CENTENARY UNITED
世紀聯合

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

(incorporate in the Cayman Islands with limited liability)

Stock code : 1959

Annual Report
2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. Li Wai Keung
Mr. Chang Eric Jackson
Ms. Yan Fei

AUTHORISED REPRESENTATIVES

Mr. Law Hau Kit
Mr. Chan Ngai Fan

JOINT COMPANY SECRETARY

Mr. Chan Ngai Fan
Ms. Liang Jiexin

AUDIT COMMITTEE

Mr. Li Wai Keung *(Chairman)*
Mr. Chang Eric Jackson
Ms. Yan Fei

REMUNERATION COMMITTEE

Mr. Chang Eric Jackson *(Chairman)*
Mr. Chen Shaoxing
Mr. Li Wai Keung

NOMINATION COMMITTEE

Mr. Law Hau Kit *(Chairman)*
Mr. Chang Eric Jackson
Ms. Yan Fei

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Zhongshan North Branch)
No. 4, Ganglong South Road
ICBC Building
Zhongshan, Guangdong Province
PRC

China Construction Bank (Zhongshan Shalang Branch)
No. 2, Jinhua South Road
Zhongshan, Guangdong Province
PRC

STOCK CODE

1959

COMPANY'S WEBSITE

www.car2000.com.cn

CHAIRMAN'S STATEMENT

— A Letter to Shareholders

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") and the management of Centenary United Holdings Limited ("**Centenary United**" or the "**Company**"), I am pleased to present the first audited consolidated financial report of the Company and its subsidiaries (collectively the "**Group**" or "**we**") for the year ended 31 December 2019 (the "**Year**") after its initial public offering ("**IPO**").

2019 is a historic year for Centenary United. The Company was successfully listed on the main board of the Hong Kong Stock Exchange on 18 October 2019, having successfully entered into an international capital market platform, which set an important milestone for the Group's accelerated development in the Greater Bay Area automotive market. As the 4S dealership group with the longest history and the largest sales and service network in Zhongshan City, Guangdong Province, the Group leveraged the unique "one-stop integrated auto services ecosystem" development strategy in the Greater Bay Area and integrated a series of comprehensive service ecosystem that combined automotive sales, after-sales service, used vehicles sales and other value-added services. The Group has tightly grab the development trend in the market, and successfully achieved good growth in the automobile market during the downturn in 2019.

In 2019, domestic consumers' purchase intention of bulk commodities was affected by Sino-US trade disputes and sluggish domestic consumption, which put Chinese automobile sales under tremendous pressure on sales. According to the statistics of the China Association of Automobile Manufacturers, the sales of passenger vehicles in 2019 in China totalled 21.4 million, reflecting a 9.6% year-on-year ("**YoY**") decrease. Nonetheless, according to the statistics of the Ministry of Public Security of China, the number of motor vehicles in the country reached 348 million and the number of cars reached 260 million in 2019, acheving an increase of 8.8% YoY. Therefore, in the case of a negative growth in automobile sales but a steady rise in the number of automobiles retained, the car aftersales market, including sales of used cars, car insurance, aftersales maintenance services, and car grooming services are still of huge potential for development.

KEY OPERATIONS IN 2019

Achieving performance growth against the trend

During the year under review, leveraging the Group's history, sales and service network scale, leading market position and mature 4S dealership customer network and foundation in Zhongshan City, Guangdong Province, under the market disadvantage of falling passenger vehicle sales nationwide, its sales volume of new vehicles reached 17,050 units, which was similar to last year. Its total revenue increased by 6.8% to RMB2.07 billion from 2018; its gross profit increased by 2.9% to reach RMB180 million; and the annual net profit increased by 4.8% (before deducting the listing expenses) to RMB43.9 million from 2018. After deducting the listing expenses, the profit attributable to shareholders for the year still amounted to RMB33.1 million, representing a slight decrease of approximately 4.0% compared with 2018. Under the current external environment, the Group successfully achieved encouraging operating results, and continued to maintain its leading dealership position in Zhongshan for many years, riding on China's huge auto after-sales service development potential and the development opportunities in the Greater Bay Area.

Outstanding results achieved by creating "a one-stop integrated auto service ecosystem"

One of our core strategies is to integrate a series of comprehensive automotive services to create "a one-stop integrated auto service ecosystem", increase customer loyalty, and improve the overall profitability of the business. We continued to implement this strategy in 2019. In addition to opening up more sales outlets, we will actively increase the proportion of the automobile aftermarket services to achieve sustainable growth of gross profit contribution. During the year under review, the Group's revenue from sales of motor vehicles (including sales of new vehiles and used vehicles) reached RMB1.79 billion, representing a YoY increase of 7.9%; other integrated auto services reached revenue of RMB282 million; and gross profit reached RMB127 million, representing an increase of 11.4% compared with 2018 and accounting for 81.8% of the overall gross profit. Therefore, the ability to maintain new vehicles sales during the year under review and increase revenue from other integrated auto services is wholly attributable to the unique operating and competitive advantages of the Group in the form of a "one-stop integrated auto service ecosystem" in Zhongshan City.

During the year under review, in terms of other integrated auto services, the Group actively promoted distinctive services and strived to lay out quick fix grooming chain service outlets. We, by penetrating the community with our services, maintained customer viscosity and expanded the inflow of customers with the brands whether we had dealt in or not. We also vigorously developed business in relation to used vehicles. During the year under review, we further expanded our market share by establishing a used vehicles trading market, which increased the sales of used vehicles by 62.8% YoY to 656 units. The warranty service business of the used vehicles warranty center rose by 55.0% compared with last year. The Group also consider opening another used vehicles trading centre at the end of this year, which may effectively expand the service reputation of the Group in used vehicles market. Our operating wholly-owned subsidiaries with professional insurance agency license also increasingly played a role, which is rare among the dealers. Therefore, the insurance business recorded revenue of RMB32.4 million during the year under review, representing an increase of 16.6% compared with RMB27.8 million in 2018. Relying on the extensive network coverage in Zhongshan, a large customer base of more than 200,000 and the diversified automotive services, we have developed a loyal customer base of other comprehensive auto services from new vehicle sales. The customers base will return to our new vehicle sales channels when they trade in for or purchase new vehicles in the future, thus forming a unique advantage of a virtuous circle.

Accelerating the building of brand portfolio and network expansion

We adhered to the strategy of focusing on Sino-foreign joint venture and international luxury brands, and paid attention to expanding the sales network. In June 2019, the Jaguar and Land Rover ("**JLR**") 4S dealership outlets of the Group officially commenced business, which enriched our brand portfolio. During the year, the JLR brand contributed revenue of RMB24.3 million to the Group, of which most revenue were from sales of new vehicles. The Group has opened 14 outlets of 4S dealership in total, and the authorized brands include: Jaguar Land Rover, Dongfeng Nissan, Beijing Hyundai, FAW Toyota, FAW Volkswagen, Dongfeng Venucia, Buick and Chevrolet. Other network expansion is on schedule, with new Cadillac stores opened in March 2020 and new Jetta brand outlet under construction. New energy vehicle megastore have also obtained preliminary cooperation intentions with new energy manufacturers. We expect to further expand our sales and service network system and inject new customer flow for the development of other integrated automotive services of the Group and increase profit contribution.

Making selective acquisitions by seeking appropriate opportunities

As mentioned in our prospectus dated 30 September 2019 (the "**Prospectus**"), the Group will expand business through appropriate acquisitions in the future, with plans to acquire one to two dealerships outlet(s) in 2020 to expand the network. We will adhere to this strategy, paying particular attention to Zhongshan City and the Greater Bay Area and identifying potential acquisition opportunities. We will carefully consider each condition of targets in connection with acquisiiton: geographical location and market potential, synergies with existing brand strategies, the ability to replicate the integrated automotive service model, and net asset value and profitbilities, etc. Located in the geographical center of the Greater Bay Area, the Group is expected to accelerate the expansion of the Group's distribution and service network by virtue of the brand benefits of being a leading distribution group in Zhongshan City.

Constantly promoting big data analysis and online marketing

Nowadays, data is a treasure. As the largest 4S dealership group in Zhongshan City, we are the first to use the huge customer base and network to promote the establishment of the Centenary United Big Data Intelligence System ("**CUBDIS**"). As of 31 December 2019, we had more than 200,000 customers in Zhongshan, and more than 50,000 followers for the official WeChat public account, and the customers were able to access information and services online easily. Big data analysis can help the Group adopt personalized marketing strategy to improve the success rate of cross-selling, activate and improve the depth and breadth of customer service, enhance service experience and enhance online marketing ability. This system also helps the Group to cooperate strategically with other brands and carry out marketing promotion, which can help increase the number of potential customers. We have hired professional information consultants and teams to promote the construction, and have made achievements by stage.

Corporate governance further improved

The Company was successfully listed on the Hong Kong Stock Exchange on 18 October 2019. With the establishment of the Board, Audit Committee, Remuneration Committee, and Nomination Committee, the internal management mechanism and compliance management ability of the Company is stronger, and the improvement of the structure is conducive to further international integration. The listing platform broadens our financing channels, helps strengthen our financial position and facilitates the implementation of our business strategy. The listed company status also helps attract more talents. Our senior management (three independent non-executive Directors are not inclusive) has rich experience in the automobile industry, with an average service life of over 16 years. In addition to a management team with 130 key members, we have established a cadre reserve program. We have established partnerships with colleges and universities, and fully sponsored some in-service core cadres to study in Sun Yat-sen University and South China University of Technology. The continuous improvement of governance structure and management standard will inject new blood into the development of one-stop comprehensive service automobile platform.

Future Prospects

Looking forward, Chinese automotive industry and social environment remain uncertain with both challenges and opportunities coexisting. The COVID-19 outbreak in China and all over the world poses unprecedented challenges to global auto manufacturers and dealers. However, we believe this black swan event may eventually accelerate the elimination of weak players with the fittest players to survive in the industry. The automobile industry is a key industry in China and in response to the epidemic, the Chinese government has introduced a number of favorable measures emphasizing on stabilizing traditional mass consumption such as automobiles, and stimulating demand in areas with automobile purchase restrictions by increasing the license plates quota in an appropriate manner to drive consumption on automobiles and related products. After experiencing the epidemic, the psychology and demand for automobile travel of consumers is evolving. During the epidemic, the frequency of use of public transport such as subways, buses, and online ride-hailing ride decreased. On the contrary, demand for private car travel increased significantly due to the epidemic prevention requirements that reduce close contact with people. After the epidemic, customers' demand for compensatory consumption on automobile may increase explosively. Since the outbreak of the epidemic, the Company's top priority is to protect the life and health of employees, pay close attention to the epidemic situation, strictly implement various epidemic prevention and control work, adopt comprehensive disinfection at sales outlets and office sites, and distribute disinfection materials such as masks. Preventive and control measures such as health checking are carried out daily and resumption of production is orderly organised on the premise of ensuring the health of employees. Moreover, the company actively communicates with customers and suppliers and timely adjusts its procurement plan to minimize the adverse effects caused by the epidemic.

Despite the severe challenges in the first quarter of 2020, with the unremitting efforts of the team of our Group, the high popularity among consumers of the brands we deal in, huge customer base's support, the quality and comprehensive automobile services, we believe that the Group can endure the short-term threat caused by the coronavirus outbreak and grasp opportunities to grow steadily.

Looking forward, the automotive industry is full of challenges and new opportunities. We hope that by virtue of the Group's status as a listed company, it will be more conducive for us to obtain agency rights for other brands, and then implement mergers and acquisitions and develop other comprehensive businesses. With the promotion of the Greater Bay Area and the completion of the Shenzhen-Zhongshan Bridge, the connectivity of transportation facilities in Guangdong Province and Zhongshan City will be further improved, thus driving the growth of the passenger vehicles market in Zhongshan City. Customers travel is full of unlimited business opportunities and we will continue to realize our established strategic objectives:

1. Expanding vehicle sales and maintenance networks through endogenous growth;

2. Seeking appropriate timing and targets for selective acquisitions and mergers;

3. Expanding other comprehensive automobile services, improving the income from after-sales repair service, accelerating the deployment of quick repair and beauty chain service centers to facilitate customer service, developing the second-hand car trading market to grab market share, and increasing insurance agency services to improve the overall profitability;

4. Promoting the construction of CUBDIS information technology system.

We will adhere to the core value of "**creating higher value for customers, and becoming a trustworthy car steward for customers**", and continue to provide services throughout the whole process of car ownership and travel of customers. We will provide value-added supporting services and strive to establish a one-stop auto service ecosystem business model. We hope to break through the traditional business model of the auto dealership group with a unique "one-stop comprehensive auto service ecosystem" and continue to create values for the Group's customers, employees, shareholders and investors.

