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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 2021**

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 2021, as follows:

**GROUP FINANCIAL HIGHLIGHTS**

- New car sales volume for the six months ended 30 June 2021 increased by 39.7% to 275,570 units as compared to the six months ended 30 June 2020.
  - Luxury brand new car sales volume for the six months ended 30 June 2021 increased by 45.0% to 161,906 units as compared to the six months ended 30 June 2020.
- Trade volume of pre-owned automobiles for the six months ended 30 June 2021 increased by 64.1% to 66,735 units as compared to the six months ended 30 June 2020.
- Revenue for the six months ended 30 June 2021 increased by 50.1% to RMB87,361.3 million as compared to the six months ended 30 June 2020, among which:
  - revenue from new car sales increased by 45.7% to RMB72,555.6 million as compared to the six months ended 30 June 2020;
  - revenue from after-sales and accessories business increased by 34.3% to RMB11,302.3 million as compared to the six months ended 30 June 2020; and
  - revenue from pre-owned automobile sales reached RMB3,503.4 million (for the six months ended 30 June 2020: nil).

Excluding the revenue from pre-owned automobile sales, revenue for the six months ended 30 June 2021 increased by 44.1% to RMB83,857.9 million as compared to the six months ended 30 June 2020.

- Income from value-added services for the six months ended 30 June 2021 increased by 20.3% to RMB1,572.0 million as compared to the six months ended 30 June 2020. Accounting for gross profit from pre-owned automobile sales under the distribution model, income from value-added services for the six months ended 30 June 2021 increased by 39.3% as compared to the six months ended 30 June 2020.
- Profit attributable to owners of the parent for the six months ended 30 June 2021 was RMB3,695.7 million, representing an increase of 61.3% as compared to the six months ended 30 June 2020.
- Basic earnings per Share was RMB1.609 for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB1.009).

## **MARKET REVIEW**

With the gradual resumption of economic activities as a result of increasing COVID-19 vaccination coverage in the first half of 2021, the global economy showed a trend of recovery. However, due to the different capabilities of various countries in the prevention and control of the COVID-19 pandemic, there was a significant disparity in their rates of economic recovery and the global economic environment remained complicated. The domestic economic performance was stable in the first half of the year with further consolidation, qualitative improvement and positive indications. According to the data released by the National Bureau of Statistics of China on 15 July 2021 and based on preliminary estimates, the gross domestic product (GDP) of the People's Republic of China (the "PRC") for the first half of 2021 was RMB53,216.7 billion, representing a year-on-year increase of 12.7%; and the average two-year growth was 5.3%. The average two-year growth was 5.5% for the second quarter, which was higher than the growth for that of the first quarter.

The continuous macroeconomic recovery contributed to the rapid recovery of the automobile market. Despite the global shortage of automobile chips, which had restricted the rapid development of the whole automobile industry, the automobile market in the PRC exhibited a positive trend as a whole. According to the data of the China Association of Automobile Manufacturers, the PRC's automobile production and sales volume were 12.57 million units and 12.89 million units respectively, for the period from January to June 2021, representing a year-on-year increase of 24.2% and 25.6% respectively. The PRC's automobile market achieved end sales to consumers of 13.226 million units for the period from January to June 2021, representing a year-on-year increase of 31.3% and 2.7% as compared with 2020 and 2019 respectively.

In the first half of 2021, the luxury cars market segment showed potential for significant demand. The upgrading of brands and products further unleashed the demand for new car purchase and automobile replacement. The sales volume of luxury cars was 2.051 million units in the first half of 2021, increasing by 1 percentage point to 19.4% as compared to the corresponding period last year in terms of market share of the passenger vehicle market as a whole. The sales volume recorded a year-on-year increase of 39.9%, outgrowing the passenger vehicle market by 7 percentage points. In terms of brands, the three first-tier luxury brands (BBA) from Germany, namely Mercedes-Benz, BMW and Audi, continued to rank top 3 in the luxury car sub-segment in the first half of 2021. According to the data of manufacturers, the sales volume of Mercedes-Benz in the PRC was 441,000 units in the first half of 2021, representing a year-on-year increase of 27.6%. The sales volume of the BMW Group in the PRC was 467,000 units, representing a year-on-year increase of 44.1%. The sales volume of FAW-Volkswagen Audi in the PRC was 418,000 units, representing a year-on-year increase of 38.6%. Japanese brands were significantly affected by the shortage of automobile chips. The sales volume of FAW Toyota and GAC Toyota, being mid-to-high-end brands, in the PRC was 425,000 units and 426,000 units respectively in the first half of 2021, representing a year-on-year increase of 21% and 32% respectively. The recovery of the new energy vehicle segment in the first half of 2021 exceeded expectations. According to the data of the China Association of Automobile Manufacturers, the production and sales volume of new energy vehicles reached 1.215 million units and 1.206 million units respectively, representing a year-on-year increase of 200%. Current half year sales volume of new energy vehicles reached the same level reported in 2019. According to the forecast of the China Passenger Car Association, the shortage of automobile chips will be alleviated in the third quarter of 2021 and the overall sales volume of passenger vehicles is also expected to see further growth in the second half of 2021.

With the continuous, steady and healthy macro-economic growth in the PRC and the increasing disposable income of its residents, the consumption mentality of automobile consumers has become increasingly mature and more attention is paid to brands, quality and services. Given the increasingly evident trend of consumption upgrade as contributed by various factors and characteristic high-end development of the passenger vehicle market in the PRC, the luxury cars market will maintain healthy and rapid development and provide strong drivers for the medium- and long-term growth of the passenger vehicle market in the PRC.

