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**中升集團控股有限公司**  
**Zhongsheng Group Holdings Limited**

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

**(Stock code: 881)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Zhongsheng Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020, as follows:

**GROUP FINANCIAL HIGHLIGHTS**

- New car sales volume for the six months ended 30 June 2020 decreased by 7.8% to 197,188 units as compared to the corresponding period in 2019
- Revenue for the six months ended 30 June 2020 increased by 1.4% to RMB58,203.1 million as compared to the corresponding period in 2019, among which revenue from new car sales increased by 0.6% to RMB49,787.7 million while revenue from after-sales and accessories business increased by 6.1% to RMB8,415.4 million as compared to the corresponding period in 2019
- Income from value-added services for the six months ended 30 June 2020 increased by 8.0% to RMB1,306.5 million as compared to the corresponding period in 2019
- Profit attributable to owners of the parent for the six months ended 30 June 2020 was RMB2,291.7 million, representing an increase of 10.1% as compared to the corresponding period in 2019
- Basic earnings per Share was RMB1.009 for the six months ended 30 June 2020 (the corresponding period in 2019: RMB0.917)

## MARKET REVIEW

During the six months ended 30 June 2020, the outbreak of the COVID-19 exerted tremendous impact on the economic operation of China and across the globe. Currently, the overseas epidemic situation as well as the world economic situation are relatively severe and complicated. Overall speaking, China's epidemic prevention and control measures have been proven to be effective, and the epidemic situation has seen improving. In particular, China has gained progressive achievements in the overall planning of epidemic prevention and control as well as resumption of work and production. The Company believes that the impact of the epidemic situation is short-term, external, and controllable. Marginal improvements were seen in various economic indicators, which implied that the economic situation was gradually shaping up towards a better direction. China's basic livelihood safeguard is strong with the social situation as a whole remaining stable, and the fundamentals of long-term economic prosperity and its internal upward trend still remain unchanged. According to data from the National Bureau of Statistics of China, the gross domestic product (GDP) reached RMB45,661.4 billion for the six months ended 30 June 2020, representing a decrease of 1.6% as compared to the corresponding period in 2019. For the quarterly perspective, it went down by 6.8% in the first quarter, as compared to the corresponding period last year and increased by 3.2% in the second quarter. From the six months ended 30 June 2020, the added value of tertiary industry decreased by 1.6% over the corresponding period in 2019 and the decline had narrowed. Of which, in the second quarter, it went up by 1.9% as compared to the corresponding period in 2019. For the six months ended 30 June 2020, the number of new employees in urban areas nationwide was 5.64 million, achieving 62.7% of the annual target. The unemployment rate in urban areas had declined in June 2020 and the employment situation was generally stable.

After experiencing over two decades of continuous high-speed growth, China's automobile industry has begun an adjustment period since the second half of 2018, and the incremental market has gradually transformed into an inventory market. In early 2020, under a tremendously unfavourable situation, the automobile industry was further suffered from the sudden COVID-19 outbreak, in which the industry performance was worsened. During the six months ended 30 June 2020, as the COVID-19 gradually came under control and began to ease in China, the market began to enter into a growth recovery stage. Since March 2020, automobile sales have experienced a significant V-shaped rebound and become stable, and sales in May 2020 returned to a positive growth as compared to the corresponding period last year. According to the statistics published by the China Association of Automobile Manufacturers, during the six months ended 30 June 2020, the nationwide automobile production and sales volumes were approximately 10.10 million units and 10.28 million units, respectively, which decreased by approximately 16.8% and 16.9%, respectively, as compared to the corresponding period in 2019. However, the decrease was narrowed down to approximately 7.3% and 5.7%, respectively, when compared with January to May. With gradual market recovery and continuing branding differentiation, the Matthew effect in leading enterprises

continued to be prominent, which led to stronger brand capabilities in leading enterprises and, through decentralised production bases, strong supply chain management and comprehensive dealer network, rapid recovery and growth were achieved. The luxury brands spearheaded the market and seized more market share during the six months ended 30 June 2020. According to the statistics of the China Passenger Car Association (CPCA), luxury brands retail performance in June 2020 increased by 27% over the corresponding period in 2019, representing a period-to-period growth of 9%, and the market share reached a record high of 14.9%. Among passenger cars, three German brands had recovered strongly with Mercedes-Benz (including Smart) selling 346,067 units in China for the six months ended 30 June 2020, achieving a slight increase of 0.4% as compared to the corresponding period last year and an increase of 21.6% in the second quarter as compared to the corresponding period last year, and was the very few luxury brand that had achieved positive growth as compared to the corresponding period last year. The sales volume of BMW (including MINI) for the six months ended 30 June 2020 was approximately 329,096 units, representing a decrease of 6% as compared to the corresponding period last year, and sales volume increased by 17.1% in the second quarter as compared to the corresponding period last year, showing a relatively strong momentum. Audi also had a recovery growth, with sales volume of 301,817 units in the second quarter of 2020, which decreased by 3.2% as compared to the corresponding period last year, and maintained over 15% MoM growth for three consecutive months in the second quarter. For the six months ended 30 June 2020, Lexus, the Japanese luxury brand, had maintained a positive growth for four consecutive months after the COVID-19, and for the six months ended 30 June 2020, its sales volume in China had surpassed that in the US market, making China the largest market in the world. For the six months ended 30 June 2020, its sales volume in China reached 95,326 units, with an increase of 1.6% as compared to the corresponding period last year. According to the data from demand analysis, the consumers' demand for car purchases that was constrained by the epidemic has been gradually released since March 2020. At the same time, the epidemic has changed consumer's travelling habits and car purchase plans with the demand for travelling by private cars being strong and active. As the impact of the epidemic weakens, consumers' demand for car purchases increases and the upgrade trend becomes apparent, sales of luxury cars became the first to turn into positive growth, with new opportunities for luxury cars and mid-to-high-end brands in the future.

The government has taken various measures to facilitate the economy resuming normal and stabilise domestic automobile consumption. From state level to local level, a number of supporting measures have been introduced for automobile consumption, which involve seven aspects: capital subsidies, financial support, tax concession, infrastructure construction, car upgrades, car purchase quota relaxing and second-hand car market. The Ministry of Industry and Information Technology of China issued an opinion on 24 February 2020 to encourage regions with car purchase restrictions to increase automobile plate quotas appropriately to drive the consumption of cars and related products. Thereafter, certain provinces and cities mentioned the relaxing of purchase restrictions and the introduction of new car purchase quota when releasing the relevant policies. Encouraging replacement of old car models with new ones is one of the methods to stimulate consumption under the epidemic. Many cities have also introduced the latest motor vehicle retirement standards and automobile replacement subsidy policies. For example, on 31 March 2020, Premier Li Keqiang, in chairing an executive meeting of the State Council, mentioned that the central government would adopt the “rewards replacing subsidies” (以獎代補) method to support Beijing-Tianjin-Hebei and other key regions in phasing out diesel trucks with emission standards below National III standards. Moreover, a total of 40 provinces or cities have promulgated funding subsidy policies, with Southern China enjoying the highest subsidies. In the second half of 2020, it is expected that the government will continue to introduce stimulating and supporting policies for the automobile market, and continuous recovery of the automobile market will become a major trend.

According to the statistics published by the Ministry of Public Security of China, national motor vehicle ownership reached 360 million units as at June 2020, 270 million units of which were automobile ownership, representing 75% of the total motor vehicle volume. New energy vehicle ownership reached 4.17 million. For the six months ended 30 June 2020, the newly registered motor vehicles nationwide amounted to 14.14 million units, representing a decrease of 980,000 units as compared to the corresponding period last year, 10.42 million units of which were first-time registrations, representing a decrease of approximately two million units as compared to the corresponding period last year. There are 69 cities in China with automobile ownership exceeding one million units, among which 12 cities, including Beijing and Chengdu, have automobile ownership of over three million units.