The Group's achievements today are due to the unremitting efforts and dedication of all the employees, as well as the support and encouragement of shareholders and business partners. As a newly listed enterprise, we will take effective actions to fulfill the mission of **creating a wonderful trip**. Finally, on behalf of the Board of Directors, I would like to sincerely thank the shareholders and business partners for their support and trust in us!

Law Hau Kit
Chairman

26 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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

BUSINESS REVIEW

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

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

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

Sales of motor vehicles

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

Sales of new vehicles

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

Sales of used vehicles

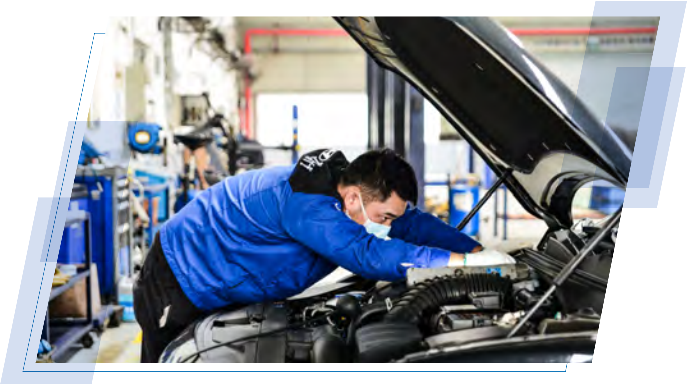
The Group opened the first used vehicles trading centre in October 2018. During the Year 2019, the revenue of sales of used vehicles amounted to approximately RMB18.8 million, representing a 7.3% growth from approximately RMB17.5 million of the Year 2018. As a newly developed business segment, the sales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

Other integrated auto services

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

Repair Services

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



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

Sales of accessories

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

Insurance Agency Services

During the Year 2019, the Group acted as business insurance agents for insurance companies in the PRC for promoting and handling motor vehicle insurance, including but not limited to compulsory third-party liability vehicle insurance and commercial vehicle insurance. The Group also 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.

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

Other Services

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

PROSPECTS

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

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

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

FINANCIAL REVIEW

Revenue

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

Cost of sales and gross profit margin

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

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

Selling and distribution expenses

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

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

Administrative expenses

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

Finance costs

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

Profit for the year

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

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

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

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

Income tax expenses

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

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

Liquidity, Financial Resources and Capital Structure

The Group 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 31 December 2019 was approximately 1.3 times (as at 31 December 2018: 3.0 times). The decrease was mainly due to the increase in the total equity after listing and repay all the amount due to a Director which netted off the effect of the increase in the bank and other borrowings.

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

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

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

Capital expenditures and commitments

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

Foreign exchange

The Group mainly operates in the PRC and majority of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Renminbi. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that the Group should have sufficient resources to meet foreign exchange requirement if they arise. Therefore, the Group did not engage in any derivative contacts to hedge its exposure to foreign exchange risk during the Year 2019.

Contingent Liabilities

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

Significant investments held

The Group had not held any significant investments as at 31 December 2019 (as at 31 December 2018: 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, the Group did not have any other plans for material investments or capital assets during the year ended 31 December 2019 and up to the date of this report.

Material acquisitions and disposals

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

Pledge of assets

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

(i) certain of the Group's merchandised goods amounting to approximately RMB112.2 million (note 17) as at 31 December 2019 (as at 31 December 2018: nil);

(ii) the Group's buildings, which had a net carrying amount of approximately RMB8.4 million as at 31 December 2019 (as at 31 December 2018: nil);

(iii) the Group's right of use assets, which had a net carrying amount of approximately RMB11.1 million as at 31 December 2019 (as at 31 December 2018: nil);

(iv) pledged deposit of approximately RMB24.8 million as at 31 December 2019 (as at 31 December 2018: nil);

(v) none of the building and leasehold lands held by the Group's related parties were pledged for securing bank and other borrowings of the Group as at 31 December 2019 as security for the Group's bank loans (as at 31 December 2018: certain buildings and leasehold lands held by the Group's related parties were pledged for securing bank and other borrowings of the Group); and

(vi) as at 31 December 2019, no personal guarantees were provided by a Director for securing any banking facilities of the Group (as at 31 December 2018: Mr. Law Hau Kit, a Director of the Company, provided guarantees the banking facilities of certain subsidiaries of RMB54.0 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 of Hong Kong Limited (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 31 December 2019 is as below:

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

The remaining unused net proceeds as at 31 December 2019 were held in bank and it is intended that they will be applied in the manner consistent with the proposed allocations as set out in the Prospectus.

EMPLOYEES AND REMUNERATION POLICIES

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Law Hau Kit (羅厚杰), aged 49, is the founder, chairman and chief executive officer of the Group. He founded the Group in May 1999, was appointed as our Director on 4 October 2018 and was re-designated as our executive Director on 31 January 2019. Save as Chuangcheng Insurance and New Century Second-hand Car, Mr. Law is currently a director of each of our subsidiaries. Mr. Law is primarily responsible for overseeing the overall operation, market development, sales and supplier relationships management of the Group.

Mr. Law has over 26 years of experience in the automobile trading and distribution industry. Prior to founding the Group, Mr. Law worked in Foshan Shunde Automobile Industrial Trading Co., Ltd.* (佛山市順德汽車工業貿易有限公司) (previously known as Shunde Automobile Industrial Trading Co., Ltd.* (順德市汽車工業貿易公司), an automobile distributor and after-sales services provider, from October 1992 to July 1994, as a sales personnel and was promoted to be the sales manager. Mr. Law worked as a deputy general manager in Shunde Automobile Co., Ltd.* (順德汽車股份有限公司) ("**Shunde Automobile**") from September 1994 to January 1999 where he was primarily responsible for the procurement of motor vehicles and management of sales team. Shunde Automobile was engaging in the business of distribution of motor vehicles.

Mr. Law was appointed as a member of the eleventh Guangdong Province Zhongshan City Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆廣東省中山市委員會) on 29 December 2011. He is currently a member of the fifteenth execution committee of the Industry and Commerce Association of Zhongshan City (General Chamber of Commerce)* (中山市工商聯(總商會)第十五屆執委會常委), vice president of the Industry and Commerce Association of Western District of Zhongshan City (Chamber of Commerce)* (中山市西區工商業聯合會(商會)) and vice president of Zhongshan Motor Vehicle Maintenance Industry Association* (中山市機動車維修行業協會). Mr. Law joined Shun Tak Fraternal Association (順德聯誼總會) in October 2013 and was appointed as an honorary life president. He studied a diploma course majoring in law at Shunde Broadcast and Television University (順德廣播電視大學) from September 1990 to April 1992.

Mr. Chen Shaoxing (陳紹興), aged 49, is an executive Director. Mr. Chen joined the Group on 1 August 1999, was appointed as our Director on 31 January 2019 and was re-designated as our executive Director on 31 January 2019. He is the vice president of the Group and is primarily responsible for supervising the accounting, financial management, fund raising, capital management and public relations of the Group. He is also the supervisor of a number of our subsidiaries.

Mr. Chen has over 25 years of experience in accounting and financial management. Prior to joining the Group, Mr. Chen Shaoxing worked in Maoming First Cotton Textile Factory* (茂名市第一棉紡織廠) from August 1993 to June 1996, and he was promoted as the chief accounting officer for financing of operation department in November 1994. Mr. Chen worked as assistant accountant responsible for accounting matters in Shunde Automobile from July 1996 to August 1999. Shunde Automobile was engaging in the business of distribution of motor vehicles. He graduated from a diploma course in industry accounting from Harbin College of Mechanical Electronic* (哈爾濱機電專科學校) in July 1993. In March 2017, Mr. Chen was appointed as the vice precedent of the fourth council of the Western District Automobile Industry Branch of Zhongshan Sole Proprietor and Private Enterprise Association* (中山市個私協會西區汽車行業分會第四屆理事會).

Ms. Li Huifang (李惠芳), aged 41, is an executive Director. Ms. Li joined the Group on 20 May 2003, was appointed as our Director on 31 January 2019 and was re-designated as our executive Director on 31 January 2019. Ms. Li is the head of operation of the Group and is primarily responsible for the brand management, sales and marketing of all the dealerships of the Group.

Ms. Li has over 16 years of experience in the automobile sale and distribution industry. She worked for Zhongshan New Century from May 2003 to February 2009 and was promoted to be the general manager of Zhongshan New Century Pioneering Automobile Co. Limited* (中山市創世紀汽車有限公司) ("**Zhongshan New Century**"). She served as the store manager of Chuangri Automobile from February 2009 to June 2016 and the store manager of Mingcheng Automobile from June 2016 to April 2017. She was promoted to be a deputy head of operation in May 2017 and was further promoted to be a co-head of operation of the Group in March 2018.

Ms. Li obtained a bachelor degree in agriculture from Zhanjiang Ocean University (湛江海洋大學), now known as Guangdong Ocean University (廣東海洋大學), in June 2002. She was awarded Excellent General Manager of Automobile Outlet* (優秀汽車經銷店總經理) by Guangdong Automobile Dealers Association (廣東省汽車流通協會) in March 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wai Keung (李偉強), aged 63, is an independent non-executive Director and joined the Group on 16 September 2019. He is mainly responsible for supervising and providing independent advice to our Board. Mr. Li has more than 40 years of experience in accounting financial management. Mr. Li was awarded the Endorsement Certificate in Accountancy by the Hong Kong Polytechnic in November 1983 and obtained a master degree in Business Administration from the University of East Asia, Macau, currently known as City University of Macau, in December 1991. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants), and the honorary president of Hong Kong Business Accountants Association. Mr. Li had worked for Henderson Real Estate Agency Limited for around 16 years from September 1977 to September 1993 where he was promoted from an accounts clerk to the management level of deputy accounting manager and his responsibilities covered management reports, tax matters and consolidated financial statements. He was appointed a member of the twelfth Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆廣東省委員會) on 17 January 2018 and was subsequently appointed a standing member on 27 January 2018.

Mr. Li is currently an independent non-executive director of Shenzhen Investment Limited ("**SZ Investment**"), China South City Holdings Limited ("**China South City**") and Hans Energy Company Limited ("**Hans**"). SZ Investment, China South City and Hans are companies listed on the Main Board of the Stock Exchange (stock codes: 604, 1668 and 554 respectively). Also he served as an executive director of Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) ("**GDL**") from 12 November 2002 to 20 February 2020, a non-executive director of Guangdong Investment Limited ("**GDI**") from 30 May 2000 to 28 March 2020, and an independent non-executive director of Suncity Group Holdings Limited ("**SGHL**") from 16 March 2010 to 27 May 2011. GDL, GDI and SGHL are companies listed on the Main Board of the Stock Exchange (stock codes: 124, 270 and 1383), a Chief Financial Officer of GDH Limited from 6 March 2000 to 31 January 2020 and a director of Shenzhen City Airport (Group) Co. Ltd from August 2008 to July 2018, He is currently the chairman and a council member of the Hong Kong Chinese Orchestra Limited. He is currently serving as a management accounting adviser of the Ministry of Finance, PRC.

Mr. Chang Eric Jackson (張世澤), formerly known as Chang Eric Jackson (張再祖), aged 39, is an independent non-executive Director and joined the Group on 16 September 2019. He is mainly responsible for supervising and providing independent advice to our Board. He worked in PricewaterhouseCoopers Ltd. from September 2002 to October 2013 where he was promoted from an associate in the assurance department to the position of senior manager. Mr. Chang received his bachelor of commerce degree from University of British Columbia in May 2002 and is currently a member of Hong Kong Institute of Certified Public Accountants and of American Institute of Certified Public Accountants.