To further promote the sound development of the domestic automobile market, the PRC government announced relevant policies on new energy, intelligent automobiles, fuel emissions, purchase restriction quota and other sectors in the first half of 2021. In order to further promote bulk consumption and consumption of key items and to unleash the rural consumption potential, 12 ministries and commissions, including the Ministry of Commerce, jointly published the Notice on Several Measures to Boost Bulk Consumption and Consumption of Key Items and Unleash the Rural Consumption Potential (關於提振大宗消費重點消費促進釋放農村消費潛力若干措施的通知) in January 2021 and encouraged cities with purchase restrictions to increase quotas with appropriate measures. The Equipment Industry Department I of the Ministry of Industry and Information Technology organised the preparation of the Guidance on the Administration of Intelligent Connected Vehicles Manufacturers and Products Access (For Trial Implementation) (智能網聯汽車生產企業及產品准入管理指南(試行)) in April 2021 to advance the healthy and orderly development of the intelligent and Internet-connected automobile industry.

According to the statistics published by the Ministry of Public Security, national motor vehicle ownership reached 384 million units in June 2021, 292 million units of which were automobiles. The number of motor vehicle drivers reached 469 million, including 431 million of automobile drivers. The newly registered motor vehicles nationwide in the first half of 2021 amounted to 18.71 million units, representing an increase of 4.57 million units or a year-on-year increase of 32.33%, recording a historical high for the corresponding period. 14.14 million units of automobiles were newly registered, representing an increase of 3.725 million units or a year-on-year increase of 35.76%.

In relation to the pre-owned automobile market, according to the data of the China Automobile Dealers Association, the trade volume of pre-owned automobiles was in constant growth and reached 8.43 million units for the first half of 2021, representing a year-on-year increase of 52.9%. With the gradual implementation of policies on the reduction of the value-added tax on pre-owned automobiles, full abolition of pre-owned automobile ownership transfer restrictions and cross-provincial trade of pre-owned automobiles, the pre-owned automobile market system and relevant ancillary services will gradually improve and become robust. As the domestic automobile market enters the peak period for replacement, the pre-owned automobile market will see huge development opportunities. Providing consumers with better service experiences and consumption protection and further improving consumers' acceptance of pre-owned automobiles will be key factors affecting competition in the pre-owned automobile market in the future and the advantages of large-scale and leading distributors will gradually become more prominent.

## **BUSINESS REVIEW**

### **Adhering to the “Brand + Region” strategy, further optimising the existing brand portfolios and strengthening the leading advantages in key regions**

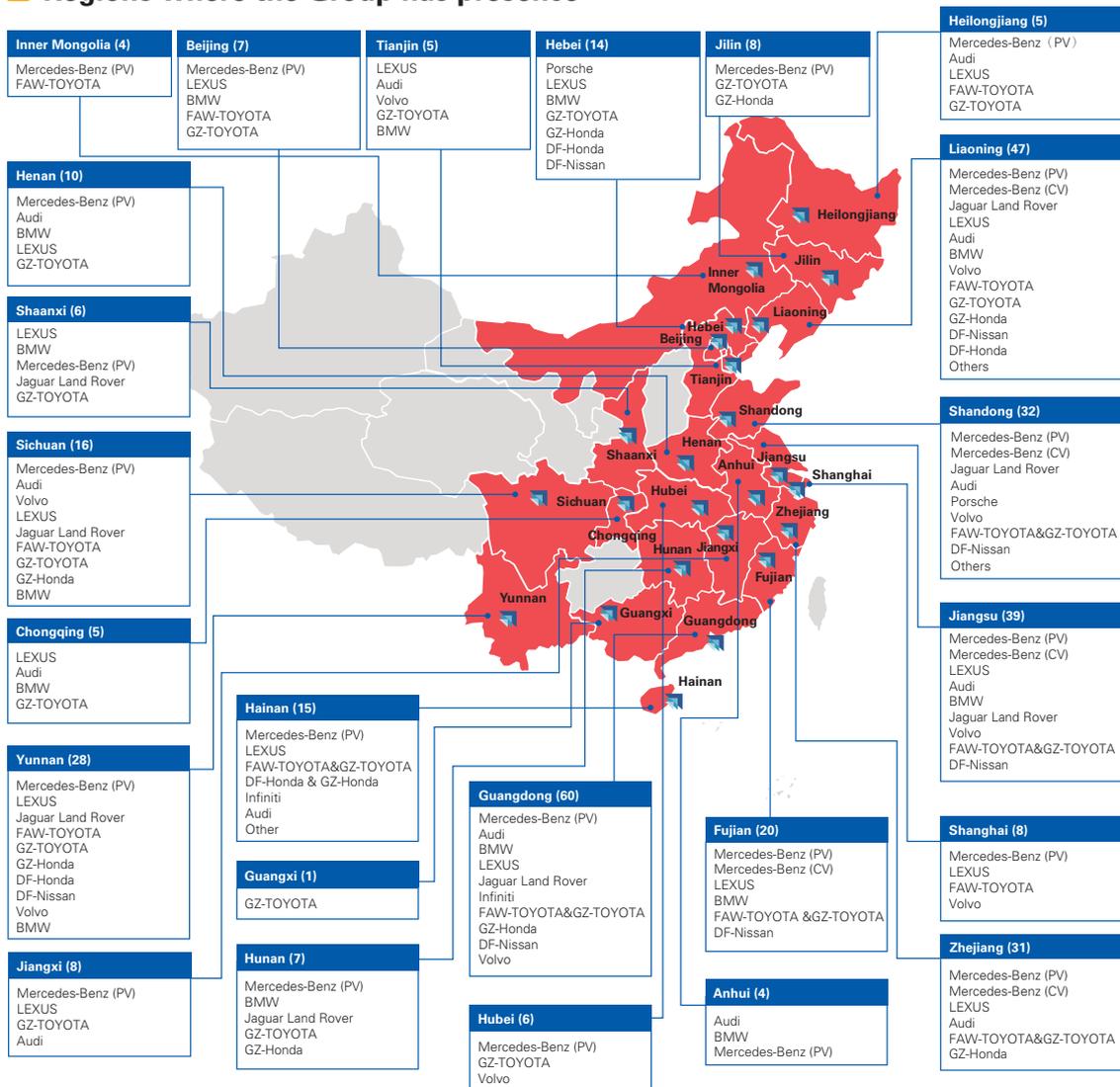
The current brand portfolios of the Group cover Mercedes-Benz, Lexus, BMW, Audi and other luxury brands as well as Toyota and other mid-to-high-end brands. The Group maintains leadership in the market sub-segments for all core brands.