As far as the second-hand automobile market is concerned, the transaction growth in the second-hand car market had slowed down during the six months ended 30 June 2020 due to the epidemic. According to the statistics published by the China Automobile Dealers Association, the total transaction volume of second-hand automobile nationwide reached approximately 5.50 million units for the six months ended 30 June 2020, representing a decrease of 19.6% as compared to the corresponding period last year, and the decline had narrowed down from the previous quarter. On 9 April 2020, the Ministry of Finance and the State Taxation Administration of China promulgated a notice on value-added tax policy for the distribution of second-hand cars: from 1 May 2020 to 31 December 2023, for taxpayers who are engaged in second-hand car dealership which re-sell the second-hand cars that they purchased, they should pay value-added tax according to the reduced rate of 0.5% instead of the initial reduced rate of 2% (which was reduced from 3%). Moreover, at the press conference on 9 April 2020, the person-in-charge of the Ministry of Commerce of China also mentioned that it is necessary to further facilitate the abolition of second-hand car ownership transfer restriction policies and promote free trade of second-hand cars. By taking multiple measures simultaneously, it is believed that the second-hand car market will enjoy a high-quality development in the future.

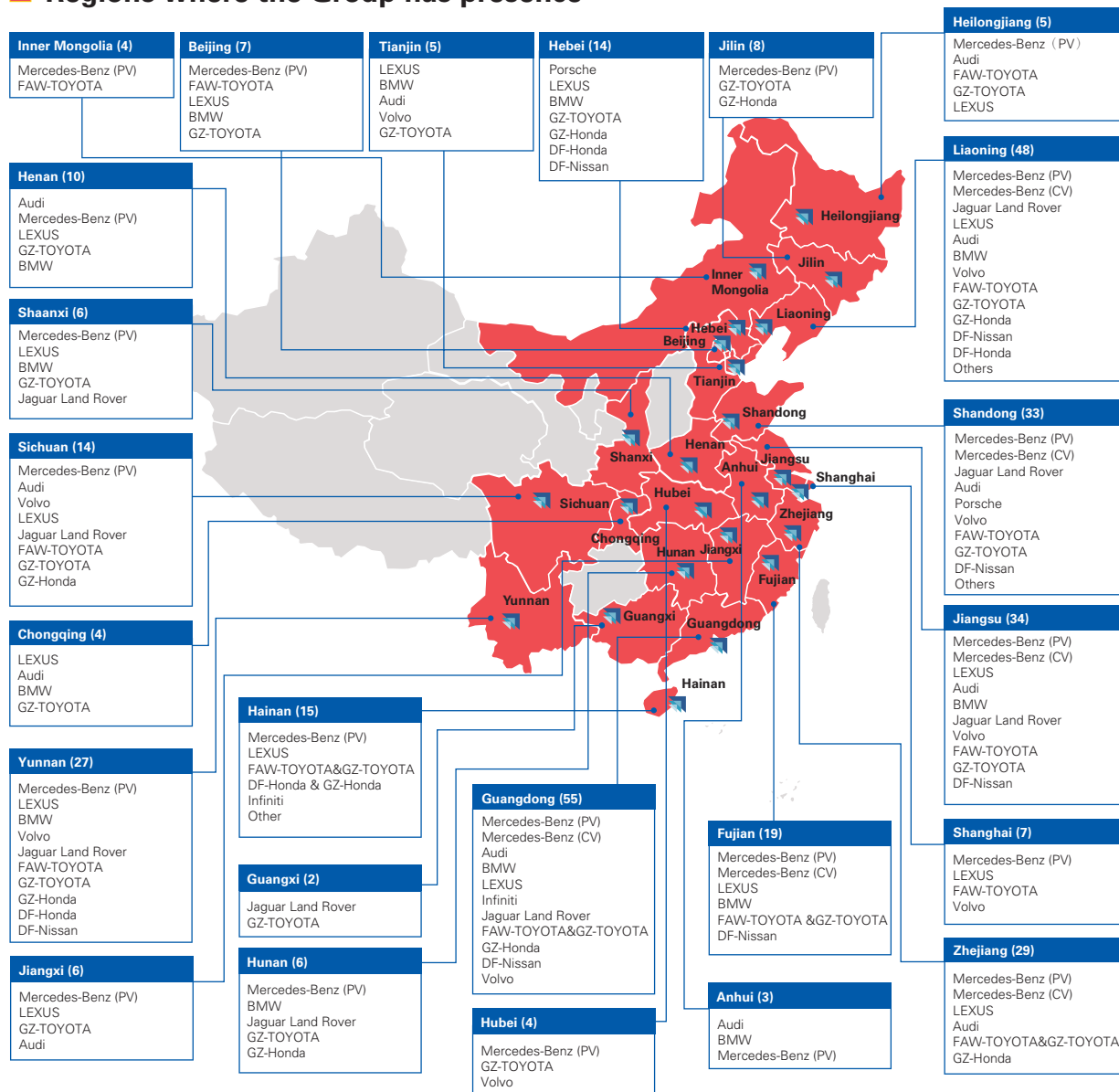
## **BUSINESS REVIEW**

### **Upholding the “Brand + Region” Portfolio Strategy and Strengthening Sales Network in Key Regions**

According to the statistics released by the Ministry of Public Security of China, there are 69 cities with over one million automobile ownership across China, representing an increase of three cities over the corresponding period of last year. Among these cities, 31 cities have over two million automobile ownership, and 12 cities have over three million automobile ownership, which in order of volume are Beijing, Chengdu, Chongqing, Suzhou, Shanghai, Zhengzhou, Xi’an, Wuhan, Shenzhen, Dongguan, Tianjin and Qingdao. The automobile ownership in Beijing has exceeded six million, while automobile ownership in Chengdu has surpassed the five million. At the same time, market survey data revealed that automobile consumption demand in new first-tier cities has emerged rapidly after the epidemic outbreak. The Group will further strengthen its network development in the major cities in key regions.

The Group always upholds the “Brand + Region” strategy to deepen the optimisation of its existing brand portfolio. At the same time, the Group will continue to develop new regions in addition to expanding its existing regional network advantages. As at 30 June 2020, the total number of the Group’s dealerships increased to 365, of which 210 are luxury brand dealerships and 155 mid-to-high-end brand dealerships, covering 24 provinces, municipalities or autonomous regions and over 90 cities in China. As at 30 June 2020, the geographical distribution of the Group’s dealership is as follows:

### Regions where the Group has presence



Currently, the Group’s brand portfolio covers luxury brands such as Mercedes-Benz, Lexus, Audi, BMW, Volvo, Jaguar and Land Rover, as well as mid-to-high-end brands such as Toyota, Nissan and Honda.



## **Each Business Segment Grew Steadily under Pressure; Operational Efficiency and Profitability Remained Sound**

During the six months ended 30 June 2020, the lockdown measures were implemented one after another nationwide around the Chinese New Year due to the widespread epidemic. The Group witnessed a notable decrease in customers visits in dealership in February 2020 as well as its new automobile sales volume, and the number of visits of after-sales services were also affected tremendously. With the nationwide resumption in production and work advanced in March 2020, the Group responded to the government's call by promptly resuming production and work, with operating results demonstrating a strong recovery and growth momentum from March to June 2020.

For the six months ended 30 June 2020, the Group achieved new automobile sales volume of 197,188 units, representing a decrease of 7.8% as compared to the corresponding period last year, of which sales volume for luxury brands reached 111,653 units, accounting for 56.6% of the Group's total sales volume and representing a significant increase of 5.7% as compared to the corresponding period last year, with the Group's product structure further optimised. The revenue generated from new automobile sales for the six months ended 30 June 2020 amounted to RMB49,787.7 million, representing an increase of 0.6% over the corresponding period in 2019.

For the six months ended 30 June 2020, the Group's after-sales and accessories business recovered and grew quickly after the epidemic through diversified and innovative services and further refined management and operating measures, and the number of visits of after-sales services achieved a double-digit growth as compared to the corresponding period last year. For the six months ended 30 June 2020, its revenue reached RMB8,415.4 million, representing an increase of 6.1% as compared to the corresponding period last year, which accounted for 14.5% of the Group's total revenue. The automobile after-sales market will continue to be the main growth driver in the automobile industry going forward in which it will be further consolidated to become a monopolistic and scalable industry.

As one of the Group's core growth power in the future, the value-added service business segment, which includes car insurance, car financing and second-hand automobiles, has maintained steady growth despite having under heavy pressure during the six months ended 30 June 2020. It achieved a revenue from value-added services of RMB1,306.5 million for the six months ended 30 June 2020, representing an increase of 8.0% as compared to the corresponding period last year. The second-hand automobile segment was the focus of business in 2020, and the trade volume for second-hand automobiles reached 40,676 units for the six months ended 30 June 2020, representing a significant increase of approximately 33.9% as compared to the corresponding period last year despite the adverse market conditions. For the six months ended 30 June 2020, the Group's car financing penetration of new automobile sales further increased significantly to approximately 58.6%. Based on market data, the Company expects that the industry financial penetration rate will increase further in the future.