Mr. Chang is currently an independent non-executive director of each of DL Holdings Group Limited (formerly Known as Season Pacific Holdings Limited) and Transmit Entertainment Limited, both being companies listed on the Main Board of the Stock Exchange with stock code 1709 and 1326, respectively. From 27 July 2015 to 1 April 2017, Mr. Chang served as an executive director for Zensun Enterprises Limited (formerly known as ZH International Holdings Limited), a company listed on the Main Board of the Stock Exchange with stock code 185. From 5 May 2017 to 19 July 2018, Mr. Chang served as a non-executive director for Sino Vision Worldwide Holdings Limited (formerly known as DX.com Holdings Limited), a company listed on GEM of the Stock Exchange with stock code 8086.

Ms. Yan Fei (嚴斐), aged 60, is an independent non-executive Director and joined the Group on 16 September 2019. She is mainly responsible for supervising and providing independent advice to the Board. She graduated from Nanchang Occupation Normal College of Technology (南昌職業技術師範學院) in July 1986. She previously worked as a journalist for Guangdong-Hong Kong Information Daily (粵港信息日報) and an assistant lecturer of Mechanic and Industrial College of Jiangxi Province* (江西省機械工業學校). She served as deputy secretary general of Guangdong Auction Industry Association (廣東省拍賣業協會) from September 2004 to November 2005. She is currently the president of Guangdong Automobile Dealers Association (廣東省汽車流通協會) and before promoted to such position she served the association as a secretary general since December 2005.

SENIOR MANAGEMENT

Mr. Liu Ning (劉寧), aged 51, was appointed as the vice president of the Group in November 2017. He joined the Group as a sales consultant of Zhongshan New Century in February 2000. He is also a director of New Century Second-hand Car. Mr. Liu is primarily responsible for management, sales and marketing of other comprehensive car services. He was awarded the qualification of assistant engineer by the Zhongshan Bureau of Personnel (中山市人事局) in January 2007.

Mr. Liu has over 19 years of experience in sales and other integrated services. After Mr. Liu joined the Group, he has worked as sales consultants and store manager for several of our subsidiaries, including Zhongshan New Century, Jucheng Automobile and New Century Toyota, where he was in charge of sale and other integrated services.

Mr. Liu completed the undergraduate study majoring in industrial electronic automation from Northwest Institute of Textile Science and Technology* (西北紡織工學院), now known as Xi'an Polytechnic University (西安工程大學) in July 1991.

Mr. Chen Huaquan (陳華泉), aged 41, was appointed as a co-head of operation of the Group in April 2007. He joined the Group as the secretary to chief executive officer of Zhongshan New Century in August 2001 who is primarily responsible for matters related to important meetings, day to day management of office matters for the chief executive officer and correspondence and supervision on important policy matters. Mr. Chen is primarily responsible for the brand management, sales and marketing of insurance agency services of the Group.

Mr. Chen has over 17 years of experience in the automobile sales and distribution industry. After he joined our Group in 2001, Mr. Chen also served as a sales manager of New Century Toyota from January 2005 to April 2007.

Mr. Chen obtained a bachelor degree in mechanical design, manufacturing and automation from Zhuzhou College of Engineering* (株洲工學院) in July 2001. Mr. Chen was awarded the Occupational Qualification Certificate of Second Level Technician for car maintenance by the Human Resources and Social Security Department of Guangdong Province in October 2014.

Save as disclosed above, each of the Directors and senior management (i) did not hold other positions in the Company or other members of the Group; and (ii) had no other relationship with any Directors, senior management members or substantial or controlling shareholders.

REPORT OF THE DIRECTORS

The Board has pleasure in presenting the Report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale and service of motor vehicles and provision of service in the PRC. Particulars of the subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

A review on the Group's business for the year ended 31 December 2019 is set out under the section headed "Management Discussion and Analysis" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations.

The Group has developed environmental protection measures and policies to prevent and control pollution levels and harm caused to the environment in the form of waste gas, waste water, solid waste, dust etc. in the course of production or other activities in accordance with the applicable environmental laws and regulations.

The Group understands that a better future depends on everyone's participation and contribution. It has encouraged all employees to participate in environmental activities which benefit the community

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors recognise that employees, customers and business partners are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees and business partners, and improve the quality of services and products to the customers. Employees are regarded as the most important and valuable assets of the Group. The Group ensures all staff is reasonably remunerated and regular training courses are provided for its workers operation of different types of machinery, as well as work safety. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

COMPLIANCE WITH LAWS AND REGULATIONS

The operations of the Group are primarily carried out by the Company's subsidiaries in the PRC. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in the above jurisdiction. During the year ended 31 December 2019 and up to the date of this report, the Group's operations have complied with all the relevant laws and regulations in the above jurisdictions in all material respects.

RESULTS

The Group's results for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and comprehensive income on pages 57 to 58 of this annual report.

The Board did not recommend any payment of a final dividend for the year ended 30 December 2019 (2018: Nil).

DIVIDENDS POLICY AND DIVIDENDS

The Directors acknowledge the importance of stakeholders' engagement and would contemplate at least two times a year (prior to the announcement of annual and interim results) on the distribution of a dividend. While the Directors endeavour to share the Group's results with shareholders by way of a dividend, the portion and actual amount of distribution out of profits will be determined by the Directors having regard to a variety of factors, including but not limited to the Group's actual and expecting operating results and conditions, gearing level, general financial condition, availability of cash, future plans and funding needs for expansion.

The Directors do not recommend the payment of dividend for the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last four years is set out on page 136 of this annual report. Such summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movement in the Company's share capital during the year ended 31 December 2019 are set out in note 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity set out on page 61 of this annual report.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to the Shareholders as at 31 December 2019 amounted to RMB109,333,000 (2018: RMB Nil), subject to the applicable statutory requirements under the laws of the Cayman Islands.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 16 September 2019 and no options have been granted, exercised or cancelled since then and up to the date of this annual report.

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 of the Company ("**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 Shares (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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business, apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2019 and up to and including the date of this report.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme, at no time during the year, the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, the five largest customers of the Group accounted for approximately 3.4% of the total revenue and sales to the largest customer accounted for approximately 1.6% of the total revenue. The five largest suppliers of the Group in aggregate accounted for about 87.7% of its operating costs for the year ended 31 December 2019. Purchases from the largest supplier accounted for about 49.3% of its operating costs for the year ended 31 December 2019.

Mr. Law, being an executive Director, has beneficial interest in one of the five largest customer disclosed above during the Year. The transactions have been detailed under the below section headed "Continuing Connected Transactions".

Save as disclosed above, none of the Directors, their close associates or any shareholder (which to the knowledge of the Directors own more than 5.0% of the issued share capital of the Company) had an interest in these major customers or suppliers.

CONTINUING CONNECTED TRANSACTION

Pursuant to Chapter 14A of the Listing Rules, the following transactions are continuing connected transactions which are subject to the requirements under Chapter 14A of the Listing Rules.

A summary of the continuing connected transactions is set out below:

Name of the agreement	Parties	Background of counterparties
1. Referral Agreement (as defined below)	(1) The Company (for itself and on behalf of its subsidiaries) as referrer; and (2) Huichuang Financial Leasing (Zhuhai) Co., Ltd.* ("**Huichuang Financial Leasing**") as referee	Huichuang Financial Leasing is a limited liability company established in the PRC. As at the annual report date, it was indirectly wholly owned by Mr. Law through Zhongshan New Century.
2. Vehicle Sale and Purchase Framework Agreement (as defined below)	(1) The Company (for itself and on behalf of its subsidiaries) as vendor; and (2) Zhongshan New Century Car Rental Co., Ltd.* ("**New Century Car Rental**") as purchaser	New Century Car Rental is a limited liability company established in the PRC. As at the annual report date, it was indirectly wholly owned by Mr. Law through Zhongshan New Century and Dongri Automobile who held 70% and 30% of its equity interests respectively.
3. Property Leasing Framework Agreement (as defined below)	(1) The Company (for itself and on behalf of its subsidiaries) as lessee; and (2) Zhongshan New Century (for itself and on behalf of its subsidiaries) as lessor	Zhongshan New Century is a limited liability company established in the PRC. As at the annual report date, it was wholly owned by Mr. Law.

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

FULLY EXEMPTED CONNECTED TRANSACTIONS

1. Referral Agreement

From time to time, we refer customers or potential customers who wish to arrange vehicle financing to third party financiers and charge the financiers referral fees. Once Huichuang Financial Leasing commences its business operation, we may refer customers or potential customers to Huichuang Financial Leasing who require financial leasing services. On 23 September 2019, the Company (for itself and on behalf of its subsidiaries) and Huichuang Financial Leasing entered into a referral agreement (the "**Referral Agreement**") pursuant to which the Company agrees to refer and to procure that the Group refers customers or potential customers who require financial leasing service to Huichuang Financial Leasing on a best efforts basis from time to time during the term of the Referral Agreement.

For the Year, the Referral Agreement Annual Cap (the "**RACC**") approved for the continuing connected transactions between the Group and Huichuang Financial Leasing under the Referral Agreement was RMB0.8 million and the actual transacted amounts were approximately RMB0.1 million which did not exceed the RACC.

As each of the applicable percentage ratios (other than the profits ratio) for the Referral Agreement is less than 5% on an annual basis and the total consideration for each of them is less than HK$3,000,000, the transactions under the Referral Agreement are exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

NON-EXEMPT CONNECTED TRANSACTION

2. Vehicle Sale and Purchase Framework Agreement

From time to time, New Century Car Rental will purchase passenger vehicles which the Group is authorised to sell by the automobile manufacturers of such vehicles (the "**Vehicles**") from the Group as its operation requires so as to having sufficient vehicles for car rental. On 23 September 2019, our Company (for itself and on behalf of its subsidiaries) and New Century Car Rental entered into a framework agreement (the "**Vehicle Sale and Purchase Framework Agreement**") that governs the overall relationship of the parties in relation to the individual purchase orders which will be placed during the term of the Vehicle Sale and Purchase Framework Agreement.

For the Year, the Vehicle Sale and Purchase Framework Agreement Annual Cap (the "**VSPFAAC**") approved for the continuing connected transactions between the Group and New Century Car Rental under the Vehicle Sale and Purchase Framework Agreement was RMB60.0 million and the actual transacted amounts were approximately RMB33.6 million which did not exceed the VSPFAAC.

3. Property Leasing Framework Agreement

From time to time, the Zhongshan New Century and its subsidiary has leased and will lease property (including land and buildings to be used as shops, office, storage and parking spaces) to the Group to meet daily operation needs. On 23 September 2019, the Company (for itself and on behalf of its subsidiaries) and Zhongshan New Century (for itself and on behalf of its subsidiaries) entered into a framework agreement (the "**Property Leasing Framework Agreement**") that governs the overall relationship of the parties in relation to the individual lease agreements which are in effect or will be entered into during the term of the Property Leasing Framework Agreement.

For the Year, the Property Leasing Framework Agreement Annual Cap (the "**PLFAAC**") approved for the continuing connected transactions between the Group and Huichuang Financial Leasing under the Property Leasing Framework Agreement was RMB6.0 million and the actual transacted amounts were approximately RMB5.1 million which did not exceed the PLFAAC.

Pursuant to rule 14A.55 of the Listing Rules, the aforesaid continuing connected transactions have been reviewed by independent non-executive Directors of the Company. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions of the Group for the Year have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to conduct certain procedures in respect of the continuing connected transactions of the Group in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has also issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

In accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagement Other than Audits or Reviews of Historical Financial Information", the auditor has also reported to the Board that for the year ended 31 December 2019, nothing has come to their attention that the continuing connected transactions, which were governed by the Referral Agreement, Vehicle Sale and Purchase Framework Agreement and Property Leasing Framework Agreement (i) have not received the approval of the Board; (ii) have not been entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and (iii) have exceeded the relevant cap amount for the financial year ended 31 December 2019 as set out in the Prospectus dated on 30 September 2019, by the Company in respect of the continuing connected transactions.

Confirmations from the Company

The Company has conducted a review of its continuing connected transactions and confirmed that all such transactions had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in note 30 to the consolidated financial statements. Save as disclosed in the section headed "Continuing Connected Transactions", the Board confirmed that none of these related party transactions constitutes a discloseable connected transaction as defined under chapter 14A of the Listing Rules.