In July 2021, the Group signed an agreement in relation to the acquisition of Zung Fu (China) Limited (“**Zung Fu China**”), a leading Mercedes-Benz dealer in the PRC as well as a regional leader in southern and western China. The market share of Zhongsheng Group in the Mercedes-Benz brand will significantly increase by 6 percentage points to approximately 18% after the completion of the acquisition, which will further reinforce the Group's market position as the second biggest dealer of the Mercedes-Benz brand and consolidate the Group's regional leadership in the market sub-segment in southern and western China. Meanwhile, the acquisition is also expected to generate significant business synergies in business and cost and lay a solid foundation for the subsequent development of the Group.

As of 30 June 2021, the total number of the Group’s dealerships increased to 386, of which 229 are luxury brand dealerships and 157 are mid-to-high-end brand dealerships, covering 24 provinces, municipalities and autonomous regions and over 90 cities in the PRC. As of 30 June 2021, the brands and regions under the Group’s dealership are as follows:

## Map of brand dealerships

### ■ Regions where the Group has presence



According to the statistics of the Ministry of Public Security of China, there are 74 cities across the PRC with ownership of over one million automobiles, representing a year-on-year increase of five cities. There are 33 cities with ownership of over two million automobiles and 18 cities with ownership of over three million automobiles. The automobile ownership in Beijing has exceeded six million, while that in Chengdu and Chongqing has surpassed five million and that in Suzhou, Shanghai and Zhengzhou has each surpassed four million.

Driven by the trend of consumption upgrade, household new car purchases and automobile replacement contributed a sales volume of 3.14 million new passenger vehicles in the first half of 2021, accounting for 29.8% in the overall passenger vehicle retail market for a further increase in market share. Analysed by region, the rate of increase in household new car purchase and automobile replacement is higher in eastern regions and lower in western regions. Analysed by their tiers, top-tier cities have a higher rate of household new car purchases and automobile replacement than that of lower-tier cities. The rate of household new car purchases and automobile replacement in tier-3 cities and above reached over 30% while it was about 25% in tier-4 cities and below. There was a high correlation between the consumption proportion of household new car purchases and automobile replacement and the level of local economic development. Meanwhile, based on the data of the seventh national census, the inflow of the domestic population into core and economically developed cities is accelerating. The luxury automobile market in top-tier cities will witness stronger and more sustainable car purchase demand and purchasing power in future. The Group will further enhance its network coverage in the key regions of top-tier cities and economically developed regions to further enhance its leading advantage in such key regions.

### **Rapid growth across all business segments with continuous improvements in operational efficiency and profitability**

The Group consistently enhanced its key brand management in the first half of 2021. In view of the shortage of automobile chips, the Group focused on enhancing the gross profit margin and inventory management of new automobiles and fully leveraged its advantage as a core dealer and the close cooperation with automobile manufacturers. Leveraging the advantage afforded by the scale of sales of new automobiles, the Group further strengthened the cooperation with core commercial banks in automobile loans. The online and offline operational mechanism of the pre-owned automobile business was further optimised. A strong team on pre-owned automobiles was jointly developed through horizontal management measures, such as platform optimisation, resources integration and policy support, as well as vertical management measures, such as a clear brand structure, detailed process and in-depth analysis. Meanwhile, the sharing of pre-owned automobile resources nationwide was facilitated through internal auction online platform and other means to further optimise marketing.

The Group continued to strengthen 5S management and business process management to enhance service awareness and build its corporate image. It continued to introduce Zhongsheng courtesy car in the first half of 2021 and established a courtesy car service system to provide customers with extremely convenient services and better after-sale benefits, resulting in positive corporate reputation. It launched the Zhongsheng E designated driving business and provided customers with door-to-door pick-up and delivery services to improve their satisfaction, foster driving experience with quality and convenience and effectively enhance customer stickiness and loyalty. In addition, the Group started to offer night services in dealerships nationwide from April 2021 (“**中升等您到晚8點**”) (“**Zhongsheng waits for you till 8:00 p.m.**”) for the convenience of customers

in selecting vehicles as well as maintenance and repairing. Meanwhile, the Group vigorously developed and improved the brand influence of Zhongsheng through cooperation with We-Media, central cities, manufacturers and third parties and through its official website and other means.