## **FUTURE STRATEGIES AND OUTLOOK**

China's automobile industry has entered into a period of stable growth from a period of rapid growth, and has gradually stepped into a transition period from quantitative change to qualitative change. The automobile industry is entering into a period of transformation and enhancement. With the boost from the transformation and upgrading of the industry, the industry concentration will continue to increase. During the process, the survival of the fittest among enterprises is accelerating and differentiation is intensifying, some brands will gradually pull out from the competition, and certain dealers will eventually close down or sell their business operations. Industry integration, stronger leading players, scalable advantages and strong refined management advantages of the leading players in the industry will continue to highlight the Matthew effect.

Facing the challenges and opportunities brought by the transformation and enhancement of the China's automobile market, the Group will adhere to its people-oriented and customer-first principles and enhance in-depth co-operation with industry chain participants. Leveraging its over 20 years of industry experience and solid management foundation and economy of scale, the Group will strengthen its operation and management efficiency, continue to promote product structural optimisation, service standards and customer satisfaction, strengthen the competitive advantages of its core brands, and accelerate the layout and deepening of the distribution networks in the key regions in China through refined management to sustain the long-term development potential and competitive edge of the Group.



**Consolidated Interim Statement of Profit or Loss**  
*For the six months ended 30 June 2020*

		<b>Unaudited</b>	
		<b>For the six months ended 30 June 2020</b>	<b>For the six months ended 30 June 2019</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>REVENUE</b>	<i>4(a)</i>	<b>58,203,121</b>	57,412,556
Cost of sales and services provided	<i>5(b)</i>	<u><b>(52,793,477)</b></u>	<u>(52,214,209)</u>
<b>Gross profit</b>		<b>5,409,644</b>	5,198,347
Other income and gains, net	<i>4(b)</i>	<b>1,474,194</b>	1,356,684
Selling and distribution expenses		<b>(2,313,624)</b>	(2,227,166)
Administrative expenses		<u><b>(768,023)</b></u>	<u>(766,527)</u>
<b>Profit from operations</b>		<b>3,802,191</b>	3,561,338
Finance costs	<i>6</i>	<b>(610,261)</b>	(650,895)
Share of profits/(losses) of:			
Joint ventures		<b>1,598</b>	367
An associate		<u><b>(1,083)</b></u>	<u>—</u>
<b>Profit before tax</b>	<i>5</i>	<b>3,192,445</b>	2,910,810
Income tax expense	<i>7</i>	<u><b>(883,313)</b></u>	<u>(808,167)</u>
<b>Profit for the period</b>		<u><b>2,309,132</b></u>	<u>2,102,643</u>
<b>Attributable to:</b>			
Owners of the parent		<b>2,291,698</b>	2,082,293
Non-controlling interests		<u><b>17,434</b></u>	<u>20,350</u>
		<u><b>2,309,132</b></u>	<u>2,102,643</u>
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic			
— For profit for the period (RMB)	<i>9</i>	<u><b>1.009</b></u>	<u>0.917</u>
Diluted			
— For profit for the period (RMB)	<i>9</i>	<u><b>0.978</b></u>	<u>0.889</u>

**Consolidated Interim Statement of Comprehensive Income**  
*For the six months ended 30 June 2020*

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 RMB'000</b>	<b>For the six months ended 30 June 2019 RMB'000</b>
<b>Profit for the period</b>	<u>2,309,132</u>	<u>2,102,643</u>
<b>Other comprehensive loss</b>		
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(192,060)</u>	<u>(34,341)</u>
<b>Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods</b>	<u>(192,060)</u>	<u>(34,341)</u>
<b>Other comprehensive loss for the period, net of tax</b>	<u>(192,060)</u>	<u>(34,341)</u>
<b>Total comprehensive income for the period</b>	<u><u>2,117,072</u></u>	<u><u>2,068,302</u></u>
<b>Attributable to:</b>		
Owners of the parent	2,099,638	2,047,952
Non-controlling interests	<u>17,434</u>	<u>20,350</u>
	<u><u>2,117,072</u></u>	<u><u>2,068,302</u></u>

**Consolidated Interim Statement of Financial Position**  
30 June 2020

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2020</b>	2019
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>12,795,823</b>	12,361,556
Right-of-use assets		<b>4,140,200</b>	4,195,225
Land use rights		<b>2,883,492</b>	2,931,884
Prepayments		<b>1,491,951</b>	731,332
Intangible assets		<b>6,220,861</b>	6,217,559
Goodwill		<b>4,728,821</b>	4,640,137
Investments in joint ventures		<b>45,860</b>	44,262
Investment in an associate		<b>1,917</b>	3,000
Deferred tax assets		<b>266,986</b>	257,580
		<hr/>	<hr/>
Total non-current assets		<b>32,575,911</b>	31,382,535
<b>CURRENT ASSETS</b>			
Inventories	<i>10</i>	<b>9,411,318</b>	9,828,486
Trade receivables	<i>11</i>	<b>1,489,598</b>	1,462,767
Prepayments, other receivables and other assets		<b>11,285,778</b>	11,645,669
Amounts due from related parties	<i>20(b)(i)</i>	<b>1,712</b>	727
Financial assets at fair value through profit or loss		<b>149,640</b>	997,908
Pledged bank deposits		<b>1,315,617</b>	1,341,025
Cash in transit		<b>363,071</b>	263,989
Cash and cash equivalents		<b>8,225,908</b>	6,101,176
		<hr/>	<hr/>
Total current assets		<b>32,242,642</b>	31,641,747

**Consolidated Interim Statement of Financial Position (Continued)**  
30 June 2020

		Unaudited 30 June 2020 <i>RMB'000</i>	Audited 31 December 2019 <i>RMB'000</i>
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Bank loans and other borrowings	12	16,129,502	17,089,711
Trade and bills payables	13	4,872,937	4,875,067
Other payables and accruals		2,943,308	3,223,610
Other liabilities		245,000	245,000
Lease liabilities		251,374	236,636
Amounts due to related parties	20(b)(ii)	311	436
Income tax payable		1,589,893	1,476,360
Dividends payable		933,745	9
		<u>26,966,070</u>	<u>27,146,829</u>
Total current liabilities			
Net current assets		<u>5,276,572</u>	<u>4,494,918</u>
Total assets less current liabilities		<u>37,852,483</u>	<u>35,877,453</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		1,940,617	1,917,525
Convertible bonds	14	5,428,342	4,293,929
Lease liabilities		3,571,831	3,564,989
Bank loans and other borrowings	12	4,261,055	3,924,341
		<u>15,201,845</u>	<u>13,700,784</u>
Total non-current liabilities			
Net assets		<u>22,650,638</u>	<u>22,176,669</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	15	197	197
Reserves		22,226,681	21,758,356
		<u>22,226,878</u>	<u>21,758,553</u>
Non-controlling interests		423,760	418,116
Total equity		<u>22,650,638</u>	<u>22,176,669</u>

## Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2020

	Unaudited Attributable to owners of the parent												
	Share capital RMB'000	Share premium RMB'000	Share Option Reserve RMB'000	Equity component of convertible bonds RMB'000	Discretionary reserve fund RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>At 1 January 2019</b>	197	6,212,816	33,367	113,139	37,110	1,911,052	(1,386,176)	(1,551,247)	(554,290)	13,423,647	18,239,615	796,608	19,036,223
Profit for the period	—	—	—	—	—	—	—	—	—	2,082,293	2,082,293	20,350	2,102,643
Other comprehensive loss for the period:													
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(34,341)	—	(34,341)	—	(34,341)
<b>Total comprehensive income for the period</b>	—	—	—	—	—	—	—	—	(34,341)	2,082,293	2,047,952	20,350	2,068,302
Non-controlling interests arising from acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	36,872	36,872
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(75,998)	(75,998)
Equity-settled share-based transactions	—	—	16,024	—	—	—	—	—	—	—	16,024	—	16,024
Final 2018 dividend declared	—	(738,698)	—	—	—	—	—	—	—	—	(738,698)	—	(738,698)
<b>At 30 June 2019</b>	197	5,474,118	49,391	113,139	37,110	1,911,052	(1,386,176)	(1,551,247)	(588,631)	15,505,940	19,564,893	777,832	20,342,725
<b>At 1 January 2020</b>	197	5,474,118	49,391	113,139	37,110	2,374,646	(1,386,176)	(1,629,247)	(736,351)	17,461,726	21,758,553	418,116	22,176,669
Profit for the period	—	—	—	—	—	—	—	—	—	2,291,698	2,291,698	17,434	2,309,132
Other comprehensive loss for the period:													
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(192,060)	—	(192,060)	—	(192,060)
<b>Total comprehensive income for the period</b>	—	—	—	—	—	—	—	—	(192,060)	2,291,698	2,099,638	17,434	2,117,072
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(11,790)	(11,790)
Transfer of equity component of convertible bonds upon the redemption of convertible bonds	—	—	—	(79,799)	—	—	—	(649,397)	—	—	(729,196)	—	(729,196)
Issue of convertible bonds	—	—	—	30,484	—	—	—	—	—	—	30,484	—	30,484
Final 2019 dividend declared	—	(932,601)	—	—	—	—	—	—	—	—	(932,601)	—	(932,601)
<b>At 30 June 2020</b>	197	4,541,517	49,391	63,824	37,110	2,374,646	(1,386,176)	(2,278,644)	(928,411)	19,753,424	22,226,878	423,760	22,650,638

**Consolidated Interim Statement of Cash Flows**  
For the six months ended 30 June 2020

	Notes	Unaudited	
		For the six months ended 30 June 2020 RMB'000	For the six months ended 30 June 2019 RMB'000
<b>Operating activities</b>			
Profit before tax		3,192,445	2,910,810
Adjustments for:			
Share of profits of joint ventures and an associate		(515)	(367)
Depreciation and impairment of property, plant and equipment	5(c)	519,589	478,049
Depreciation of right-of-use assets	5(c)	224,743	123,680
Amortisation of land use rights	5(c)	46,591	44,907
Amortisation of intangible assets	5(c)	132,013	128,994
Impairment of trade receivables	5(c)	1,863	4,637
Interest income	4(b)	(24,759)	(23,978)
Net (gains)/losses on disposal of items of property, plant and equipment	4(b)	(7,543)	2,283
Finance costs	6	610,261	650,895
Fair value losses/(gains), net:			
— Listed equity investments held for trading	4(b)	9,522	(2,548)
— Financial products	4(b)	767	(1,314)
Dividend income from listed equity investment	4(b)	(1,020)	(981)
Equity-settled share option expense	5(a)	—	16,024
Write-down of inventories to net realisable value	5(c)	1,610	1,918
Investment income from financial assets at fair value through profit or loss	4(b)	(28,330)	—
Expense on redemption of convertible bonds		8,039	—
		<b>4,685,276</b>	<b>4,333,009</b>
Increase in cash in transit		(98,543)	(327,390)
Increase in trade receivables		(19,074)	(357,706)
Decrease in prepayments, other receivables and other assets		426,602	104,970
Decrease in inventories		487,788	1,816,278
Increase in trade payables		239,494	72,464
(Decrease)/increase in other payables and accruals		(187,785)	58,653
Increase in amounts due from related parties			
— trade related		(985)	(630)
Decrease in amounts due to related parties			
— trade related		(124)	(127)
<b>Cash generated from operations</b>		<b>5,532,649</b>	<b>5,699,521</b>
Tax paid		(788,831)	(835,652)
<b>Net cash generated from operating activities</b>		<b>4,743,818</b>	<b>4,863,869</b>



**Consolidated Interim Statement of Cash Flows (Continued)**  
*For the six months ended 30 June 2020*

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 RMB'000</b>	<b>For the six months ended 30 June 2019 RMB'000</b>
<b>Investing activities</b>		
Purchase of items of property, plant and equipment	(1,173,391)	(1,269,909)
Proceeds from disposal of items of property, plant and equipment	329,058	413,855
Purchase of land use rights	(18,868)	(43,162)
Proceeds from disposal of land use rights	—	34,425
Purchase of intangible assets	(2,752)	(6,364)
Prepayments for the potential acquisitions of equity interests from third parties	(996,425)	(116,748)
Acquisitions of subsidiaries	1,831	38,561
Increase in prepayments, other receivables and other assets	(128,553)	(87,990)
Interest received	24,759	23,976
Proceeds/(purchase) of financial assets at fair value through profit or loss, net	842,550	(785,800)
Investment income from financial assets at fair value through profit or loss	28,330	—
Proceeds on disposal of subsidiaries, net of cash	—	4,000
<b>Net cash used in investing activities</b>	<b><u>(1,093,461)</u></b>	<b><u>(1,795,156)</u></b>

**Consolidated Interim Statement of Cash Flows (Continued)**  
For the six months ended 30 June 2020

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 RMB'000</b>	<b>For the six months ended 30 June 2019 RMB'000</b>
<b>Financing activities</b>		
Proceeds from issue of convertible bonds	4,132,148	—
Proceeds from bank loans and other borrowings	46,946,199	41,938,445
Repayments of bank loans and other borrowings	(47,700,605)	(43,882,331)
Decrease in pledged bank deposits	25,412	161,132
Decrease in notes payable	(286,407)	(263,100)
Lease payments	(271,955)	(314,321)
Redemption of convertible bonds	(3,882,709)	—
Decrease/(increase) in deposits to entities controlled by suppliers for borrowings	26,894	(24,181)
Interest paid for bank loans and other borrowings	(435,640)	(538,933)
Finance lease rental payments	—	(5,617)
Dividend paid to non-controlling shareholders	(11,790)	(75,998)
Acquisition of non-controlling interests	(78,000)	—
<b>Net cash used in financing activities</b>	<b>(1,536,453)</b>	<b>(3,004,904)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,113,904</b>	<b>63,809</b>
Cash and cash equivalents at beginning of period	6,101,176	6,142,664
Effect of foreign exchange rate changes, net	10,828	1,986
<b>Cash and cash equivalents at end of period</b>	<b>8,225,908</b>	<b>6,208,459</b>

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2020

### 1. GENERAL INFORMATION

Zhongsheng Group Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the sale and service of motor vehicles in Mainland China.

The Company was incorporated on 23 June 2008 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The Company has established a principal place of business which is located at Rooms 1803-09, 18th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

In the opinion of the directors of the Company (the “Directors”), the ultimate Controlling Shareholders of the Company are Mr. Huang Yi and Mr. Li Guoqiang.

The condensed consolidated interim financial statement for the six months ended 30 June 2020 have been presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. These condensed consolidated interim financial statements were approved for issue on 10 August 2020. These condensed consolidated interim financial statements have not been audited.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
*30 June 2020*

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

**2.2 Changes in accounting policies and disclosures**

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 And HKAS 8	<i>Definition of Material</i>

The revised standards have had no significant financial effect on these financial statements.

**3. OPERATING SEGMENT INFORMATION**

The Group is engaged in the principal business of sale and service of motor vehicles. For management purposes, the Group operates in one business unit based on its products and has one reportable segment which is the sale of motor vehicles and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

**Information about geographical area**

Since over 90% of the Group's revenue and operating profit were generated from the sale and service of motor vehicles in Mainland China and over 90% of the Group's non-current assets other than deferred tax assets were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segment*.