DEED OF NON-COMPETITION

The controlling shareholders of the Company has given an unconditional and irrevocable non-competition undertaking in favour of our Company and its subsidiaries on 23 September 2019 to protect the Group from any potential competition with the controlling shareholders. The controlling shareholders have confirmed full compliance with the terms of the non-competition undertaking during the year ended 31 December 2019.

The independent non-executive Directors have also reviewed the status of compliance with the Non-Competition Undertakings by each of the Controlling Shareholders and have confirmed that, as far as the independent non-executive Directors can ascertain, there is (i) no new opportunities which would constitute competition with the restricted business (as defined in the section headed "Relationship with our Controlling Shareholders — Deed of Non-Competition" of the Prospectus; and (ii) no breach of any of the undertakings in the Non-Competition Undertakings.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2019 are set out in note 24 and note 34 to the consolidated financial statements.

DONATIONS

During the year ended 31 December 2019, the Group made charitable and other donations amounting to RMB Nil.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the year ended 31 December 2019 are set out in note 13 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

During the period from the Listing Date to 31 December 2019, the Company has not entered into or maintained any equity-linked agreements.

DIRECTORS

The Directors of the Company during the year ended 31 December 2019 and up to the date of this annual report are as follow.

	Appointed on
Executive Directors	
Mr. Law Hau Kit *(Chairman and Chief Executive Officer)*	4 October 2018
Mr. Chen Shaoxing	31 January 2019
Ms. Li Huifang	31 January 2019
Independent Non-executive Directors	
Mr. Li Wai Keung	16 September 2019
Mr. Chang Eric Jackson	16 September 2019
Ms. Yan Fei	16 September 2019

In accordance with the provisions of the Company's articles of association, Mr. Law Hau Kit and Mr. Chen Shaoxing will retire and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rule and the Board consider them independent.

DIRECTORS' SERVICE CONTRACT

All executive Directors have entered into service agreements with the Company for a term of three years commencing from 18 October 2019 which may be terminated earlier by no less than three months written notice served by either party on the other. Each of the independent non-executive Directors has entered into a service agreement with the Company for a term of three years commencing from 18 October 2019, which may be terminated earlier by no less than one month written notice served by either party on the other. All Directors are subject to retirement from office and re-election at the AGM of the Company in accordance with the Memorandum and Articles of Association of the Company.

No Director proposed for re-election at the forthcoming annual meeting has a service contract with the Company or any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The remunerations of the Directors are determined with reference to market terms, seniority, experiences, duties and responsibilities assumed by each Director as well as their individual performance. The Directors' remuneration including the Directors' fees is subject to the Shareholders' approval at general meeting. Other emoluments are recommended by the Remuneration Committee for the Board's approval, having regard to the operating results of the Group, individual performance and comparable market statistics. Details of emoluments of the Directors are set out in note 8 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed elsewhere in this annual report, none of the Directors or controlling shareholders, nor a connected party of any Directors or controlling shareholders, had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party during the year ended 31 December 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DISCLOSURE OF INTERESTS

As at 31 December 2019, the interests and short positions of Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) as recorded in the register required to be kept under section 352 of the SFO, or as notified the Company and the Stock Exchange pursuant to the Model Code, are as follows:

(i) Directors' interests in the Company

Name of Director	Capacity	Number of Shares held/ Interested in	Percentage of shareholding
Mr. Law Hau Kit	Interest in a controlled corporation	375,000,000	75%

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

Name of Director	Name of associated corporation	Capacity	Number of Shares held/ Interested in	Percentage of shareholding
Mr. Law Hau Kit	Chong Kit Limited ("**Chong Kit**")	Beneficial owner	1	100%

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

So far as the directors are aware, as at 31 December 2019, the interest and short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO are as follows:

Substantial shareholders' interest in the Company

Name of shareholder	Capacity	Number of Shares held/ Interested in	Long/short position	Percentage of shareholding
Chong Kit *(Note 1)*	Beneficial owner	375,000,000	Long	75.00%
Ms. Liu Yali *(Note 2)*	Interest of spouse	375,000,000	Long	75.00%
Mr. Ho Wing Tim	Beneficial owner	27,776,000	Long	5.56%
Ms. Ho Lai Wan *(Note 3)*	Interest of spouse	27,776,000	Long	5.56%

Notes:

1. Chong Kit is wholly owned by Mr. Law Hau Kit. Under the SFO, Mr. Law is deemed to be interested in the same number of Shares in which Chong Kit Limited is interested.

2. Ms. Liu Yali is the spouse of Mr. Law Hau Kit. Under the SFO, Ms. Liu Yali will be deemed to be interested in the same number of Shares in which Mr. Law is interested.

3. Ms. Ho Lai Wan is the spouse of Mr. Ho Wing Tim. Under the SFO, Ms. Ho Lai Wan will be deemed to be interested in the same number of Shares in which Mr. Ho Wing Tim is interested.

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or Chief Executive of the Company) in the shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

CORPORATE GOVERNANCE

Save as disclosed, the Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**") during the year ended 31 December 2019. Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in this Annual Report.

SIGNIFICANT LEGAL PROCEEDINGS

During the year ended 31 December 2019, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, the Directors are indemnified and secured harmless out of the assets of the Company against all losses and liabilities which may incur or sustain in execution of their duty, except such which they shall incur or sustain through their own fraud or dishonesty.

The Company has taken out directors' liability insurance since the Listing that provides the appropriate cover for the Directors.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float required under the Listing Rules since the Listing and up to the date of this annual report.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2019 have been audited by Ernst & Young, who will retire, and being eligible, offer themselves for appointment at the forthcoming annual general meeting of the Company.

There was no change in auditor of the Company since the Listing.

PRINCIPAL RISK AND UNCERTAINTY

The results and business operations of the Group are subject to the impact of a number of factors, including those arising from the macro-economic environment as well as those inherent in the auto retail sector. The major risks are summarised as follows:

(i) Macro-economic environment

As a pillar industry of the national economy, the auto sector is considerably correlated to the volatile periods of the macro-economy in terms of timing and extent. Currently, China's auto market continues to hold out strong potential for development. However, if significant fluctuations occur in the auto industry as a result of cyclical developments in the macro-economy, auto sales will be inevitably affected. As such, the Group is required to monitor any changes in the economic landscape in a timely manner and adjust its overall business planning, network development plans and marketing plans under different market conditions.

(ii) Industry policies

The Group's business operations must comply with policies and regulations announced by the PRC government for the administration of the auto industry. Changes in such industry policies may result in decreased market demand for products, lower prices for products and services and escalated market competition, which will in turn result in the decrease in revenue and profit. As such, the Group will monitor closely any developments in government policies on our industry, while enhancing our service standards on an ongoing basis to address any risks arising from changes in industry policies.

(iii) Market risks

The Group is subject to various types of market risks, including credit risks, liquidity risks, interest rate risks and exchange risks, the details of which are set out in note 34 to the financial statements in this annual report. The Group has exercised effective control over market risks through continuous monitoring of risks and changes, timely risk warnings and appropriate application of hedge instruments.

EVENTS AFTER THE REPORTING PERIOD

Except disclosed in note 36 to the consolidated financial statements, no event has occurred after 31 December 2019 and up to the date of this annual report which would have a material effect on the Group.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee has three members comprising three independent non-executive Directors, being Mr. Li Wai Keung ("**Mr. Li**"), Mr. Chang Eric Jackson and Ms. Yan Fei. The Audit Committee is chaired by Mr. Li, who has appropriate professional qualifications and experience as required by Rule 3.10(2) of the Listing Rules. The Audit Committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2019 and the financial statements for the year ended 31 December 2019 prepared in accordance with the IFRSs.

On behalf of the Board of
Centenary United Holdings Limited
Law Hau Kit
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 26 March 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS 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. After making specific enquires to all Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code during the period from the Listing date until 31 December 2019.

BOARD OF DIRECTORS

The Board is responsible for leading and directing the Group's business through formulation of overall strategies and policies, evaluation of performance and overseeing the management function. In discharging its duties, the Board acts in good faith with due diligence and care, and makes decisions objectively in the best interests of the Company and its shareholders. The execution of strategies and implementation of policies in the Group's daily operations are delegated to the management team.

The composition of the Board and the attendance record of each Director at board meetings since the date of Listing and up to 31 December 2019 are as below. The Company has not held a members' general meeting since the Listing.

	Appointed on	Attendance/ Meeting held
Executive Directors		
Mr. Law Hau Kit *(Chairman and Chief Executive Officer)*	4 October 2018	3/3
Mr. Chen Shaoxing	31 January 2019	3/3
Ms. Li Huifang	31 January 2019	3/3
Independent Non-executive Directors		
Mr. Li Wai Keung	16 September 2019	3/3
Mr. Chang Eric Jackson	16 September 2019	3/3
Ms. Yan Fei	16 September 2019	3/3

Biographic details of and the relationship amongst the Directors are presented in the section headed "Biographic details of Directors And Senior Management" of this annual report. Each of the executive Directors has entered into a service contract with the Company for an initial term of three years, while each of the independent non-executive Directors has been appointed for an initial term of three years. Notwithstanding the specific term of appointment, provisions of the Company's articles of associations require that every Director is subject to retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. The composition of the Board provides sufficient balance of skills, experience and diversity of perspectives in leading the Company to achieve its goal and the independent non-executive Directors provide independent judgment in the Board's overall decision making process.

Each of the Directors has participated in continuous professional development seminar organised by the Company to develop their knowledge and skills during the Year.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence and considers that each of them to be independent by reference to the Rule 3.13 of the Listing Rules.

The composition of the Board provides sufficient balance of skills, experience and diversity of perspectives in leading the Company to achieve its goal and the independent non-executive Directors provide independent judgment in the Board's overall decision making process.

Pursuant to the Company's articles of association, at least one-third of the Directors shall retire from office but are eligible for re-election by the Shareholders at each annual general meeting of the Company and each Director shall retire on a rotational basis at least once every three years.

During the Year, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules and the appointment of independent non-executive Directors representing at least one-third of the Board pursuant to Rule 3.10A of the Listing Rules.

Functions, Roles and responsibilities of the Board

The Board, headed by the chairman of the Board (the "**Chairman**"), is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

The executive Directors are responsible for day-to-day management of the Company's operations, financial management and conducting meetings with senior management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring internal control system and risk management function.

Matters specifically decided by the Board and those reserved for the management, such as daily management, administration, operation of the Company and so forth, are reviewed by the Board on a periodic basis. The management shall report back to the Board.

In addition, the Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

The Company's articles of association sets out the responsibilities and proceedings of the Board. The Board meets regularly, at least four times a year, to consider operational reports and policies of the Company. Significant operational policies are discussed and passed by the Board.

BOARD DIVERSITY POLICY

The Board has adopted a policy of the Board diversity (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. Under the Board Diversity Policy, the Company considers diversity of Board members to be achieved through consideration of a number of aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments are based on merit and contribution, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy.

NOMINATION POLICY

The Company has adopted a nomination policy, which establishes written guidelines to Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors. The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure the Board has a balance of skills, experience, and diversity of perspectives appropriate to the requirements of the Company's business. Collectively, they have competencies in areas which are relevant and valuable to the Group.

DIVIDEND POLICY

The Company has adopted a dividend policy in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

(a) the Company's current and future operations, actual and expected financial performance;

(b) any corporate development plans;

(c) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;

(d) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(e) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(f) retained earnings and distributable reserves of the Company and each of the members of the Group;

(g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

The recommendation of the payment of dividend is subject to the determination of the Board, and, any declaration of final dividend for the year will be subject to the approval of the Shareholders. The payment of dividend is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and amended and restated memorandum and articles of association of the Company.

BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established three committees for overseeing the performance of specific functions which are set out in written terms of reference for each committee. The composition of each committee and attendance of members at committee meeting held since the Listing and up to the date of this annual report are as follows:

Composition of Board committees	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
	Attendance/Number of meetings held (C=Chairman; M=Member of the Committee)		
Independent Non-executive Directors			
Mr. Li Wai Keung	1/1(C)	N/A	1/1(M)
Mr. Chang Eric Jackson	1/1(M)	2/2(M)	1/1(C)
Ms. Yan Fei	1/1(M)	2/2(M)	N/A
Executive Directors			
Mr. Law Hau Kit	N/A	2/2(C)	N/A
Mr. Chen Shaoxing	N/A	N/A	1/1(M)
Ms. Li Huifang	N/A	N/A	N/A

Audit Committee

The Audit Committee comprises, Mr. Li Wai Keung, Mr. Chang Eric Jackson and Ms. Yan Fei, all of whom are independent non-executive Directors. Mr. Li Wai Keung is the chairman of the Audit Committee.