The Group achieved new automobile sales volume of 275,570 units in the first half of 2021, representing an increase of 39.7% as compared to the corresponding period last year, of which sales volume for luxury brands reached 161,906 units, representing an increase of 45.0% as compared to the corresponding period last year and accounting for 58.8% of the Group's total sales volume; such significant increase as compared with the corresponding period in 2020, was underpinned by further optimisation in its product mix. The revenue generated from new automobile sales for the six months ended 30 June 2021 amounted to RMB72,555.6 million, representing an increase of 45.7% over the corresponding period last year. The growth in new automobile sales volume continued to outperform the industry with a notable improvement in gross profit margin.

The revenue from after-sales businesses amounted to RMB11,302.3 million in the first half of 2021, representing an increase of 34.3% as compared to the corresponding period last year and accounting for 12.9% of the Group's total revenue.

The value-added service business segment, which includes car insurance and car financing, achieved sound growth in the first half of 2021. The income from value-added services amounted to RMB1,572.0 million, representing an increase of 20.3% as compared to the corresponding period last year. In the first half of 2021, the Group's financial penetration rate of new car sales further surged to 64.8% while the amount of financial loans of the Group significantly increased to RMB31.8 billion, representing a 80.7% increase as compared to the corresponding period last year. The "Double Insurance Without Worry (雙保無憂)" is an innovative product of the Group that adequately satisfies the demand of customers with an increasing penetration rate. It also boosted insurance renewals, replacement of pre-owned automobiles, retention of customers maintenance and other businesses, thereby improving the comprehensive profitability of dealerships.

As one of the core growth drivers of the Group in the future, the pre-owned automobile segment is the Group's current business focus. The trade volume of pre-owned automobiles reached 66,735 units in the first half of 2021, representing an increase of approximately 64.1% as compared to the corresponding period last year. The percentage of retail sales of pre-owned automobile increased by 3 percentage points and the rapid growth of value-added services on pre-owned automobiles and the after-sales business will further accelerate in the future.

## **Strategic development of electric vehicles**

In light of the growing trend of electric vehicles, the Group strengthened cooperation in electric vehicles with traditional automobile manufacturers, while carrying out strategic cooperation with new domestic EV automobile manufacturers. The Group entered into strategic cooperation agreements with XPeng Inc. and Weltmeister respectively in the first half of 2021. Under the model with multiple Zhongsheng brands of electric vehicles, Zhongsheng New Energy will undertake comprehensive and multi-dimensional cooperation with XPeng Inc. and other automobile manufacturers nationwide gradually in various forms, such as the establishment of sales centers for new vehicles in top-tier cities, after-sale service centers in tier-2 cities and after-sale service stations in tier-3 and tier-4 cities.

Leveraging on the existing customer base of over six million, the nationwide service network (in particular its advantages in top-tier cities and economically developed regions), as well as its industry-leading servicing and operating capacity, the Group is fully confident in the development of Zhongsheng electric vehicles.

## **FUTURE OUTLOOK**

In the second half of 2021, the PRC economy will enter a stage of stable performance with gradually escalating demand. The shortage of automobile chips is expected to be alleviated in the third quarter. New car models introduced in the first half of 2021 and certain new models unveiled at the Shanghai International Automobile Industry Exhibition will be introduced in the second half of 2021, injecting new growth drivers to the market. Meanwhile, however, the high comparison base in the second half of last year in the post-pandemic recovery will also pose a challenge to business growth in the second half of 2021.

Facing new opportunities and challenges, the Group will continue to adhere to the development path underpinned by a dual emphasis on scalable advantages and efficiency improvement. In terms of endogenous development, the Group will strengthen its meticulous management and platform-based operation, further bring its cost advantages into play, strengthen staff management and enhance the level of specialisation and regulation in its businesses and standardisation in its processes. The Group will develop its brand and competitiveness through digitalisation and consistently enhance its service capacity and customer loyalty. In terms of exogenous development, the Group will fully leverage the scalable advantages in operational management and financial strengths to drive industrial consolidation and further strengthen its leading position in core brands and key areas. The Group will steadily enhance its advantage as an industry leader through endogenous and exogenous optimisation and development and continue to create value for its shareholders and other stakeholders.

**Consolidated Interim Statement of Profit or Loss**  
*For the six months ended 30 June 2021*

		<b>Unaudited</b>	
		<b>For the six months ended 30 June 2021</b>	<b>For the six months ended 30 June 2020</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>REVENUE</b>	4(a)	<b>87,361,275</b>	58,203,121
Cost of sales and services provided	5(b)	<u><b>(78,898,401)</b></u>	<u>(52,793,477)</u>
<b>Gross profit</b>		<b>8,462,874</b>	5,409,644
Other income and gains, net	4(b)	<b>1,807,390</b>	1,474,194
Selling and distribution costs		<b>(3,441,631)</b>	(2,313,624)
Administrative expenses		<u><b>(1,125,547)</b></u>	<u>(768,023)</u>
<b>Profit from operations</b>		<b>5,703,086</b>	3,802,191
Finance costs	6	<b>(596,336)</b>	(610,261)
Share of profits/(losses) of:			
Joint ventures		<b>3,710</b>	1,598
An associate		<u><b>(977)</b></u>	<u>(1,083)</u>
<b>Profit before tax</b>	5	<b>5,109,483</b>	3,192,445
Income tax expense	7	<u><b>(1,377,307)</b></u>	<u>(883,313)</u>
<b>Profit for the period</b>		<u><b>3,732,176</b></u>	<u>2,309,132</u>
<b>Attributable to:</b>			
Owners of the parent		<b>3,695,698</b>	2,291,698
Non-controlling interests		<u><b>36,478</b></u>	<u>17,434</u>
		<u><b>3,732,176</b></u>	<u>2,309,132</u>
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic			
— For profit for the period (RMB)	9	<u><b>1.609</b></u>	<u>1.009</u>
Diluted			
— For profit for the period (RMB)	9	<u><b>1.571</b></u>	<u>0.978</u>