**Information about major customers**

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the six months ended 30 June 2020, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2020**

**4. REVENUE, OTHER INCOME AND GAINS, NET**

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

**(a) Revenue**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 RMB'000</b>	<b>For the six months ended 30 June 2019 RMB'000</b>
<b>Revenue from contracts with customers</b>		
Disaggregated revenue information		
<b>Types of goods or service</b>		
Revenue from the sales of motor vehicles	49,787,697	49,484,492
Revenue from after-sales service	<u>8,415,424</u>	<u>7,928,064</u>
Total revenue from contracts with customers	<u><u>58,203,121</u></u>	<u><u>57,412,556</u></u>
<b>Timing of revenue recognition</b>		
At a point in time	<u><u>58,203,121</u></u>	<u><u>57,412,556</u></u>

**(b) Other income and gains, net:**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 RMB'000</b>	<b>For the six months ended 30 June 2019 RMB'000</b>
Commission income	1,306,520	1,209,713
Rental income	13,937	11,117
Government grants	44,697	26,559
Interest income	24,759	23,978
Net gains/(losses) on disposal of items of property, plant and equipment	7,543	(2,283)
Fair value (losses)/gains, net:		
Financial assets at fair value through profit or loss		
— listed equity investments	(9,522)	2,548
— financial products	(767)	1,314
Dividend income from listed equity investments	1,020	981
Investment income from financial assets at fair value through profit or loss	28,330	—
Others	<u>57,677</u>	<u>82,757</u>
	<u><u>1,474,194</u></u>	<u><u>1,356,684</u></u>

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2020**

**5. PROFIT BEFORE TAX**

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

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 RMB'000</b>	<b>For the six months ended 30 June 2019 RMB'000</b>
<b>(a) Employee benefit expense (including directors' and chief executive officer's remuneration):</b>		
Wages and salaries	1,643,808	1,655,478
Pension scheme contributions	127,254	232,863
Other welfare	113,214	104,889
Equity-settled share option expense	—	16,024
	<b>1,884,276</b>	<b>2,009,254</b>
<b>(b) Cost of sales and services provided:</b>		
Cost of sales of motor vehicles	48,294,274	48,169,401
Others	4,499,203	4,044,808
	<b>52,793,477</b>	<b>52,214,209</b>
<b>(c) Other items:</b>		
Depreciation and impairment of property, plant and equipment	519,589	478,049
Amortisation of land use rights	46,591	44,907
Amortisation of intangible assets	132,013	128,994
Promotion and advertisement	367,230	334,041
Office expenses	116,314	148,740
Depreciation of right-of-use assets	224,743	123,680
Lease expenses	21,006	10,880
Logistics expenses	61,362	58,793
Impairment of trade receivables	1,863	4,637
Write-down of inventories to net realisable value	1,610	1,918
Net (gains)/losses on disposal of items of property, plant and equipment	(7,543)	2,283
Investment income from financial assets at fair value through profit or loss	(28,330)	—
Dividend income from listed equity investments	(1,020)	(981)
Fair value losses/(gains), net:		
Financial assets at fair value through profit or loss		
— listed equity investments	9,522	(2,548)
— financial products	767	(1,314)
	<b>9,522</b>	<b>(2,548)</b>
	<b>767</b>	<b>(1,314)</b>



**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2020**

**6. FINANCE COSTS**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 RMB'000</b>	<b>For the six months ended 30 June 2019 RMB'000</b>
Interest expense on bank borrowings	403,748	484,750
Interest expense on convertible bonds	84,074	76,196
Interest expense on other borrowings	36,799	51,135
Interest expense on lease liabilities	123,817	87,952
Interest capitalised	<u>(38,177)</u>	<u>(49,138)</u>
	<b><u>610,261</u></b>	<b><u>650,895</u></b>

**7. INCOME TAX EXPENSE**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 RMB'000</b>	<b>For the six months ended 30 June 2019 RMB'000</b>
Current Mainland China corporate income tax	902,352	808,182
Deferred tax	<u>(19,039)</u>	<u>(15)</u>
	<b><u>883,313</u></b>	<b><u>808,167</u></b>

**8. DIVIDENDS**

The Directors of the Company proposed not to declare any interim dividend for the six months ended 30 June 2020.

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,271,697,955 (six months ended 30 June 2019: 2,271,697,955) in issue during the period.

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

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2020**

**9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)**

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

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 RMB'000</b>	<b>For the six months ended 30 June 2019 RMB'000</b>
<b>Earnings</b>		
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	2,291,698	2,082,293
Interest on convertible bonds	84,074	76,196
	<u>2,375,772</u>	<u>2,158,489</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,271,697,955	2,271,697,955
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	154,295,933	156,597,763
Share option	3,266,840	—
	<u>2,429,260,728</u>	<u>2,428,295,718</u>
<b>Earnings per share (RMB)</b>		
Basic	1.009	0.917
Diluted	0.978	0.889

**10. INVENTORIES**

	<b>Unaudited 30 June 2020 RMB'000</b>	<b>Audited 31 December 2019 RMB'000</b>
Motor vehicles	8,660,741	9,035,201
Spare parts and others	761,769	802,867
	<u>9,422,510</u>	<u>9,838,068</u>
Less: provision for inventories	11,192	9,582
	<u>9,411,318</u>	<u>9,828,486</u>

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2020**

**11. TRADE RECEIVABLES**

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
Trade receivables	<b><u>1,489,598</u></b>	<u>1,462,767</u>

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
Within 3 months	<b>1,409,758</b>	1,410,924
More than 3 months but less than 1 year	<b>41,058</b>	41,107
Over 1 year	<b><u>38,782</u></b>	<u>10,736</u>
	<b><u>1,489,598</u></b>	<u>1,462,767</u>

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2020**

**12. BANK LOANS AND OTHER BORROWINGS**

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <b>RMB'000</b>	<b>Audited</b> <b>31 December</b> <b>2019</b> <b>RMB'000</b>
Bank loans and overdrafts repayable:		
— within one year or on demand	<b>10,384,135</b>	11,362,757
— in the second year	<b>1,149,240</b>	988,274
— in the third to fifth years	<b>1,141,007</b>	611,181
	<u><b>12,674,382</b></u>	<u>12,962,212</u>
Other borrowings repayable:		
— within one year	<b>4,379,818</b>	4,448,633
Syndicated term loan:		
— within one year	<b>1,365,549</b>	1,278,320
— in the second year	<b>1,970,808</b>	2,324,887
	<u><b>3,336,357</b></u>	<u>3,603,207</u>
Total bank loans and other borrowings	<b>20,390,557</b>	21,014,052
Less: portion classified as current liabilities	<b>16,129,502</b>	17,089,711
Long-term portion	<u><b>4,261,055</b></u>	<u>3,924,341</u>

**13. TRADE AND BILLS PAYABLES**

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <b>RMB'000</b>	<b>Audited</b> <b>31 December</b> <b>2019</b> <b>RMB'000</b>
Trade payables	<b>1,943,633</b>	1,659,356
Bills payable	<b>2,929,304</b>	3,215,711
Trade and bills payables	<u><b>4,872,937</b></u>	<u>4,875,067</u>

The trade and bills payables are non-interest-bearing.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2020**

**13. TRADE AND BILLS PAYABLES (Continued)**

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <b>RMB'000</b>	Audited 31 December 2019 <b>RMB'000</b>
Within 3 months	<b>4,605,733</b>	4,568,395
3 to 6 months	<b>239,927</b>	285,097
6 to 12 months	<b>18,925</b>	15,452
Over 12 months	<b>8,352</b>	6,123
	<b>4,872,937</b>	4,875,067

**14. CONVERTIBLE BONDS**

- (i) On 23 May 2018, the Company issued zero coupon convertible bonds due 2023 with a nominal value of HK\$4,700,000,000 (the “2023 convertible bonds”). The bonds were convertible at the option of the bondholders into ordinary shares at any time on or after 3 July 2018 until and including 12 May 2023 at a conversion price of HK\$30.0132 per share. Any convertible bonds not converted will be redeemed on 23 May 2023 at 114.63% of their principal amount. During the period ended 30 June 2020, the Company has redeemed principal amounts of HK\$3,315,000,000 of the bonds. For the remaining principal amounts of HK\$1,385,000,000 of the bonds, there was no conversion during the period.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during 2018 have been split into the liability and equity components as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <b>RMB'000</b>	Audited 31 December 2019 <b>RMB'000</b>
Nominal value of 2023 convertible bonds	<b>3,818,374</b>	3,818,374
Equity component	<b>(114,324)</b>	(114,324)
Direct transaction costs attributable to the liability component	<b>(38,377)</b>	(38,377)
Liability component at the issuance date	<b>3,665,673</b>	3,665,673
Interest expense	<b>312,809</b>	246,190
Redemption of the 2023 convertible bonds	<b>(3,135,457)</b>	—
Exchange realignment	<b>470,693</b>	382,066
Liability component at the end of the period	<b>1,313,718</b>	4,293,929
Less: portion classified as current liabilities	—	—
Long-term portion	<b>1,313,718</b>	4,293,929

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2020**

**14. CONVERTIBLE BONDS (Continued)**

- (ii) On 21 May 2020, the Company issued zero coupon convertible bonds due 2025 with a nominal value of HK\$4,560,000,000 (the “2025 Convertible Bonds”). There was no movement in the number of these convertible bonds during the period. The bonds were convertible at the option of the bondholders into ordinary shares at any time on or after 1 July 2020 until and including 11 May 2025 at a conversion price of HK\$45.61 per share. Any convertible bonds not converted will be redeemed on 21 May 2025 at 117.49% of their principal amount. There was no conversion of the 2025 Convertible Bonds during the period.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders’ equity.