The Audit Committee was established in September 2019 and written terms of reference, which describe the authority and duties of the Audit Committee have been adopted and posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The Audit Committee has met with the Company's management to review its interim and final financial statements for the Year and met the Company's auditor to discuss auditor's independence, audit approach, key audit matters and results of audit for the Year. The Audit Committee has met with the chairman of the Board and the auditor, separately and without the presence of management, for discussion of matters which may be of sensitive nature. The Audit Committee has also met with and reviewed the report of the Company's internal control adviser for their review on selected areas of the Group's internal control system for the Year.

Nomination Committee

The Nomination Committee comprises one executive Director, Mr. Law Hau Kit and two independent non-executive Directors, Mr. Chang Eric Jaskson and Ms. Yan Fei. Mr. Law Hau Kit is the chairman of the Nomination Committee.

The Nomination Committee was established in September 2019 and written terms of reference, which describe the authority and duties of the Nomination Committee have been adopted and posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

The primary duties of the Nomination Committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management. The Nomination Committee has reviewed the independence of independent non-executive Directors, considered the retirement and proposal for appointment of Directors at the Company's forthcoming annual general meeting and considered the appointment of a new chief operating officer. The Nomination Committee is of the view that the Board comprised the suitable qualifications and diversity for leading and governing the Group.

Remuneration Committee

The Remuneration Committee comprises, Mr. Li Wai Keung, Mr. Chang Eric Jackson and Ms. Yan Fei, all of whom are independent non-executive Directors. Mr. Chang Eric Jackson is the chairman of the Remuneration Committee.

The Remuneration Committee was established in September 2019 and written terms of reference, which describe the authority and duties of the Remuneration Committee have been adopted and posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

The responsibilities of the Remuneration Committee are to make recommendations to the Board on policy and structure for Directors' and senior management's remuneration, and to ensure that no Director is involved in deciding his own remuneration. The Remuneration Committee has assessed the performance and remuneration of executive Directors and senior management for the Year and made recommendations to the Board thereon.

EXTERNAL AUDITOR

The auditors are Ernst & Young. Ernst & Young provided services in respect of the audit of Company's consolidated financial statements which were prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) for the year ended 31 December 2019.

The remuneration paid to the Company's auditor for the year ended 31 December 2019 is as below:

	RMB'000
Audit services provided to the Group	710
Non-audit services	120
	830

The statement of the auditors regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 51 to 56 of this annual report.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the financial position of the Group. The responsibilities of the Company's auditor on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 51 to 56 of this annual report. The Directors are not aware of any material uncertainties relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of risks associated with the Group's operation.

The Company has developed system of internal control and risk management for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. The Company has not established a separate internal audit department; instead, an external consultant was engaged to review the Group's internal control and risk management system and support the Board in assessing the effectiveness of such system annually.

JOINT COMPANY SECRETARIES

The Company's joint company secretaries are Mr. Chan Ngai Fan and Ms. Liang Jiexin. Ms. Liang is an employee of the Company, while Mr. Chan is an external service provider.

The joint company secretaries coordinate the supply of information about the Group to the Directors. All Directors have access to the joint company secretaries to ensure that Board procedures are followed.

During the Year, Mr. Chan Ngai Fan has undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG")

A separate ESG report will be published by the Company in due course in accordance with the Appendix 27 to the Listing Rules.

CONSTITUTIONAL DOCUMENTS

There were no changes to the memorandum of association of the Company and articles of association from since the date of Listing on the Stock Exchange.

A copy of the memorandum and articles of association of the Company is posted on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Under the articles of association, an extraordinary general meeting ("**EGM**") may be convened by the Board upon requisition by any one or more Shareholders holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at any general meetings. The Shareholder(s) shall make a written requisition to the Board or the Company Secretary at the head office of the Company in Hong Kong, specifying the shareholding information of the Shareholder(s), his/her/their contact details and the proposal regarding any specifying transaction/business and its supporting documents.

If within 21 days of deposit of such written requisition, the Board does not proceed to convene such EGM, the requisitionist(s) himself/herself/themselves may convene an EGM in the same manner as that in which such meeting may be convened by the Board, provided that such meeting so convened shall not be held after the expiration of two months from the date of deposit of such requisition.

To propose a candidate for election as a Director at a general meeting, a shareholder should deposit a written proposal, together with a written notice by the candidate indicating his willingness to be elected, to the Company either at its principal place of business in Hong Kong (at Unit 1426, 14/F., Solo Building, 41-43 Carnarvon Road, Tsim Sha Tsui, Kowloon, Hong Kong) or its branch share registrar and transfer office in Hong Kong (Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) at least seven clear days before the date of the general meeting.

The Company believes that effective communication with its shareholders is essential for enhancing investors' understanding of the Group's business and performance. The Company maintains a corporate website at www.car2000.com.cn to disseminate latest information about the Group. The Company's constitution document and terms of reference of board committees are also available for download at Company's website. There has been no change to the Company's constitution document since the date of Listing and up to 31 December 2019. The chairman of the Board will attend, and endeavour to ensure the chairmen of various board committees to attend, general meetings to answer questions from shareholders.

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道 1 號
中信大廈 22 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of Centenary United Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Centenary United Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 57 to 135, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Timing of revenue recognition Revenue for the year ended 31 December 2019 amounted to RMB2,072 million. The Group's revenue mainly generates from sales of motor vehicles to a significant number of individual customers. Revenue from sales of motor vehicles is recognised upon the control of the product is transferred to the customer, generally on delivery of the product. We identified revenue recognition as a key audit matter because there is a risk that revenue may be overstated because of fraud resulting from the pressure of local management to achieve performance targets at the end of the reporting period. The Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognised before the control has been transferred. Relevant disclosures are included in note 2.5 "Summary of significant accounting policies" and note 5 "Revenue, other income and gains" to the financial statements.	We performed the following procedures to address this matter: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to the timing of revenue recognition; • assessing the existence and accuracy of the sales recorded, based among other things on inspection of sales contracts and final acceptances by the customers; and • assessing sales transactions taking place at either side of the balance sheet date as well as credit notes issued after the year end date to assess whether that revenue was recognised in the correct period.

Key audit matter	How our audit addressed the key audit matter
Recognition of vendor rebates The Group has agreements with automobile manufacturers, whereby volume-related allowances, performance rebates, marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those vendors. As such, the Group recognises a reduction in cost of sales as a result of amounts receivable from vendors. We regarded this as a key audit matter as there is a risk that rebates may be materially misstated due to the significant magnitude thereof, the varying terms with the vendors and also the judgements made in accruing for rebates as at the year end in relation to the nature and level of fulfilment of the Group's obligation under the vendors agreements. In instances where rebate agreements do not fully coincide with the period end, the key judgements that we focused on was the estimate of rebates to be accrued as at the period end. Relevant disclosures are included in note 2.5 "Summary of significant accounting policies" and note 3 "Significant Accounting Judgements and Estimates".	We performed the following procedures to address this matter: • obtaining an understanding of the design and implementation of management's key internal controls in relation to the recognition of vendor rebates; • assessing the accounting treatment in respect of the recognition of vendor rebates by inspecting the terms and conditions of the vendor rebate arrangements for all automobile manufacturers with reference to the requirements of the prevailing accounting standards; • selecting a sample of vendor rebates recognised and settled during the year and comparing the recognised rebate amount with credit notes issued by the vendors or bank payment slips; • for vendor rebate receivables at the reporting date, performing recalculations of the receivable amounts, on a sample basis, based on the terms of the underlying vendor rebate arrangements and relevant inputs, including sales and purchase volume data, rebate rates and other specific criteria as set out in the respective vendor rebate arrangements; • evaluating, on a sample basis, the relevant inputs used to calculate vendor rebates by comparing the inputs with relevant underlying documentation; and • examining, on a sample basis, the subsequent settlements of vendor rebates accrued at the year end.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Hui Kin Fai, Stephen.

Ernst & Young
Certified Public Accountants
Hong Kong

26 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**2,072,167**	1,940,311
Cost of sales		**(1,892,663)**	(1,765,933)
Gross profit		**179,504**	174,378
Other income and gains	5	**18,649**	12,698
Selling and distribution expenses		**(58,956)**	(59,224)
Administrative expenses		**(68,083)**	(66,724)
Other expenses, net		**(673)**	(633)
Finance costs	7	**(17,582)**	(6,995)
PROFIT BEFORE TAX	6	**52,859**	53,500
Income tax expense	10	**(19,791)**	(19,062)
PROFIT FOR THE YEAR		**33,068**	34,438
Attributable to:			
Owners of the parent		**33,068**	34,438
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**RMB8.3 cents**	RMB9.2 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**123,060**	98,155
Right-of-use assets	14	**44,597**	36,398
Other intangible assets	15	**430**	—
Deferred tax assets	16	**317**	957
Total non-current assets		**168,404**	135,510
CURRENT ASSETS			
Inventories	17	**308,481**	242,682
Trade receivables	18	**5,821**	2,144
Prepayments, other receivables and other assets	19	**184,189**	158,658
Amounts due from related companies	30	**48,163**	19,586
Pledged deposits	20	**114,140**	87,000
Cash and cash equivalents	20	**28,967**	50,047
Total current assets		**689,761**	560,117
CURRENT LIABILITIES			
Trade and bills payables	21	**148,541**	109,808
Contract liabilities	22	**64,880**	59,562
Other payables and accruals	23	**53,825**	44,238
Interest-bearing bank and other borrowings	24	**302,108**	134,000
Tax payable		**16,250**	12,487
Amount due to a director	30	**—**	159,762
Total current liabilities		**585,604**	519,857

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NET CURRENT ASSETS		**104,157**	40,260
TOTAL ASSETS LESS CURRENT LIABILITIES		**272,561**	175,770
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**–**	39,200
Lease liabilities	14, 23	**30,925**	25,700
Total non-current liabilities		**30,925**	64,900
Net assets		**241,636**	110,870
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	**4,515**	–*
Reserves	26	**235,121**	105,770
Equity attributable to owners of the parent		**239,636**	105,770
Non-controlling interests		**2,000**	5,100
Total equity		**241,636**	110,870

* *Less than RMB1,000.*

Law Hau Kit
Director

Chen Shao Xing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent								
	Share capital RMB'000 Note 25	Share premium* RMB'000 Note 26	Other reserve* RMB'000 Note 26	Statutory surplus reserve* RMB'000 Note 26	Foreign currency translation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	–	–	(41,740)	26,114	–	121,396	105,770	5,100	110,870
Profit for the year	–	–	–	–	–	33,068	33,068	–	33,068
Exchange differences on translation of foreign operations	–	–	–	–	(1,198)	–	(1,198)	–	(1,198)
Total comprehensive income/(loss) for the year	–	–	–	–	(1,198)	33,068	31,870	–	31,870
Acquisition of non-controlling interests	–	–	–	–	–	–	–	(3,100)	(3,100)
Reorganisation#	–	–	(32,772)	–	–	–	(32,772)	–	(32,772)
Waiver of an amount due to a director	–	–	30,000	–	–	–	30,000	–	30,000
Dividend declared (note 11)	–	–	–	–	–	(9,080)	(9,080)	–	(9,080)
Issue of shares (note 25)	1,129	120,769	–	–	–	–	121,898	–	121,898
Share issue expenses	–	(8,050)	–	–	–	–	(8,050)	–	(8,050)
Capitalisation issue (note 25)	3,386	(3,386)	–	–	–	–	–	–	–
Transfer from retained profits	–	–	–	4,673	–	(4,673)	–	–	–
At 31 December 2019	4,515	109,333	(44,512)	30,787	(1,198)	140,711	239,636	2,000	241,636

	Attributable to owners of the parent							
	Share capital RMB'000 Note 25	Share premium* RMB'000 Note 26	Other reserve* RMB'000 Note 26	Statutory surplus reserve* RMB'000 Note 26	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	–	–	(32,263)	21,510	115,761	105,008	3,150	108,158
Profit for the year and total comprehensive income for the year	–	–	–	–	34,438	34,438	–	34,438
Capital injection from non-controlling interests	–	–	–	–	–	–	1,950	1,950
Reorganisation#	–	–	(9,477)	–	–	(9,477)	–	(9,477)
Dividend declared (note 11)	–	–	–	–	(24,199)	(24,199)	–	(24,199)
Transfer from retained profits	–	–	–	4,604	(4,604)	–	–	–
At 31 December 2018	–**	–	(41,740)	26,114	121,396	105,770	5,100	110,870

* These reserve accounts comprise the reserves of RMB235,121,000 (31 December 2018: RMB105,770,000) in the consolidated statement of financial position as at 31 December 2019.