**Consolidated Interim Statement of Comprehensive Income**  
*For the six months ended 30 June 2021*

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2021 RMB'000</b>	<b>For the six months ended 30 June 2020 RMB'000</b>
<b>Profit for the period</b>	<u>3,732,176</u>	<u>2,309,132</u>
<b>Other comprehensive income/(loss)</b> <i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>144,946</u>	<u>(192,060)</u>
<b>Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>	<u>144,946</u>	<u>(192,060)</u>
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<u>144,946</u>	<u>(192,060)</u>
<b>Total comprehensive income for the period</b>	<u><u>3,877,122</u></u>	<u><u>2,117,072</u></u>
<b>Attributable to:</b>		
Owners of the parent	<u>3,840,644</u>	<u>2,099,638</u>
Non-controlling interests	<u>36,478</u>	<u>17,434</u>
	<u><u>3,877,122</u></u>	<u><u>2,117,072</u></u>

**Consolidated Interim Statement of Financial Position**  
30 June 2021

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>15,212,030</b>	14,373,357
Right-of-use assets		<b>4,373,747</b>	4,413,846
Land use rights		<b>2,967,663</b>	2,930,356
Prepayments		<b>643,421</b>	1,081,311
Intangible assets		<b>6,613,632</b>	6,620,175
Goodwill		<b>5,427,559</b>	4,972,459
Investments in joint ventures		<b>51,495</b>	47,785
Investment in an associate		<b>510</b>	1,487
Deferred tax assets		<b>251,630</b>	209,492
		<hr/>	<hr/>
Total non-current assets		<b>35,541,687</b>	34,650,268
<b>CURRENT ASSETS</b>			
Inventories	<i>10</i>	<b>8,677,881</b>	9,090,091
Trade receivables	<i>11</i>	<b>1,782,517</b>	1,429,528
Prepayments, other receivables and other assets		<b>12,221,819</b>	13,363,026
Amounts due from related parties	<i>20(b)(i)</i>	<b>4,474</b>	1,168
Financial assets at fair value through profit or loss		<b>150,147</b>	150,415
Pledged bank deposits		<b>712,803</b>	1,425,880
Cash in transit		<b>344,072</b>	180,280
Cash and cash equivalents		<b>10,481,365</b>	8,210,363
		<hr/>	<hr/>
Total current assets		<b>34,375,078</b>	33,850,751

**Consolidated Interim Statement of Financial Position (Continued)**  
30 June 2021

		Unaudited 30 June 2021 <i>RMB'000</i>	Audited 31 December 2020 <i>RMB'000</i>
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Bank loans and other borrowings	12	13,196,359	16,980,126
Trade and bills payables	13	3,491,681	4,980,288
Other payables and accruals		3,977,444	4,215,624
Other liabilities		—	245,000
Lease liabilities		306,869	277,658
Amounts due to related parties	20(b)(ii)	1,778	1,345
Income tax payable		2,150,140	1,774,032
Dividends payable		1,113,198	9
		<u>24,237,469</u>	<u>28,474,082</u>
Total current liabilities			
		<u>24,237,469</u>	<u>28,474,082</u>
Net current assets		<u>10,137,609</u>	<u>5,376,669</u>
Total assets less current liabilities		<u>45,679,296</u>	<u>40,026,937</u>
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds	14	3,893,320	4,827,223
Lease liabilities		3,863,339	3,847,101
Deferred tax liabilities		2,147,705	2,119,632
Bank loans and other borrowings	12	5,047,625	2,351,234
		<u>14,951,989</u>	<u>13,145,190</u>
Total non-current liabilities			
		<u>14,951,989</u>	<u>13,145,190</u>
Net assets		<u>30,727,307</u>	<u>26,881,747</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	15	201	198
Reserves		30,328,389	26,462,702
		<u>30,328,590</u>	<u>26,462,900</u>
Non-controlling interests		<u>398,717</u>	<u>418,847</u>
Total equity		<u>30,727,307</u>	<u>26,881,747</u>

