05/2023 to 20/05/2025	0.48	—	3,600,000	—	—	3,600,000
Total Employees				—	12,000,000	—	—	12,000,000
Total				—	19,500,000	—	—	19,500,000

Note:

(1) The 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 total Share Options granted;

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

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

APPOINTMENT OF NON-EXECUTIVE DIRECTOR AND RETIREMENT AND APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS DURING THE PERIOD ENDED 30 JUNE 2020

At the Annual General Meeting held on 20 May 2020, Mr. Woo King Hang ("**Mr. Woo**") was appointed as the vice chairman ("**Vice chairman**") of the Board and a non-executive Director while Mr. Hui Chun Tak ("**Mr. Hui**") was appointed as an independent non-executive Director. Mr. Chang Eric Jackson ("**Mr. Chang**") shall retire from the Board and ceased to be the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Remuneration Committee with effect from the conclusion of the Annual General Meeting.

The latest profile of Mr. Woo and Mr. Hui are as follow:

Mr. Woo King Hang

Mr. Woo, aged 58, has extensive experience in financial and business management. Mr. Woo has been an independent non-executive director of Hans Energy Company Limited (HKEX Stock Code: 554) since June 2019 and assistant to chairman of the Board since February 2020. He was an executive director of Bamboos Health Care Holdings Limited (HKEX Stock Code: 2293) ("**Bamboos HCHL**") from May 2019 to July 2019, and was previously the general manager of Bamboos Professional Nursing Services Limited, a wholly owned subsidiary of Bamboos HCHL from April 2019 to May 2019. Mr. Woo also worked for Hip Hing Construction Company Limited ("**Hip Hing**") and NWS Service Management Limited ("**NWSSM**"), both wholly owned subsidiaries of NWS Holdings Limited (HKEX Stock Code: 659) ("**NWSHL**"). He was a Project Controller of NWSSM from January 2019 to April 2019 and served as a Financial Controller from February 2006 to June 2010 and an executive director from July 2010 to December 2018 in Hip Hing. He is a fellow member of each of the Institute of the Chartered Accountants in England and Wales, the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Certified Public Accountants. Mr. Woo holds a Master of Business Administration from Kellogg Graduate School of Management, Northwestern University and the Hong Kong University of Science and Technology; a Bachelor of Laws from Peking University; and a Master of Laws from the City University of Hong Kong. Mr. Woo is a member of the panel of assessors and the Health Committee of the Medical Council of Hong Kong, the Chiropractors Council, the Chinese Medicine Practitioners Board of the Chinese Medicine Council of Hong Kong, the Advisory Committee on Admission of Quality Migrants and Professionals and the disciplinary committee of the Hong Kong Institute of Certified Public Accountants. He is also a council member of the Hong Kong Chinese Orchestra and the vice chairman of the Hong Kong PHAB Association.

Mr. Woo was a director of Bell Tea Overseas Limited (previously also known as Hip Hing Overseas Limited) ("**BTO**") from 2 July 2010 to 18 October 2018. BTO was a wholly owned subsidiary of NWSHL and incorporated in the Hong Kong on 13 April 1993 and was principally engaged in the business of construction overseas. On 19 September 2018, a winding up order (the "**Order**") was granted by the High Court of Hong Kong (the "**High Court**") on BTO. Mr. Woo confirmed that the Order was in relation to the non-payment for a sum arising from an arbitration case involving contractual dispute relating to the construction works of a building in Dubai which commenced in or about 2007 and was completed in or about 2011 between the petitioner of the Order and a joint venture entity (the "**Joint Venture**") in which BTO had 30% interests. An award (the "**Award**") was granted by an arbitration institution in Dubai in favor of the said petitioner, which then enforced the whole amount of the Award in the High Court against, among others, BTO. Mr. Woo further confirmed that he was not involved in any of the matters concerning the operations of the Joint Venture, the construction works or the said arbitration or matters leading to the granting of the Order.

Mr. Woo will assist the chairman of the Board in the formulation and development of corporate strategies. It is believed that his Hong Kong local background in education, business management, professional expertise and relationship will supplement the skill sets of the existing executive Directors, forming a more balanced and versatile leadership team of the Group and enhancing the corporate social responsibilities of the Group as well. Upon being appointed as the Vice Chairman and non-executive Director, Mr. Woo ceased to be assistant to the chairman of the Board with effect from 20 May 2020.

The Company has entered into a contract of appointment with Mr. Woo, pursuant to which Mr. Woo has been appointed as the Vice Chairman and a non-executive Director for an initial term of three years from the date of the AGM to 19 May 2023, subject to retirement by rotation of directors as set out in the Amended and Restated Memorandum of Association and the Amended and Restated Articles of Association (the "**Memorandum and Articles**"). Mr. Woo will be entitled to a fee as determined by the Remuneration Committee and to be approved by the Board with the authorisation granted by the Shareholders at the AGM. His emolument of HK$360,000 per annum is determined by the Board having regard to his responsibilities, experience, performance and the prevailing market conditions.

Mr. Hui Chun Tak

Mr. Hui, aged 56, is currently working as the Administration Director for Transport International Holdings Limited, a leading public transport operator in Hong Kong and Mainland China ("**TIH**") (HKEX Stock Code 62).

Mr. Hui started his police career as an Inspector in 1986 and had worked in various key command, operational and management posts. As a Superintendent, he was seconded to the office of the Chief Executive of Hong Kong (the "**Chief Executive**") and served as the Aide-de-Camp to the Chief Executive from 2007 to 2010. He became a directorate officer in 2014 and worked in succession as Chief Superintendent, Police Public Relations Branch; District Commander, Sham Shui Po Police District; Chairman, Chief Inspector to Superintendent Promotion Board; and finally the Assistant Commissioner, Information Systems, in which capacity he retired and received the Police Distinguished Service Medal in 2018.

Mr. Hui holds a master's degree in general management from Macquarie University, Australia. He had also undertaken many leadership, command and management programmes at the Chinese Academy of Governance, Tsinghua University and the John F. Kennedy School of Government, Harvard University, the United States of America. Mr. Hui was appointed Executive Director of Sun Bus Limited ("**SBL**") from 1 January 2019 to 19 June 2019 and Administration Director of TIH since 1 April 2019. SBL is a wholly owned subsidiary of TIH.

It is believed that the experience of Mr. Hui in media relationship, information technology, operations and risk management will enable him to provide valuable contribution to the Board in those areas.

The Company has entered into a contract of appointment with Mr. Hui, pursuant to which Mr. Hui has been appointed as an independent non-executive Director for an initial term of three years from the date of the AGM to 19 May 2023, subject to retirement by rotation of directors as set out in the Memorandum and Articles. Mr. Hui will be entitled to a fee as determined by the Remuneration Committee and to be approved by the Board with the authorisation granted by the Shareholders at the AGM. His emolument of HK$120,000 per annum is determined by the Board having regard to his responsibilities, experience, performance and the prevailing market conditions. Further, Mr. Hui was also appointed as the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee with effect from 20 May 2020.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2020 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.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

The interim results announcement for Reporting Period has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.car2000.com.cn), and the interim report for the Reporting Period 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.

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
Centenary United Holdings Limited
Law Hau Kit
Chairman, Executive Director and
Chief Executive Officer

Hong Kong, 27 August 2020

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.