** Less than RMB1,000

The amounts comprise the reserves arising from the Corporate Reorganisation of RMB1,228,000 (2018: RMB523,000), reserves arising from acquisition of subsidiaries from a director of RMB34,000,000 (2018: RMB10,000,000) and reserves arising from the waiver of an amount due to a director of RMB30,000,000 (2018: nil).

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**52,859**	53,500
Adjustments for:			
Finance costs	7	**17,582**	6,995
Bank interest income	5	**(1,331)**	(2,879)
Gain on disposal of items of property, plant and equipment	6	**(3,221)**	(532)
Depreciation	6	**10,189**	12,350
Depreciation of right-of-use assets	6	**9,772**	4,817
Amortisation of other intangible assets	6	**31**	—
Impairment of trade receivables	6	**37**	16
Write-down of inventories to net realisable value	6	**1,269**	591
		87,187	74,858
Increase in inventories		**(67,068)**	(72,245)
Increase in trade receivables		**(3,714)**	(1,554)
Increase in prepayments, other receivables and other assets		**(24,303)**	(22,107)
Increase in amount due from related companies		**(28,577)**	—
(Increase)/decrease in pledged deposits		**(27,140)**	19,693
Increase/(decrease) in trade and bills payables		**38,733**	(34,255)
Increase in other payables and accruals		**4,362**	8,706
Increase in contract liabilities		**5,318**	28,542
Cash (used in)/generated from operations		**(15,202)**	1,638
Interest received		**1,331**	2,879
Income taxes paid		**(15,388)**	(13,219)
Net cash flows used in operating activities		**(29,259)**	(8,702)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(42,754)**	(41,983)
Purchases of items of other intangible assets	15	**(461)**	—
Proceeds from disposals of items of property, plant and equipment		**10,881**	20,171
Net cash flows used in investing activities		**(32,334)**	(21,812)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(15,388)**	(5,349)
New bank and other borrowings		**364,823**	212,400
Proceeds from issue of shares		**121,898**	—
Share issue expenses		**(8,050)**	—
Repayments of bank and other borrowings		**(235,915)**	(109,200)
(Decrease)/increase in an amount due to a director		**(119,762)**	7,950
Increased in amounts due from related companies		**—**	(17,986)
(Acquisition of)/capital contribution from non-controlling interests		**(3,100)**	1,950
Payment for reorganisation		**(34,000)**	(15,000)
Dividends paid		**(19,080)**	(60,139)
Principal portion of lease payments	14	**(9,715)**	(5,183)
Net cash flows from financing activities		**41,711**	9,443
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(19,882)**	(21,071)
Cash and cash equivalents at beginning of year		**50,047**	71,118
Effect of foreign exchange rate changes, net		**(1,198)**	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		**28,967**	50,047
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**143,107**	137,047
Less: Pledged deposits	20	**(114,140)**	(87,000)
Cash and cash equivalents as stated in the statement of financial position	20	**28,967**	50,047

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") since 18 October 2019 (the "Listing"). The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	**Place and date of incorporation/ registration and place of operations**	**Nominal value of issued ordinary/ registered share capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			Direct %	Indirect %	
Chong Wai Limited (note a)	British Virgin Islands ("BVI")/ 2 November 2018	US$1	100	–	Investment holding
Centenary Development Limited (note a)	Hong Kong/ 19 November 2018	HK$1	–	100	Investment holding
Zhongshan Chongjie Enterprise Management Consulting Limited* 中山市崇杰企業管理諮詢有限公司 (note a)	PRC/Mainland China/ 11 January 2019	RMB30,000,000	–	100	Provision of enterprise management information consulting services and enterprise investment consulting services
Zhongshan New Century Automobile Sales and Services Co., Ltd.* 中山市創世紀汽車銷售服務有限公司 (note a)	PRC/Mainland China 11 January 2019	RMB30,000,000	–	100	Sale and import of motor vehicles under the brand "FAW Volkswagen" and spare parts, sale of used vehicles, concurrent business and insurance agency business

continued /...

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Zhongshan New Century Toyota Automobile Sales and Services Co., Ltd.* 中山市創世紀豐田汽車銷售服務有限公司 (note a)	PRC/Mainland China 4 July 2002	RMB10,000,000	–	100	Sale and import of motor vehicles under FAW Toyota and spare parts, sals of used vehicles and provision of vehicle repair services
Zhongshan Chuangxian Automobile Sales and Services Co., Ltd.* 中山市創現汽車銷售服務有限公司 (note a)	PRC/Mainland China 12 December 2003	RMB10,000,000	–	100	Sale of motor vehicles under Beijing Hyundai and spare parts, sales of used vehicles and provision of vehicle repair services
Zhongshan New Century Jucheng Automobile Co., Ltd.* 中山市創世紀菊城汽車有限公司 (note a)	PRC/Mainland China 31 August 2007	RMB5,000,000	–	100	Sale and import of motor vehicles under the brand "Dongfeng Nissan" and spare parts, sale of used vehicles and provision of vehicle repair services
Zhongshan Dongri Automobile Sales and Services Co., Ltd.* 中山市東日汽車銷售服務有限公司 (note b)	PRC/Mainland China 18 December 2018	RMB5,000,000	–	100	Sale and import of motor vehicles under the brand "Dongfeng Nissan" and spare parts; sale of used vehicles, concurrent business and insurance agency business
Zhongshan Chuangri Automobile Co., Ltd.* 中山市創日汽車有限公司 (note a)	PRC/Mainland China 11 September 2009	RMB5,000,000	–	100	Sale of motor vehicles under the brand "Dongfeng Nissan" and spare parts, used vehicles and provision of vehicle repair services
Zhongshan New Century Chengnan Automobile Co., Ltd.* 中山市創世紀城南汽車有限公司 (note a)	PRC/Mainland China 9 December 2010	RMB5,000,000	–	100	Sale of motor vehicles under "Beijing Hyundai" and spare parts, used vehicles and provision of vehicle repair services

continued /...

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Zhongshan Chuangtong Automobile Co., Ltd.* 中山市創通汽車有限公司 (note a)	PRC/Mainland China 2 June 2011	RMB5,000,000	–	100	Sale of motor vehicles under Buick and spare parts, used vehicles and provision of vehicle repair services
Zhongshan Dongyue Automobile Co., Ltd.* 中山市東月汽車有限公司 (note a)	PRC/Mainland China 6 July 2011	RMB5,000,000	–	100	Sale of motor vehicles under the brand Dongfeng Venucia and spare parts, sales of used vehicles and provision of vehicle repair services
Zhongshan Chuangzhi Automobile Co., Ltd.* 中山市創志汽車有限公司 (note a)	PRC/Mainland China 31 October 2011	RMB5,000,000	–	100	Sale of motor vehicles under Chevrolet and spare parts, used vehicles and provision of vehicle repair services
Zhongshan Chuangcheng Automobile Co., Ltd.* 中山市創誠汽車有限公司 (note a)	PRC/Mainland China 31 October 2011	RMB5,000,000	–	100	Sale of motor vehicles under the brand name "Dongfeng Nissan", spare parts and used vehicles, provision of vehicle repair services and operation and management of the Chuangcheng second hand market
Zhongshan New Century Mingcheng Automobile Co., Ltd.* 中山市創世紀名城汽車有限公司 (note a)	PRC/Mainland China 22 October 2014	RMB5,000,000	–	100	Sale of motor vehicles under the brand names "Dongfeng Nissan" and "Dongfeng Venucia" and spare parts
Zhongshan New Century Fast Lane Automobile Services Co., Ltd.* 中山市創世紀快車道汽車服務有限公司 (note a)	PRC/Mainland China 22 January 2015	RMB1,000,000	–	100	Sale of motor vehicles and spare parts and used vehicles and provision of vehicle repair services
Guangdong Chuangcheng Car Insurance Agency Co., Ltd.* 廣東創誠汽車保險代理有限公司 (note a)	PRC/Mainland China 21 June 2016	RMB10,000,000	–	100	Insurance agency business

continued /...

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Zhongshan Century Jaguar Automobile Co., Ltd.* 中山市世紀捷虎汽車有限公司 (note a)	PRC/Mainland China 1 February 2016	RMB15,000,000	–	100	Sale of motor vehicles under the brand names "Jaguar" and "Land Rover", spare parts and used vehicles and provision of vehicle repair services, concurrent business and insurance agency business
Zhongshan New Century Secondhand Car Market Co., Ltd.* 中山市創世紀二手車交易市場有限公司 (note a)	PRC/Mainland China 30 July 2018	RMB500,000	–	100	Operation of the used vehicle market, sales of used vehicles; provision of consultancy services in relation to the sale of used vehicles and provision of inspection services of motor vehicles
Zhongshan Century Cadillac Automobile Co., Ltd* 中山市世紀凱迪汽車有限公司 (note a)	PRC/Mainland China 17 April 2018	RMB10,000,000	–	80	Sale of motor vehicles under Cadillac and spare parts, maintenance of motor vehicles, concurrent business and insurance agency business
Zhongshan Shijie Automobile Co., Ltd 中山市世捷汽車有限公司 (note b)	PRC/Mainland China 4 November 2019	RMB3,000,000	–	100	Sale of motor vehicles under the brand name "Jetta" and spare parts, maintenance of motor vehicles, concurrent business and insurance agency business

Notes:

(a) These entities have not appointed an auditor to issue statutory financial statements for the years ended 31 December 2018 and 2019 as they were not required to prepare statutory financial statements by local authorities.

(b) No audited financial statements have been prepared as the entity was newly established in 2019.

* 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.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group.

The companies now comprising the Group were under the common control of Mr. Law Hau Kit (the "Controlling Shareholder") before and after the Reorganisation. Accordingly, for the purposes of this report, the financial statements have been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the relevant periods.

And for the purpose of this report, the historical financial information of the businesses, which were acquired by the Group after being transferred from the Controlling Shareholder's subsidiaries, namely Zhongshan New Century Pioneering Automobile Co., Limited and Zhongshan Dongri Automobile Co., Ltd., to Zhongshan New Century Automobile Sales and Services Co., Ltd. and Zhongshan Dongri Automobile Sales and Services Co., Ltd., respectively, has been prepared by segregating from the books and records of Zhongshan New Century Pioneering Automobile Co., Limited and Zhongshan Dongri Automobile Co., Ltd. throughout the reporting periods as these businesses had been separately managed and financially controlled within Zhongshan New Century Pioneering Automobile Co., Limited and Zhongshan Dongri Automobile Co., Ltd. and the historical financial information attributable to these businesses was practically identifiable.

The consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the reporting period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholder, where the shorter period shall prevail. The consolidated statement of financial position of the Group has been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or to recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the Controlling Shareholder, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.2 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

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

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

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

Further information about the IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets), the asset‘s recoverable amount is estimated. An asset‘s recoverable amount is the higher of the asset‘s or cash-generating unit‘s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Group;

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) (continued)

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the shorter of the lease terms and 4.75%
Leasehold improvements	Over the shorter of the lease terms and 20%
Motor vehicles	19%
Office equipment and other facilities	19%
Plant and equipment	19%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment, including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Bulidings	20 to 30 years
Leasehold land	33 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue Recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial asset designated at fair value through OCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed and unlisted equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities mainly include trade and bills payables, other payables, interest-bearing bank and other borrowings, amount due to a related company and amount due to a director.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (Loans and borrowings)

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Other than spare parts, cost is determined on the first-in, first-out basis. Cost of spare parts is determined on the weighted average basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods by customers.