## Consolidated Interim Statement of Changes in Equity

### For the six months ended 30 June 2021

Unaudited  
Attributable to owners of the parent

	Share capital	Share premium	Share Option Reserve	Equity component of convertible bonds	Discretionary reserve fund	Statutory reserve	Merger reserve	Other reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<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	—	—	—	(79,799)	—	—	—	(649,397)	—	—	(729,196)	—	(729,196)
Issue of 2020 convertible bonds	—	—	—	30,484	—	—	—	—	—	—	30,484	—	30,484
Final 2019 dividend declared	—	(932,601)	—	—	—	—	—	—	—	—	(932,601)	—	(932,601)
<b>At 30 June 2020</b>	<u>197</u>	<u>4,541,517</u>	<u>49,391</u>	<u>63,824</u>	<u>37,110</u>	<u>2,374,646</u>	<u>(1,386,176)</u>	<u>(2,278,644)</u>	<u>(928,411)</u>	<u>19,753,424</u>	<u>22,226,878</u>	<u>423,760</u>	<u>22,650,638</u>
<b>At 1 January 2021</b>	198	4,834,851	49,391	55,560	37,110	3,302,866	(1,386,176)	(2,279,601)	(224,604)	22,073,305	26,462,900	418,847	26,881,747
Profit for the period	—	—	—	—	—	—	—	—	—	3,695,698	3,695,698	36,478	3,732,176
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	144,946	—	144,946	—	144,946
<b>Total comprehensive income for the period</b>	—	—	—	—	—	—	—	—	144,946	3,695,698	3,840,644	36,478	3,877,122
Early conversion of convertible bonds	3	946,392	—	(24,698)	—	—	—	—	—	—	921,697	—	921,697
Repurchase of shares	—	(26,829)	—	—	—	—	—	—	—	—	(26,829)	—	(26,829)
Acquisition of non-controlling interests	—	—	—	—	—	—	—	4,128	—	—	4,128	(10,128)	(6,000)
Disposal of subsidiaries	—	—	—	—	—	(1,388)	—	—	—	—	(1,388)	—	(1,388)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(46,480)	(46,480)
Transfer of equity component of convertible bonds upon the redemption	—	—	—	(378)	—	—	—	(3,995)	—	—	(4,373)	—	(4,373)
Final 2020 dividend declared	—	(1,113,189)	—	—	—	—	—	—	—	—	(1,113,189)	—	(1,113,189)
Forfeit of put option over non-controlling interest	—	—	—	—	—	—	—	245,000	—	—	245,000	—	245,000
<b>At 30 June 2021</b>	<u>201</u>	<u>4,641,225</u>	<u>49,391</u>	<u>30,484</u>	<u>37,110</u>	<u>3,301,478</u>	<u>(1,386,176)</u>	<u>(2,034,468)</u>	<u>(79,658)</u>	<u>25,769,003</u>	<u>30,328,590</u>	<u>398,717</u>	<u>30,727,307</u>

**Consolidated Interim Statement of Cash Flows**  
For the six months ended 30 June 2021

		<b>Unaudited</b>	
		<b>For the six</b>	<b>For the six</b>
		<b>months ended</b>	<b>months ended</b>
		<b>30 June 2021</b>	<b>30 June 2020</b>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Operating activities</b>			
Profit before tax		5,109,483	3,192,445
Adjustments for:			
Share of profits of joint ventures and an associate		(2,733)	(515)
Depreciation and impairment of property, plant and equipment	5(c)	666,055	519,589
Depreciation of right-of-use assets		243,434	224,743
Amortisation of land use rights	5(c)	49,311	46,591
Amortisation of intangible assets	5(c)	146,636	132,013
Impairment of trade receivables		898	1,863
Interest income	4(b)	(80,779)	(24,759)
Net gains on disposal of items of property, plant and equipment	4(b)	(8,431)	(7,543)
Finance costs	6	596,336	610,261
Fair value (gains)/losses, net:			
— Listed equity investments held for trading		(14,950)	9,522
— Financial products		9,340	767
Dividends income from listed equity investment		(1,114)	(1,020)
Write-down of inventories to net realisable value	5(c)	1,847	1,610
Investment income from financial assets at fair value through profit or loss		—	(28,330)
(Gain)/expense on redemption of convertible bonds		(4,753)	8,039
		<b>6,710,580</b>	<b>4,685,276</b>
Increase in cash in transit		(163,061)	(98,543)
Increase in trade receivables		(352,357)	(19,074)
Decrease in prepayments, other receivables and other assets		1,382,283	426,602
Decrease in inventories		468,686	487,788
(Decrease)/increase in trade and bills payables		(288,923)	239,494
Decrease in other payables and accruals		(295,076)	(187,785)
Increase in amounts due from related parties			
— trade related		(3,306)	(985)
Increase/(decrease) in amounts due to related parties			
— trade related		433	(124)
<b>Cash generated from operations</b>		<b>7,459,259</b>	<b>5,532,649</b>
Tax paid		(1,057,225)	(788,831)
<b>Net cash generated from operating activities</b>		<b>6,402,034</b>	<b>4,743,818</b>

**Consolidated Interim Statement of Cash Flows (Continued)**  
*For the six months ended 30 June 2021*

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2021 RMB'000</b>	<b>For the six months ended 30 June 2020 RMB'000</b>
<b>Investing activities</b>		
Purchase of items of property, plant and equipment	<b>(1,946,807)</b>	(1,173,391)
Proceeds from disposal of items of property, plant and equipment	<b>477,249</b>	329,058
Purchase of land use rights	<b>(311,525)</b>	(18,868)
Purchase of intangible assets	<b>(4,893)</b>	(2,752)
Refund from/(prepayments for) the potential acquisitions of equity interests from third parties	<b>18,544</b>	(996,425)
Acquisitions of subsidiaries	<b>(269,754)</b>	1,831
Increase in prepayments, other receivables and other assets	<b>(29,112)</b>	(128,553)
Interest received	<b>80,779</b>	24,759
Proceeds of financial assets at fair value through profit or loss, net	—	842,550
Investment income from financial assets at fair value through profit or loss	—	28,330
Dividends received from listed equity investments	<b>1,114</b>	—
<b>Net cash used in investing activities</b>	<b><u>(1,984,405)</u></b>	<b><u>(1,093,461)</u></b>