The convertible bonds issued during the period have been split into the liability and equity components as follows:

	<b>Unaudited 30 June 2020 RMB’000</b>	<b>Audited 31 December 2019 RMB’000</b>
Nominal value of 2025 Convertible Bonds	4,169,664	—
Equity component	(30,760)	—
Direct transaction costs attributable to the liability component	<u>(37,239)</u>	<u>—</u>
Liability component at the issuance date	4,101,665	—
Interest expense	17,455	—
Exchange realignment	<u>(4,496)</u>	<u>—</u>
Liability component at the end of the period	4,114,624	—
Less: portion classified as current liabilities	<u>—</u>	<u>—</u>
Long-term portion	<u><u>4,114,624</u></u>	<u><u>—</u></u>

**15. SHARE CAPITAL**

	<b>Unaudited 30 June 2020</b>	<b>Audited 31 December 2019</b>
Authorised:		
1,000,000,000,000 shares of HK\$0.0001 each (HK\$’000)	<u><u>100,000</u></u>	<u><u>100,000</u></u>
Issued and fully paid:		
2,271,697,955 (2019: 2,271,697,955) ordinary shares (HK\$’000)	<u><u>227</u></u>	<u><u>227</u></u>
Equivalent to RMB’000	<u><u>197</u></u>	<u><u>197</u></u>



**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2020**

**16. SHARE OPTION SCHEME**

The Company operated a share option scheme (the “Scheme”) for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the employee, management member or director of the Company, or any of the Company’s subsidiaries and third-party service providers. The Scheme was conditionally approved by a resolution of the shareholders on 9 February 2010 and adopted by a resolution of the Board on the same day. The Scheme expired on 25 March 2020.

The share options granted under the Scheme do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

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

	30 June 2020		Unaudited 30 June 2019	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	<u>22.60</u>	<u>11,000</u>	22.60	11,000
At 30 June	<u><u>22.60</u></u>	<u><u>11,000</u></u>	<u><u>22.60</u></u>	<u><u>11,000</u></u>

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

Number of options '000	30 June 2020 Exercise price HK\$ per share	Exercise period
11,000	22.60	26 April 2019 to 25 April 2028 (both dates inclusive)

The fair value of the share options granted during 2018 was HK\$58,135,000 (HK\$5.29 each). No equity-settled share option expense has been recognised by the Group in the statement of profit or loss during this period (six months ended 30 June 2019: HK\$18,476,000).

The fair value of these share options granted determined using the Binomial Option Pricing Model. The significant inputs into the model were the exercise price of HK\$22.60 at the grant date, volatility of 33.94%, dividend yield of 3.00% and an annual risk-free interest rate of 2.22%.

The validity period of the options is 10 years. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
*30 June 2020*

**16. SHARE OPTION SCHEME (Continued)**

At the end of the reporting period, the Company had 11,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company results in the issue of 11,000,000 additional ordinary shares of the Company and additional share capital of HK\$1,100 (before issue expenses).

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in the share option reserve will be transferred to retained profits.

**17. BUSINESS COMBINATION**

As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 100% of the equity interests of the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from certain third parties on 1 January 2020 at a total consideration of RMB149,309,000. The purchase consideration for the acquisition was in the form of cash, with RMB149,309,000 paid by the end of June 2020.

<b>Company Name</b>	<b>Acquired equity interests %</b>
Beijing Baojinhang Automobile Sales and Services Co., Ltd. (北京寶晉行汽車銷售服務有限公司)	100%
Shenzhen Baojin Automobile Sales and Services Co. Ltd. (深圳寶晉汽車銷售服務有限公司)	100%
Sanya Shengdi Automobile Sales and Services Co., Ltd. (三亞盛迪汽車銷售服務有限公司)	100%

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2020**

**17. BUSINESS COMBINATION (Continued)**

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	<b>Recognised fair values on acquisition date RMB'000</b>
Property, plant and equipment*	105,352
Intangible assets*	132,572
Right-of-use assets	98,286
Inventories	72,230
Trade receivables	9,620
Prepayments, other receivables and other assets	128,089
Cash in transit	539
Cash and cash equivalents	38,861
Trade and bills payables	(44,783)
Other payables and accruals	(299,052)
Bank loans and other borrowings	(50,077)
Deferred tax liabilities*	(32,725)
Lease liabilities	(98,286)
	<hr/>
Total identifiable net assets at fair value	<u>60,626</u>
	<hr/>
Goodwill on acquisition*	<u>88,683</u>
	<hr/>
Total purchase consideration	<u>149,309</u>

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

Cash consideration paid	
Cash and cash equivalents acquired	<u>38,861</u>
	<hr/>
Net cash outflow	<u>(110,448)</u>

Since the acquisition, the acquired business contributed RMB440,247,000 to the Group's revenue and RMB16,787,000 to the consolidated profit for the six months ended 30 June 2020.

\* The Group engaged an independent appraiser to assist with the identification and determination of fair values to be assigned to the assets and liabilities of these acquired companies as disclosed in note 17. However, the valuation was not finalised and hence the initial accounting for the business combination of these companies was incomplete by the date of this announcement. Therefore, these amounts recognised in the Group's interim financial statements for the six months ended 30 June 2020 in relation to the acquisition of these companies were on a provisional basis.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2020**

**18. CONTINGENT LIABILITIES**

As at 30 June 2020, neither the Group nor the Company had any significant contingent liabilities.

**19. COMMITMENTS**

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

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <b>RMB'000</b>	Audited 31 December 2019 <b>RMB'000</b>
Contracted, but not provided for buildings	<b>167,042</b>	167,283
Contracted, but not provided for potential acquisitions	<b>176,574</b>	298,500
	<b>343,616</b>	465,783

**20. RELATED PARTY TRANSACTIONS AND BALANCES**

**(a) Transactions with related parties**

The following transactions were carried out with related parties during the six months ended 30 June 2020:

	<b>Unaudited</b> <b>For the six</b> <b>months ended</b> <b>30 June 2020</b> <b>RMB'000</b>	For the six months ended 30 June 2019 <b>RMB'000</b>
(i) Sales of goods to a joint venture: — Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd. (“Xiamen Zhongsheng”)	<b>1,293</b>	4,393
(ii) Purchase of goods or services from joint ventures: — Xiamen Zhongsheng	<b>5,223</b>	832
— TAC Automobile Accessories Trading (Shanghai) Co., Ltd. (“TAC”)	<b>—</b>	2,705
	<b>5,223</b>	3,537

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2020**

**20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

**(b) Balances with related parties**

The Group had the following significant balances with its related parties as at 30 June 2020:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
(i) Due from related party:		
Trade related		
Joint venture		
— Xiamen Zhongsheng	<u>1,712</u>	<u>727</u>
(ii) Due to related party:		
Trade related		
Joint venture		
— Xiamen Zhongsheng	<u>311</u>	<u>436</u>

Balances with related party were unsecured and non-interest-bearing and had no fixed repayment terms.

**(c) Compensation of key management personnel of the Group:**

	<b>Unaudited</b>	
	<b>For the six</b>	For the six
	<b>months ended</b>	months ended
	<b>30 June 2020</b>	30 June 2019
	<b>RMB'000</b>	<b>RMB'000</b>
Short term employee benefits	<b>13,626</b>	15,186
Post-employee benefits	<b>95</b>	237
Equity-settled share option	<u>—</u>	<u>16,024</u>
Total compensation paid to key management personnel	<u><b>13,721</b></u>	<u>31,447</u>

**21. EVENTS AFTER THE REPORTING PERIOD**

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2020.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue for the six months ended 30 June 2020 was RMB58,203.1 million, representing an increase of RMB790.5 million or 1.4% as compared to the corresponding period in 2019. Revenue from new automobile sales amounted to RMB49,787.7 million, representing an increase of RMB303.2 million or 0.6% as compared to the corresponding period in 2019. Revenue from after-sales and accessories business amounted to RMB8,415.4 million, representing an increase of RMB487.3 million or 6.1% as compared to the corresponding period in 2019.