(b) Provision of services

Revenue from provision of services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

(c) Interest income

Interest income from a financial asset is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related good or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Vendor rebates

Vendor rebates provided by automobile manufacturers are recognised on an accrual basis based on the expected entitlement earned up to the reporting date pursuant to each relevant supplier contract.

Vendor rebates relating to vehicles purchased and sold are deducted from cost of sales, while vendor rebates relating to vehicles purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

During the year ended 31 December 2019, the Group recognised vendor rebates relating to vehicles purchased and sold in cost of sales of approximately RMB364.7 million.

As at 31 December 2019, the Group recognised vendor rebates relating to vehicles purchased but still held as inventories of approximately RMB10.8 million.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present values of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed as at the end of the reporting period. Further details of the property, plant and equipment are set out in note 13 to the financial statements.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the provision required involves management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of inventories and the write-down and reversal of write-down of inventories in the period in which such estimate has been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Accrual of vendor rebates

The Group reviews the accruals of vendor rebates at the end of each reporting period by reference to the rebate receivables in accordance with the applicable terms and conditions of the suppliers' agreements. The accruals of vendor rebates involve management estimation and the extent of the rebates' entitlement under the respective categories of vendor rebates. Specific factors that management considers include the recent historical sales volume patterns, the rebate rates applied and any other available information concerning the creditworthiness of suppliers.

4. OPERATING SEGMENT INFORMATION

The Group principally engages in the sale of motor vehicles and provision of auto services in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision makers, for the purposes 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.

5. REVENUE, OTHER INCOME AND GAINS

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

Revenue from contracts with customers

(i) Disaggregated revenue information

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

(ii) Performance obligations

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

Sale 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.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Other income and gains

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

Notes:

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

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

6. PROFIT BEFORE TAX

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

	Notes	2019 RMB'000	2018 RMB'000
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		**72,278**	78,051
Pension scheme contributions		**7,540**	8,043
		79,818	86,094
Cost of inventories sold (note (a))		**1,755,705**	1,626,456
Cost of services provided		**136,958**	139,477
Depreciation of property, plant and equipment	13	**10,189**	12,350
Depreciation of right-of-use assets	14	**9,772**	4,817
Amortisation of other intangible assets	15	**31**	—
Listing expenses		**10,827**	7,430
Auditor's remuneration		**710**	—
Gain on disposal of property, plant and equipment		**(3,221)**	(532)
Impairment of trade receivables (note (b))	18	**37**	16
Write-down of inventories to net realisable value		**1,269**	591
Interest income		**(1,331)**	(2,879)

Notes:

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

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

8. DIRECTORS' REMUNERATION

Mr. Law Hau Kit was appointed as a director of the Company on 4 October 2018. Mr. Chen Shaoxing and Ms. Li Huifang were appointed as directors of the Company on 31 January 2019.

Mr. Li Wai Keung, Mr. Chang Eric Jackson and Ms. Yan Fei were appointed as independent non-executive directors of the Company on 16 September 2019.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries.

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is set out below:

	2019 **RMB'000**	2018 RMB'000
Fee	**88**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**1,641**	825
Pension scheme contributions	**54**	61
	1,783	886

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

	Fee RMB'000
2019	
Non-executive directors:	
Mr. Li Wai Keung	34
Mr. Chang Eric Jackson	27
Ms. Yan Fei	27
	88

There were no emoluments payable to the independent non-executive directors during the year (2018: Nil).

(b) Executive directors

	Salaries allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2019			
Executive directors:			
Mr. Law Hau Kit	722	–	722
Mr. Chen Shaoxing	531	28	559
Ms. Li Huifang	388	26	414
	1,641	54	1,695

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors (continued)

	Salaries allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2018			
Executive directors:			
Mr. Law Hau Kit	354	–	354
Mr. Chen Shaoxing	270	35	305
Ms. Li Huifang	201	26	227
	825	61	886

There was no arrangement under which a director of the Company or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2018: three) executive directors of the Company. Details of the remuneration for the reporting period of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**742**	403
Pension scheme contributions	**73**	52
	815	455

9. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2019	2018
	RMB'000	RMB'000
Nil to RMB1,000,000	**2**	2

No highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to these members of senior management personnel as an inducement to join or upon joining the Group or as compensation for loss of office.

10. 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 reporting period.

10. INCOME TAX (continued)

PRC Corporate Income Tax ("CIT") (continued)

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

	2019 RMB'000	2018 RMB'000
Current — the PRC		
Charge for the year	**19,151**	18,048
Deferred income tax (note 16)	**640**	1,014
Total tax charge for the year	**19,791**	19,062

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate of the majority of the Group's subsidiaries to the tax expense at the effective tax rate for each reporting period is as follows:

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

11. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. Dividends of RMB24,199,000 in aggregate have been declared by certain subsidiaries in 2018 and paid in 2018 and 2019. Dividends of RMB9,080,000 in aggregate have been declared and paid by certain subsidiaries during the year ended 31 December 2019 prior to the completion of the reorganisation.

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

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

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

	2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	33,068	34,438
Share		
Weighted average number of ordinary shares in issue during the year	400,342	375,000

	RMB cents	RMB cents
Earnings per share:		
Basic and diluted	8.3	9.2

The Group had no potentially dilutive ordinary shares in issue during the reporting period.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment and other facilities RMB'000	Plant and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019:							
Cost	85,490	15,819	35,517	14,148	13,194	12,692	176,860
Accumulated depreciation	(22,993)	(9,655)	(23,228)	(12,314)	(10,515)	–	(78,705)
Net carrying amount	62,497	6,164	12,289	1,834	2,679	12,692	98,155
At 1 January 2019, net of accumulated depreciation	62,497	6,164	12,289	1,834	2,679	12,692	98,155
Additions	5,729	2,888	19,020	128	502	14,487	42,754
Disposals	(3)	(677)	(6,849)	(87)	(44)	–	(7,660)
Depreciation provided during the year (note 6)	(4,619)	(1,160)	(3,327)	(412)	(671)	–	(10,189)
Transfers	18,827	2,507	–	57	–	(21,391)	–
At 31 December 2019, net of accumulated depreciation	82,431	9,722	21,133	1,520	2,466	5,788	123,060
At 31 December 2019							
Cost	110,196	16,660	40,037	11,823	13,694	5,788	198,198
Accumulated depreciation	(27,765)	(6,938)	(18,904)	(10,303)	(11,228)	–	(75,138)
Net carrying amount	82,431	9,722	21,133	1,520	2,466	5,788	123,060

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment and other facilities RMB'000	Plant and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2018:							
Cost	84,605	12,183	32,612	13,340	12,523	1,261	156,524
Accumulated depreciation	(18,744)	(7,045)	(21,566)	(11,316)	(9,692)	–	(68,363)
Net carrying amount	65,861	5,138	11,046	2,024	2,831	1,261	88,161
At 1 January 2018, net of accumulated depreciation	65,861	5,138	11,046	2,024	2,831	1,261	88,161
Additions	885	3,636	24,114	1,246	671	11,431	41,983
Disposals	–	–	(19,579)	(60)	–	–	(19,639)
Depreciation provided during the year (note 6)	(4,249)	(2,610)	(3,292)	(1,376)	(823)	–	(12,350)
At 31 December 2018, net of accumulated depreciation	62,497	6,164	12,289	1,834	2,679	12,692	98,155
At 31 December 2018							
Cost	85,490	15,819	35,517	14,148	13,194	12,692	176,860
Accumulated depreciation	(22,993)	(9,655)	(23,228)	(12,314)	(10,515)	–	(78,705)
Net carrying amount	62,497	6,164	12,289	1,834	2,679	12,692	98,155

The Group's buildings are located in Mainland China.

As at 31 December 2019, the Group was in the process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amount of approximately RMB74,033,000 (31 December 2018: RMB62,497,000).

At 31 December 2019, certain of the Group's buildings with a net carrying amount of RMB8,398,000 (2018: nil) were pledged to secure general banking facilities granted to the Group (note 24).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and leasehold land. Leases of buildings generally have lease terms between 20 and 30 years, while leasehold land generally has lease terms of 33 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	2019 **RMB'000**	2018 RMB'000
At 1 January	**36,398**	40,356
Additions	**17,971**	859
Depreciation charged	**(9,772)**	(4,817)
At 31 December	**44,597**	36,398
At 31 December		
Cost	**73,933**	55,961
Accumulated depreciation	**(29,336)**	(19,563)
Net carrying amount	**44,597**	36,398

At 31 December 2019, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB11,103,000 (2018: nil) were pledged to secure general banking facilities granted to the Group (note 24).

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability.

14. LEASES (continued)

The Group as a lessee (continued)

(b) *Lease liabilities*

The carrying amount of lease liabilities (included under other payables and accruals) and the movements during the year are as follows:

	2019 RMB'000	2018 RMB'000
Lease liabilities		
Maturity analysis		
— contractual undiscounted cash flows:		
Less than one year	**9,610**	4,180
One to five years	**37,537**	32,462
Total undiscounted lease liabilities at 31 December	**47,147**	36,642
Lease liabilities included in other payables and accruals (note 23)		
— Current	**8,381**	3,148
— Non-current	**30,925**	25,700
	39,306	28,848

	2019 RMB'000	2018 RMB'000
Amounts recognised in the consolidated statement of financial position		
At 1 January	**28,848**	31,526
New leases	**17,979**	859
Accretion of interest recognised during the year	**2,194**	1,646
Payments	**(9,715)**	(5,183)
At 31 December	**39,306**	28,848

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities (continued)

	2019 RMB'000	2018 RMB'000
Amounts recognised in the consolidated statement of profit or loss		
Interest on lease liabilities	**2,194**	1,646
Depreciation charge of right-of-use assets	**9,772**	4,817
	11,966	6,463
Amounts recognised in the consolidated statement of cash flows		
Total cash outflow for leases	**(9,715)**	(5,183)

15. OTHER INTANGIBLE ASSETS

31 December 2019

	Total RMB'000
Cost at 1 January 2019, net of accumulated amortisation	**–**
Additions	**461**
Amortisation provided during the year	**(31)**
At 31 December 2019	**430**
At 31 December 2019	
Cost	**461**
Accumulated amortisation	**(31)**
Net carrying amount	**430**

16. DEFERRED TAX

Deferred tax assets

31 December 2019

	Impairment of inventories RMB'000	Loss available against future taxable profits for offsetting RMB'000	Total RMB'000
At 1 January 2019	–	957	957
Charged to profit or loss during the year	317	(957)	(640)
At 31 December 2019	317	–	317

31 December 2018

	Loss available against future taxable profits for offsetting RMB'000
At 1 January 2018	1,971
Charged to profit or loss during the year	(1,014)
At 31 December 2018	957

The Group has tax losses arising in Mainland China of approximately RMB7,293,000 (31 December 2018: RMB8,162,000) which will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised as it is not probable that taxable profits will be available against which the above items can be utilised.

16. DEFERRED TAX (continued)

Deferred tax assets (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% (or a lower rate if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's earnings will be retained in Mainland China, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 December 2019, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB46,733,000 (31 December 2018: RMB6,741,000).

17. INVENTORIES

	2019 RMB'000	2018 RMB'000
Vehicles	**298,492**	237,562
Accessories	**9,989**	5,120
	308,481	242,682

At 31 December 2019, the Group's inventories with a carrying amount of approximately RMB112,201,000 (2018: nil), were pledged as security for the Group's interest-bearing bank and other borrowings, as further detailed in note 24 to the financial statements.

18. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**5,880**	2,166
Impairment	**(59)**	(22)
	5,821	2,144

Trade receivables of the Group represented proceeds receivable from the sale of motor vehicles and the provision of services. The Group's trading terms with its customers normally require payment in advance, except for certain of the 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 was no significant concentration of credit risk as at 31 December 2019. Trade receivables were interest-free and unsecured as at 31 December 2019.