**Consolidated Interim Statement of Cash Flows (Continued)**  
For the six months ended 30 June 2021

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2021 RMB'000</b>	<b>For the six months ended 30 June 2020 RMB'000</b>
<b>Financing activities</b>		
Proceeds from issue of convertible bonds	—	4,132,148
Proceeds from bank loans and other borrowings	<b>59,702,964</b>	46,946,199
Repayments of bank loans and other borrowings	<b>(60,678,879)</b>	(47,700,605)
Decrease in pledged bank deposits	<b>713,081</b>	25,412
Decrease in trade and bills payables	<b>(1,214,219)</b>	(286,407)
Lease payments	<b>(290,785)</b>	(271,955)
Repurchase of shares	<b>(26,829)</b>	—
Redemption of convertible bonds	<b>(48,573)</b>	(3,882,709)
Decrease in deposits to entities controlled by suppliers for borrowings	<b>171,433</b>	26,894
Interest paid for bank loan and other borrowings	<b>(410,783)</b>	(435,640)
Dividends paid to the non-controlling shareholders	<b>(46,480)</b>	(11,790)
Acquisition of non-controlling interests	<b>(6,000)</b>	(78,000)
	<u><b>(2,135,070)</b></u>	<u><b>(1,536,453)</b></u>
<b>Net cash used in financing activities</b>		
	<b>2,282,559</b>	2,113,904
<b>Net increase in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of each period	<b>8,210,363</b>	6,101,176
Effect of foreign exchange rate changes, net	<b>(11,557)</b>	10,828
	<u><b>10,481,365</b></u>	<u><b>8,225,908</b></u>
<b>Cash and cash equivalents at end of each period</b>		

## Notes to Interim Condensed Consolidated Financial Information

30 June 2021

### 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 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 in Hong Kong which is located at Rooms 1803–09, 18th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, 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 interim condensed consolidated financial information for the six months ended 30 June 2021 have been presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial information was approved for issue on 9 August 2021. These interim condensed consolidated financial information has not been audited.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 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 information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Group’s the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

#### 2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, 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 9,  
HKAS 39 and HKFRS 7,  
HKFRS 4 and HKFRS 16  
Amendments to HKFRS 16

*Interest Rate Benchmark Reform — Phase 2*

*COVID-19-Related Rent Concessions beyond 30 June  
2021 (early adopted)*

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

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
**30 June 2021**

**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 2021, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

**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 2021 RMB'000</b>	<b>For the six months ended 30 June 2020 RMB'000</b>
<b>Revenue from contracts with customers</b>		
Disaggregated revenue information		
<b>Type of goods or service</b>		
Revenue from the sale of motor vehicles	<b>76,058,985</b>	49,787,697
Revenue from after-sales service	<b>11,302,290</b>	8,415,424
	<b>87,361,275</b>	58,203,121
Total revenue from contracts with customers	<b>87,361,275</b>	58,203,121
<b>Timing of revenue recognition</b>		
At a point in time	<b>87,361,275</b>	58,203,121

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
**30 June 2021**

**4. REVENUE, OTHER INCOME AND GAINS, NET (Continued)**

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

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2021 RMB'000</b>	<b>For the six months ended 30 June 2020 RMB'000</b>
Commission income	1,572,034	1,306,520
Rental income	21,242	13,937
Government grants	30,406	44,697
Interest income	80,779	24,759
Net gains on disposal of items of property, plant and equipment	8,431	7,543
Fair value gains/(losses), net:		
Financial assets at fair value through profit or loss		
— listed equity investments	14,950	(9,522)
— financial products	(9,340)	(767)
Dividend income from listed equity investments	1,114	1,020
Investment income from financial assets at fair value through profit or loss	—	28,330
Others	87,774	57,677
	<u>1,807,390</u>	<u>1,474,194</u>

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
**30 June 2021**

**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 2021 RMB'000</b>	<b>For the six months ended 30 June 2020 RMB'000</b>
<b>(a) Employee benefit expense (including directors' and chief executive officer's remuneration):</b>		
Wages and salaries	2,683,541	1,643,808
Pension scheme contributions	298,104	127,254
Other welfare	168,435	113,214
	<u>3,150,080</u>	<u>1,884,276</u>
<b>(b) Cost of sales and services provided:</b>		
Cost of sales of motor vehicles	73,047,525	48,294,274
Others	5,850,876	4,499,203
	<u>78,898,401</u>	<u>52,793,477</u>
<b>(c) Other items:</b>		
Depreciation and impairment of property, plant and equipment	666,055	519,589
Amortisation of land use rights	49,311	46,591
Amortisation of intangible assets	146,636	132,013
Promotion and advertisement	611,426	367,230
Office expenses	274,822	116,314
Depreciation of right-of-use assets	243,434	224,743
Lease expenses	15,178	21,006
Logistics expenses	95,338	61,362
Impairment of trade receivables	898	1,863
Write-down of inventories to net realizable value	1,847	1,610
Net gains on disposal of items of property, plant and equipment	(8,431)	(7,543)
Investment income from financial assets at fair value through profit or loss	—	(28,330)
Dividend income from listed equity investments	(1,114)	(1,020)
Fair value (gains)/losses, net:		
Financial assets at fair value through profit or loss		
— listed equity investments	(14,950)	9,522
— financial products	9,340	767
	<u>9,340</u>	<u>767</u>

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
**30 June 2021**

**6. FINANCE COSTS**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2021 RMB'000</b>	<b>For the six months ended 30 June 2020 RMB'000</b>
Interest expense on bank borrowings	321,167	403,748
Interest expense on convertible bonds	76,458	84,074
Interest expense on other borrowings	98,961	36,799
Interest expense on lease liabilities	132,899	123,817
Interest capitalised	<u>(33,149)</u>	<u>(38,177)</u>
	<b><u>596,336</u></b>	<b><u>610,261</u></b>

**7. INCOME TAX EXPENSE**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2021 RMB'000</b>	<b>For the six months ended 30 June 2020 RMB'000</b>
Current Mainland China corporate income tax	1,429,119	902,352
Deferred tax	<u>(51,812)</u>	<u>(19,039)</u>
	<b><u>1,377,307</u></b>	<b><u>883,313</u></b>

**8. DIVIDENDS**

The Directors of the Company proposed not to declare any interim dividend for the six months ended 30 June 2021.