New automobile sales business accounted for a substantial portion of the Group's revenue, representing 85.5% (corresponding period in 2019: 86.2%) of the total revenue for the six months ended 30 June 2020. The remaining portion of the Group's revenue for the six months ended 30 June 2020 was generated by after-sales and accessories business which accounted for 14.5% of the total revenue for the six months ended 30 June 2020 (corresponding period in 2019: 13.8%). For the six months ended 30 June 2020, almost all of the Group's revenue was derived from business located in China.

In terms of revenue from new automobile sales, Mercedes-Benz is the Group's top selling brand, with revenue from the sales of which representing approximately 30.8% of the Group's total revenue from new automobile sales (corresponding period in 2019: 30.7%).

### **Cost of Sales and Services**

Cost of sales and services for the six months ended 30 June 2020 amounted to RMB52,793.5 million, representing an increase of RMB579.3 million or 1.1% as compared to the corresponding period in 2019. Costs for new automobile sales business amounted to RMB48,294.3 million for the six months ended 30 June 2020, representing an increase of RMB124.9 million or 0.3% as compared to the corresponding period in 2019. Costs for after-sales and accessories business amounted to RMB4,499.2 million for the six months ended 30 June 2020, representing an increase of RMB454.4 million or 11.2% as compared to the corresponding period in 2019.

### **Gross Profit**

The Group's gross profit for the six months ended 30 June 2020 amounted to RMB5,409.6 million, representing an increase of RMB211.3 million or 4.1% as compared to the corresponding period in 2019. Gross profit from new automobile sales business amounted to RMB1,493.4 million, representing an increase of RMB178.3 million or 13.6% as compared to the corresponding period in 2019. Gross profit from after-sales and accessories business amounted to RMB3,916.2 million, representing an increase of RMB33.0 million or 0.8% as compared to the corresponding period in 2019. For the six months ended 30 June 2020, gross profit from after-sales and accessories business accounted for 72.4% of the total gross profit (corresponding period in 2019: 74.7%).

The gross profit margin for the six months ended 30 June 2020 was 9.3% (corresponding period in 2019: 9.1%).

### **Other Income and Gains, Net**

The other income and gains, net, for the six months ended 30 June 2020 amounted to RMB1,474.2 million, representing an increase of RMB117.5 million or 8.7% as compared to the corresponding period in 2019. The other income and gains mainly consisted of service income from automobile insurance and automobile financing services, gains from second-hand automobile trading business, rental income and interest income, etc.

### **Profit from Operations**

The profit from operations for the six months ended 30 June 2020 amounted to RMB3,802.2 million, representing an increase of RMB240.9 million or 6.8% as compared to the corresponding period in 2019. The operating profit margin for the six months ended 30 June 2020 was 6.5% (corresponding period in 2019: 6.2%).

### **Profit for the Period**

The profit for the six months ended 30 June 2020 amounted to RMB2,309.1 million, representing an increase of RMB206.5 million or 9.8% as compared to the corresponding period in 2019. The profit margin for the six months ended 30 June 2020 was 4.0% (corresponding period in 2019: 3.7%).

### **Profit Attributable to Owners of the Parent**

The profit attributable to owners of the parent for the six months ended 30 June 2020 amounted to RMB2,291.7 million, representing an increase of RMB209.4 million or 10.1% as compared to the corresponding period in 2019.

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Cash Flow**

The Group primarily uses cash to pay for new automobiles, spare parts and automobile accessories, to repay its indebtedness, to fund its working capital and normal operating expenses and to establish new dealerships and acquire additional dealerships. The Group finances its liquidity requirements mainly through a combination of cash flows generated from its operating activities, bank loans and other borrowings.

The Company believes that its future liquidity demand will continue to be satisfied by using a combination of bank loans and other borrowings, cash flow generated from its operating activities and other funds raised from the capital markets from time to time in the future.

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review.

### **Cash Flow Generated from Operating Activities**

For the six months ended 30 June 2020, the net cash generated from operating activities by the Group amounted to RMB4,743.8 million, consisting primarily of operating profit before working capital movement and tax payment.

### **Cash Flow Used in Investing Activities**

For the six months ended 30 June 2020, the net cash used in investing activities by the Group amounted to RMB1,093.5 million.

### **Cash Used in Financing Activities**

For the six months ended 30 June 2020, the net cash used in financing activities by the Group amounted to RMB1,536.5 million.

### **Net Current Assets**

As at 30 June 2020, the Group had net current assets of RMB5,276.6 million, representing an increase of RMB781.7 million from the net current assets of the Group as at 31 December 2019.

### **Capital Expenditures and Investment**

The Group's capital expenditures comprised expenditures on property, plant and equipment, land use rights and business acquisition. For the six months ended 30 June 2020, the Group's total capital expenditures were RMB864.7 million. Save as disclosed above, the Group did not make any significant investments during the six months ended 30 June 2020.

### **Inventory Analysis**

The Group's inventories primarily consisted of new automobiles, spare parts and automobile accessories. Generally, each of the dealerships of the Group individually manages the quotas and orders for new automobiles, after-sales and accessories products. The Group also coordinates and aggregates orders for automobile accessories and other automobile-related products across its dealership network. The Group manages its quotas and inventory levels through its information technology systems, including an Enterprise Resource Planning (ERP) system.

The Group's inventories decreased from RMB9,828.5 million as at 31 December 2019 to RMB9,411.3 million as at 30 June 2020, primarily due to the further optimising of inventory structure benefitted from its continuous improving stock management, and the destocking of some brands as a result of better supply control from OEM.



The following table sets forth the average inventory turnover days of the Group for the periods indicated:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	<b>2019</b>
Average inventory turnover days	<u><b>29.7</b></u>	<u><b>32.0</b></u>

The inventory turnover days of the Group showed a healthy decrease during the six months ended 30 June 2020 as compared to the corresponding period in 2019, which was mainly due to improved inventory management. During the six months ended 30 June 2020, the Group's inventory mix gradually optimised and the inventory balance decreased significantly as compared to the end of 2019, in the meanwhile network scale further expanded.

### **Order Book and Prospect for New Business**

Due to its business nature, the Group did not maintain an order book as at 30 June 2020. As at the date of this announcement, the Group has no new services to be introduced to the market.

### **Bank Loans and Other Borrowings**

As at 30 June 2020, the Group's bank loans and other borrowings amounted to RMB20,390.6 million (31 December 2019: RMB21,014.1 million), and the convertible bonds liability portion amounted to RMB5,428.3 million (31 December 2019: RMB4,293.9 million). The decrease in the Group's bank loans and other borrowings during the period was primarily due to the repayment of the loan and other borrowings, benefiting from the substantial cash generated from operating activities. The annual interest rates of the bank loans and other borrowings ranged from 1.0% to 5.9%.

### **Interest Rate Risk and Foreign Exchange Rate Risk**

The Group currently has not used any derivatives to hedge interest rate risk. The operations of the Group are mainly carried out in China with most transactions settled in RMB. Certain cash and bank deposits of the Group are denominated in RMB. The Group has not used any long-term contracts, currency borrowings or other means to hedge its foreign currency exposure. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

## **Employee and Remuneration Policy**

As at 30 June 2020, the Group had 31,803 employees. The Group strives to offer a good working environment, a diversified range of training programmes as well as an attractive remuneration package to its employees. The Group endeavours to motivate its staff with performance-based remuneration. On top of basic salary, the Group will reward staff who had outstanding performances with cash bonuses, honorary awards or a combination of all the above to further align the interests of the employees and the Company, to attract talented individuals, and to create long-term incentive for its staff.

## **Pledge of the Group's Assets**

The Group pledged its group assets as securities for bank and other loan and banking facilities which were used to finance daily business operation. As at 30 June 2020, the pledged group assets amounted to approximately RMB5.9 billion (31 December 2019: RMB6.0 billion).

## **Material Acquisitions and Disposals of Subsidiaries and Associated Companies**

During the six months ended 30 June 2020, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

## **Future Plans and Expected Funding**

Going forward, the Company will continue to expand its business in the luxury and mid-to-high end passenger vehicle market by capitalising on the opportunities arising from the market and exploring developing potential. The Company aims to expand its distribution network through new store establishment and appropriate mergers and acquisitions in the future. The Group plans to fund its future capital expenditure through cash flows generated from its operating activities and various resources including but not limited to internal funds and borrowings from financial institution, and the Group currently has sufficient credit facilities granted by banks.