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

	2019 RMB'000	2018 RMB'000
Within 3 months	**5,821**	2,144

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

	2019 RMB'000	2018 RMB'000
At beginning of year	**22**	6
Impairment losses recognised (note 6)	**37**	16
At the end of year	**59**	22

18. TRADE RECEIVABLES (continued)

As at 31 December 2019

	Invoice day Within 3 months
ECL rate	**1%**
Gross carrying amount (RMB'000)	**5,880**
ECLs (RMB'000)	**59**

As at 31 December 2018

	Invoice day Within 3 months
ECL rate	1%
Gross carrying amount (RMB'000)	2,166
ECLs (RMB'000)	22

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

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 RMB'000	2018 RMB'000
Advances to suppliers	**121,224**	110,309
Deposit	**2,206**	3,384
Value added taxes recoverable	**43,929**	29,125
Prepayments	**1,069**	2,398
Other receivables	**15,761**	13,442
	184,189	158,658

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

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

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**143,107**	137,047
Less: Pledged deposits:		
Pledged for bills payables	**(88,340)**	(87,000)
Pledged for bank loans	**(24,800)**	–
Others	**(1,000)**	–
Cash and cash equivalents	**28,967**	50,047

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB140,916,000 (2018: RMB137,047,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

21. 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:

	2019 RMB'000	2018 RMB'000
Within 3 months	**120,200**	76,000
3 to 12 months	**28,341**	33,808
	148,541	109,808

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

The Group's bills payables are secured by the pledged deposits of approximately RMB88,340,000 as at 31 December 2019 (2018:RMB87,000,000).

22. CONTRACT LIABILITIES

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

	2019 RMB'000	2018 RMB'000
Contract liabilities:		
Advances from customers	**64,880**	59,562

The contract liabilities represent the Group's obligations to transfer goods or services to customers for which the Group has received consideration, or for which an amount of consideration is due from the customers.

22. CONTRACT LIABILITIES (continued)

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

	2019 RMB'000	2018 RMB'000
At beginning of the year	**59,562**	31,020
Revenue recognised that was included in the contract liabilities at the beginning of the year	**(59,562)**	(31,020)
Increases due to cash received, excluding amounts recognised as revenue during the year	**64,880**	59,562
At end of the year	**64,880**	59,562

Contract liabilities included short-term advances received to deliver goods and render services. The increase in contract liabilities in 2019 was mainly due to the increase in short-term advances received from customers in relation to the sales of goods.

23. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Lease liabilities (note 14)	**39,306**	28,848
Payroll payable	**8,726**	11,014
Other taxes payable	**5,235**	11,020
Others	**31,483**	19,056
	84,750	69,938
Analysed into:		
Non-current portion	**30,925**	25,700
Current portion	**53,825**	44,238
	84,750	69,938

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

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured	4.75-5.655	February to October 2020	292,770	4.99—6.09	March to October 2019	134,000
Other loans — secured	4.20	May to June 2020	9,338	—	—	—
			302,108			134,000
Non-current						
Bank loans — secured	–	–	–	4.75	December 2020	39,200
Total			302,108			173,200

Notes:

(a) As at 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 RMB112,201,000 (note 17) as at 31 December 2019 (2018: nil);

(ii) the Group's buildings, which had a net carrying amount of approximately RMB8,398,000 (note 13) as at 31 December 2019 (2018: nil);

(iii) the Group's right-of-use assets, which had a net carrying amount of approximately RMB11,103,000 (note 14) as at 31 December 2019 (2018: nil);

(iv) a pledged deposit of approximately RMB24,800,000 (note 20) as at 31 December 2019 (2018: nil);

(v) certain buildings and leasehold lands held by the Group's related parties as at 31 December 2018; and

(vi) no personal guarantees by a director of the Company to certain subsidiaries of the Group in respect of any banking facilities as at 31 December 2019 (2018: RMB54,000,000).

25. SHARE CAPITAL

Shares

	2019	2018
Authorised:		
2,000,000,000 ordinary shares of HKD0.01 each as at 31 December 2019 (2018: 38,000,000 ordinary shares)	**HK$20,000,000**	HK$380,000
Issued and fully paid:		
500,000,000 ordinary shares of HK$0.01 each as at 31 December 2019 (2018: 7,500 ordinary shares)	**HK$5,000,000**	HK$75
Equivalent to	**RMB4,515,000**	RMB68

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

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

* Less than RMB1,000

Notes:

(a) The Company was incorporated in the Cayman Islands on 4 October 2018 with authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each and issued share capital of HKD75 divided into 7,500 ordinary shares of HK$0.01 each.

25. SHARE CAPITAL (continued)

Shares (continued)

Notes: (continued)

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

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

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

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 61 to 62 of this report.

Share premium

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

Other reserve

The balance represented the reserve arising from waiver of an amount due to a director, the corporate reorganisation and the aggregate paid-in capital of the subsidiaries acquired, offset by investment costs in subsidiaries of the Company during the corporate reorganisation.

Statutory surplus reserve

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

27. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings and bills payables are included in notes 13, 14, 17, 20, 21 and 24, respectively, to the financial statements.

28. COMMITMENTS

The Group had the following capital commitments at the end of each of the reporting period:

	2019 **RMB'000**	2018 RMB'000
Contracted, but not provided for:		
Buildings	**1,223**	19,327

29. CONTINGENT LIABILITIES

As at 31 December 2019 and 2018, the Group did not have any significant contingent liabilities.

30. RELATED PARTY TRANSACTIONS AND BALANCES

The directors are of the view that the following companies are related parties that had material transactions or balances with the Group during the year:

(a) Name and relationship of the related parties

Name	**Relationship**
Mr. Law Hau Kit	Director of the Company
Zhongshan New Century Car Rental Co., Ltd.* (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

30. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Outstanding balances with related parties

As disclosed in the consolidated statement of financial position, the Group had outstanding balances with its related parties as follows:

Amounts due from related parties

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

Amount due to a director

	2019 RMB'000	2018 RMB'000
Mr. Law Hau Kit	–	159,762

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

30. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(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

	2019 RMB'000	2018 RMB'000
Zhongshan New Century Car Rental Co., Ltd.*	**33,561**	2,680

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

(2) Services provided to related parties

	2019 RMB'000	2018 RMB'000
Zhongshan New Century Car Rental Co., Ltd.*	**258**	–
Huichuang Financial Leasing (Zhuhai) Co., Ltd.*	**112**	–
	370	–

30. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Transactions with related parties (continued)

(3) Rental fee paid to related parties

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

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 period, the Group did not identify any personnel as key management other than the directors of the Group.

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

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities during the reporting period is as follows:

2019

	Amount due to a director RMB'000	**Interest-bearing bank and other borrowings RMB'000**	**Total RMB'000**
At 1 January 2019	**159,762**	**173,200**	**332,962**
Payment for dividend during the year	**(10,000)**	**—**	**(10,000)**
Waiver of an amount due to a director	**(30,000)**	**—**	**(30,000)**
Changes from financing cash flows	**(119,762)**	**128,908**	**9,146**
At 31 December 2019	**—**	**302,108**	**302,108**

2018

	Amount due to a director RMB'000	Interest-bearing bank borrowings RMB'000	Total RMB'000
At 1 January 2018	192,752	70,000	262,752
Dividend payable during the year	10,000	—	10,000
Changes from financing cash flows	(42,990)	103,200	60,210
At 31 December 2018	159,762	173,200	332,962

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

2019

Financial assets

	2019 RMB'000	2018 RMB'000
Financial assets at amortised costs		
Trade receivables	**5,821**	2,144
Financial assets included in prepayments, other receivables and other assets	**17,967**	16,324
Amounts due from related companies	**48,163**	19,586
Pledged deposits	**114,140**	87,000
Cash and cash equivalents	**28,967**	50,047
	215,058	175,101

Financial liabilities

	2019 RMB'000	2018 RMB'000
Financial liabilities at amortised costs		
Trade and bills payables	**148,541**	109,808
Lease liabilities	**30,925**	25,700
Financial liabilities included in other payables and accruals	**39,864**	22,204
Amount due to a director	**—**	159,762
Interest-bearing bank and other borrowings	**302,108**	173,200
	521,438	490,674

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, pledged deposits and cash and cash equivalents. The Group has various other financial assets and liabilities such as trade receivables, trade receivables, deposits and other receivables, amount due to a director, amounts with related companies and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing the risks and it is summarised below.

Credit risk

The Group has no significant concentration of credit risk. The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit risk in respect of trade receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade receivables are normally settled within one month directly by major financial institutions. Normally, the Group does not obtain collateral from customers.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	31 December 2019			31 December 2018		
	12-month ECLs	Lifetime ECLs		12-month ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	5,880	5,880	–	2,166	2,166
Financial assets included in prepayments other receivables and other assets — Normal**	17,967	–	17,967	16,324	–	16,324
Amounts due from related companies — Normal**	48,163	–	48,163	19,586	–	19,586
Pledged deposits — Not yet past due	114,140	–	114,140	87,000	–	87,000
Cash and cash equivalents — Not yet past due	28,967	–	28,967	50,047	–	50,047
	209,237	5,880	215,117	172,957	2,166	175,123

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements.

** The credit quality of the amounts due from related companies and financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2019

	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	—	148,541	—	148,541
Lease liabilities	—	—	30,925	30,925
Financial liabilities included in other payables and accruals	—	39,864	—	39,864
Interest-bearing bank and other borrowings	—	312,667	—	312,667
	—	501,072	30,925	531,997

2018

	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	—	109,808	—	109,808
Lease liabilities	—	—	25,700	25,700
Financial liabilities included in other payables and accruals	—	22,204	—	22,204
Interest-bearing bank borrowings	—	141,953	41,056	183,009
Amount due to a director	159,762	—	—	159,762
	159,762	273,965	66,756	500,483

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debt. The Group's overall strategy remains unchanged during the year.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank and other borrowings and amount due to a director. The gearing ratios as at the end of the reporting periods were as follows:

	2019 **RMB'000**	2018 RMB'000
Interest-bearing bank and other borrowings	**302,108**	173,200
Amount due to a director	**—**	159,762
Total debt	**302,108**	332,962
Total equity	**241,636**	110,870
Gearing ratio	**125%**	300%

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	—*	—
Amounts due from subsidiaries	129,788	—
Total non-current assets	129,788	—
CURRENT ASSETS		
Prepayments, other receivables and other assets	5,765	—
Cash and cash equivalents	2,268	—
Total current assets	8,033	—
CURRENT LIABILITIES		
Other payables and accruals	1,992	—*
Amounts due to subsidiaries	3,423	—
Total current liabilities	5,415	—*
NET CURRENT ASSETS	2,618	—*
TOTAL ASSETS LESS CURRENT LIABILITIES	132,406	—*
Net assets	132,406	—*
EQUITY		
Share capital	4,515	—*
Reserves (note)	127,891	—
Total equity	132,406	—*

* Less than RMB1,000

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Other reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
At 31 December 2018 and 1 January 2019	–	–	–	–	–
Loss and total comprehensive loss for the year	–	–	(1,413)	(10,029)	(11,442)
Issue of shares	120,769	–	–	–	120,769
Share issue expenses	(8,050)	–	–	–	(8,050)
Capitalisation issue	(3,386)	–	–	–	(3,386)
Waiver of an amount due to a director	–	30,000	–	–	30,000
At 31 December 2019	109,333	30,000	(1,413)	(10,029)	127,891

36. EVENTS AFTER THE REPORTING PERIOD

The outbreak of the novel coronavirus (COVID-19) in early 2020 has spread across mainland China and beyond, causing disruptions to businesses and economic activities. The Group considers this outbreak to be a non-adjusting post-balance sheet event. As the epidemic is fluid and rapidly evolving, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2020.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and equity of the Group for the last four financial years, as extracted from this annual report and the accountant's report as contained in the Prospectus, is set out below.

RESULTS

	Year ended 31 December			
	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Revenue	1,834,701	1,904,919	1,940,311	**2,072,167**
Profit before taxation	23,098	43,441	53,500	**52,859**
Taxation	(8,332)	(12,762)	(19,062)	**(19,791)**
Profit for the year	14,766	30,679	34,438	**33,068**
Profit attributable to equity shareholders of the Company	14,766	30,679	34,438	**33,068**

ASSETS AND LIABILITIES

	As at 31 December			
	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Total Assets	638,677	617,561	695,627	**858,165**
Total Liabilities	(506,196)	(509,403)	(584,757)	**(616,529)**
	132,481	108,158	110,870	**241,636**
Equity attributable to equity shareholders of the Company	132,481	105,008	105,770	**239,636**
Non-controlling interests	—	3,150	5,100	**2,000**
	132,481	108,158	110,870	**241,636**