## **Gearing Ratio**

As at 30 June 2020, the gearing ratio of the Group was 55.1% (31 December 2019: 57.3%), which was calculated from net debt divided by the sum of net debt and total equity.

## CONVERTIBLE BONDS

### 2023 Convertible Bonds

On 4 May 2018, the Company and J.P. Morgan Securities Plc (“**J.P. Morgan**”) entered into a bond subscription agreement, according to which (i) the Company agreed to issue, and J.P. Morgan agreed to subscribe and pay for (or procure subscribers to subscribe and pay for) zero coupon convertible bonds due 2023 of an aggregate principal amount of HK\$3,925 million (the “**2023 Convertible Bonds**”); and (ii) the Company agreed to grant J.P. Morgan an option to subscribe for up to an additional HK\$775 million in principal amount of the 2023 Convertible Bonds (the “**Option Bonds**”, together with the 2023 Convertible Bonds, the “**2023 Convertible Bonds**”). On 14 May 2018, J.P. Morgan exercised in full the option granted by the Company, pursuant to which the Company is required to issue the Option Bonds in the aggregate principal amount of HK\$775 million.

The Convertible Bonds are convertible into shares of the Company at the initial conversion price of HK\$30.0132 per conversion share at the option of the holder thereof, at any time on or after the 41st day after the issue date up to the close of business on the tenth day prior to the maturity date, being a date falling on or about 23 May 2023. The issue of the 2023 Convertible Bonds in the aggregate amount of HK\$4,700 million was completed on 23 May 2018.

On 12 May 2020, the Company entered into a dealer manager agreement with Merrill Lynch (Asia Pacific) Limited and Morgan Stanley & Co. International plc (as dealer managers) (collectively, the “**Managers**”). The Company, through the Managers, agreed to repurchase HK\$3,315 million in aggregate principal amount of the 2023 Convertible Bonds at a repurchase price of approximately HK\$4,246 million, representing 128.09% of the principal amount of the 2023 Convertible Bonds. Upon completion of the repurchase on 22 May 2020, the 2023 Convertible Bonds in aggregate principal amount of HK\$3,315 million, representing approximately 70.53% of the aggregate principal amount of the 2023 Convertible Bonds originally issued, were cancelled, and the outstanding principal amount of the 2023 Convertible Bonds is HK\$1,385 million (the “**Outstanding 2023 Convertible Bonds**”).

There has been no conversion of the Outstanding 2023 Convertible Bonds as at the date of this announcement. The Company will redeem each Outstanding 2023 Convertible Bond on the maturity date at its principal amount together with accrued and unpaid interest thereon. Upon full conversion of the Outstanding 2023 Convertible Bonds, the Company may issue 46,146,362 shares (the “**Shares**”), increasing the total issued Shares of the Company to 2,317,844,317 Shares (calculated as at the date of this announcement and assuming no conversion of the 2025 Convertible Bonds (as defined below) at all).

## **2025 Convertible Bonds**

On 12 May 2020, the Company entered into a bond subscription agreement with the Managers (as managers), according to which the Company agreed to issue, and the Managers agreed to subscribe and pay for (or procure subscribers to subscribe and pay for) zero coupon convertible bonds due 2025 of an aggregate principal amount of HK\$4,560 million (the “**2025 Convertible Bonds**”).

The 2025 Convertible Bonds are convertible into Shares at the conversion price of HK\$45.61 per Share at the option of the holder thereof, at any time on or after 1 July 2020 up to the close of business on the tenth day prior to the maturity date, being a date falling on or about 21 May 2025. The issue of the 2025 Convertible Bonds in the aggregate amount of HK\$4,560 million was completed on 21 May 2020.

There has been no conversion of the 2025 Convertible Bonds as at the date of this announcement. The Company will redeem each 2025 Convertible Bond on the maturity date at its principal amount together with accrued and unpaid interest thereon. Upon full conversion of the 2025 Convertible Bonds, the Company may issue 99,978,074 Shares, increasing the total issued Shares to 2,371,676,029 Shares (calculated as at the date of this announcement and no conversion of the Outstanding 2023 Convertible Bonds at all).

Please refer to the announcements of the Company dated 12, 13, 14, 21, 22 and 25 May 2020, respectively, for further details on the 2025 Convertible Bonds.

## **SHARE OPTION SCHEME**

The Share Option Scheme (as defined in the Company’s prospectus dated 16 March 2010) was conditionally approved by a resolution of the shareholders of the Company on 9 February 2010 and adopted by a resolution of the Board on the same day. The Share Option Scheme expired on 25 March 2020. No further options can be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to exercise any subsisting options granted prior to the expiry of the Share Option Scheme or otherwise as handled in accordance with the provisions of the Share Option Scheme.

Details of the options to subscribe Shares pursuant to the Share Option Scheme and the movement during the six months ended 30 June 2020 are set out below:

Name of Grantees	Date granted	Exercise price per share	Number of Share Options				
			Outstanding as at 31 December 2019	Granted during the Period	Exercised during the period	Lapsed/ Cancelled during the period	Outstanding as at 30 June 2020
Mr. Du Qingshan — Executive Director	26 April 2018	HK\$22.60	5,500,000 <sup>(Note 1)</sup>	—	—	—	5,500,000
Mr. Zhang Zhicheng — Executive Director	26 April 2018	HK\$22.60	5,500,000 <sup>(Note 1)</sup>	—	—	—	5,500,000
Total							<u>11,000,000</u>

*Note:*

- (1) On 26 April 2018, the Company offered to grant share options (the “Share Options”) to Mr. Du Qingshan and Mr. Zhang Zhicheng under the Share Option Scheme, which will entitle them to subscribe for an aggregate of 11,000,000 new Shares. The Share Options were fully vested from 26 April 2019. The Share Options are exercisable from 26 April 2019 to 25 April 2028 (both dates inclusive) at a price of HK\$22.60 per Share. The closing price of the Shares immediately before 26 April 2018 is HK\$22.35 per Share.

During the six months ended 30 June 2020, no options had been granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme. As at 30 June 2020, the total number of Shares which may be issued under the Share Option Scheme was 11,000,000 Shares, representing approximately 0.48% of the issued share capital of the Company as at the date of this announcement.

## EVENTS AFTER THE REPORTING PERIOD

There have been no any significant events affecting the Group after 30 June 2020.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### Compliance with the Corporate Governance Code

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Throughout the six months ended 30 June 2020 and up to the date of this announcement, the Company has been in compliance with the code provisions set out in the CG Code.

## **Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2020 and up to the date of this announcement.

## **Purchase, Sale or Redemption of the Company’s Listed Securities**

Save as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company’s listed securities throughout the six months ended 30 June 2020 and up to the date of this announcement.

## **Review of Interim Results**

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, being Mr. Ying Wei, Mr. Shen Jinjun and Mr. Chin Siu Wa Alfred.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Company for the six months ended 30 June 2020. The Audit Committee considers that the interim financial results for the six months ended 30 June 2020 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

## **INTERIM DIVIDEND**

The Board proposed not to declare any interim dividend for the six months ended 30 June 2020.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.zs-group.com.cn](http://www.zs-group.com.cn)).

The interim report of the Company for the six months ended 30 June 2020 will be dispatched to the shareholders of the Company and published on the above websites in due course.

## APPRECIATION

The Group's continuous development and progress despite facing market competition and challenges rest on the dedication and contributions of its staff from all departments as well as the trust, support and encouragement from all shareholders and business partners. The Board would like to express its sincere gratitude to everyone for their valuable contributions to the Group's development!

By order of the Board  
**Zhongsheng Group Holdings Limited**  
**Huang Yi**  
*Chairman*

Hong Kong, 10 August 2020

*As at the date of this announcement, the executive Directors are Mr. Huang Yi, Mr. Li Guoqiang, Mr. Du Qingshan, Mr. Zhang Zhicheng, Mr. Li Guohui and Mr. Tang Xianfeng; the non-executive Directors are Mr. David Alexander Newbigging and Mr. Hsu David; and the independent non-executive Directors are Mr. Shen Jinjun, Mr. Ying Wei, Mr. Chin Siu Wa Alfred and Mr. Li Yanwei.*

*This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and development strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond control of the Group. These forward-looking statements may prove to be incorrect and may not be realised in the future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved. Furthermore, this announcement also contains statements based on the Group's management accounts, which have not been audited by the Group's auditor. Shareholders and potential investors of the Company should therefore not place undue reliance on such statements.*