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
**30 June 2021**

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary share of 2,297,556,561 (six months ended 30 June 2020: 2,271,697,955) in issue during the period.

The calculation of diluted earnings per share amounts 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 conversion of all dilutive potential ordinary shares into ordinary shares.

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

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2021 RMB'000</b>	<b>For the six months ended 30 June 2020 RMB'000</b>
<b>Earnings</b>		
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	3,695,698	2,291,698
Interest on convertible bonds	<u>76,458</u>	<u>84,074</u>
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	<u><u>3,772,156</u></u>	<u><u>2,375,772</u></u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,297,556,561	2,271,697,955
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	101,409,488	154,295,933
Share option	<u>5,667,095</u>	<u>3,266,840</u>
Weighted average number of ordinary shares used in diluted earnings per share calculation	<u><u>2,404,633,144</u></u>	<u><u>2,429,260,728</u></u>
<b>Earnings per share (RMB)</b>		
Basic	1.609	1.009
Diluted	1.571	0.978

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
**30 June 2021**

**10. INVENTORIES**

	<b>Unaudited 30 June 2021 RMB'000</b>	<b>Audited 31 December 2020 RMB'000</b>
Motor vehicles	7,860,060	8,266,956
Spare parts and others	<u>830,603</u>	<u>834,070</u>
	<b>8,690,663</b>	<b>9,101,026</b>
Less: provision for inventories	<u>12,782</u>	<u>10,935</u>
	<u><b>8,677,881</b></u>	<u><b>9,090,091</b></u>

**11. TRADE RECEIVABLES**

	<b>Unaudited 30 June 2021 RMB'000</b>	<b>Audited 31 December 2020 RMB'000</b>
Trade receivables	<u><b>1,782,517</b></u>	<u><b>1,429,528</b></u>

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize 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) is as follows:

	<b>Unaudited 30 June 2021 RMB'000</b>	<b>Audited 31 December 2020 RMB'000</b>
Within 3 months	1,723,561	1,348,423
More than 3 months but less than 1 year	31,752	75,013
Over 1 year	<u>27,204</u>	<u>6,092</u>
	<u><b>1,782,517</b></u>	<u><b>1,429,528</b></u>

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
**30 June 2021**

**12. BANK LOANS AND OTHER BORROWINGS**

	<b>Unaudited</b> <b>30 June</b> <b>2021</b> <b>RMB'000</b>	<b>Audited</b> <b>31 December</b> <b>2020</b> <b>RMB'000</b>
Bank loans and overdrafts repayable:		
— within one year or on demand	<b>10,378,816</b>	10,116,518
— in the second year	<b>1,077,852</b>	1,114,838
— in the third to fifth years	<b>1,062,728</b>	1,236,396
	<u><b>12,519,396</b></u>	<u>12,467,752</u>
Other borrowings repayable		
— within one year	<b>2,817,543</b>	4,926,316
— in the third to fifth years	<b>2,907,045</b>	—
	<u><b>5,724,588</b></u>	<u>4,926,316</u>
Syndicated term loan		
— within one year	—	1,937,292
	—	<u>1,937,292</u>
Total bank loans and other borrowings	<b>18,243,984</b>	19,331,360
Less: Portion classified as current liabilities	<b>13,196,359</b>	16,980,126
	<u><b>5,047,625</b></u>	<u>2,351,234</u>

**13. TRADE AND BILLS PAYABLES**

	<b>Unaudited</b> <b>30 June</b> <b>2021</b> <b>RMB'000</b>	<b>Audited</b> <b>31 December</b> <b>2020</b> <b>RMB'000</b>
Trade payables	<b>1,519,129</b>	1,793,518
Bills payable	<b>1,972,552</b>	3,186,770
	<u><b>3,491,681</b></u>	<u>4,980,288</u>

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

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
**30 June 2021**

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

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

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'000</b>	<b>RMB'000</b>
Within 3 months	<b>3,214,119</b>	4,378,013
3 to 6 months	<b>188,000</b>	517,792
6 to 12 months	<b>22,582</b>	18,723
Over 12 months	<b>66,980</b>	65,760
	<b>3,491,681</b>	4,980,288

**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 “New 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. By the end of 30 June 2021, the Company has redeemed principal amounts of HK\$3,369,000,000 of the bonds and the remaining bonds with principal amounts of HK\$1,331,000,000 were converted by the bondholders into 44,347,149 shares of the Company of HK\$0.0001 each at a conversion price of HK\$30.0132 per ordinary.

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.

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
**30 June 2021**

**14. CONVERTIBLE BONDS (Continued)**

(i) (Continued)

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

	<b>Unaudited 30 June 2021 RMB'000</b>	Audited 31 December 2020 RMB'000
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>344,603</b>	340,473
Converted to shares of the Company	<b>(1,196,730)</b>	(285,071)
Redemption of the 2023 convertible bonds	<b>(3,183,659)</b>	(3,135,457)
Exchange realignment	<b>370,113</b>	376,294
Liability component at the end of the period	<u>—</u>	<u>961,912</u>
Long-term portion	<u>—</u>	<u>961,912</u>

- (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.

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
**30 June 2021**

**14. CONVERTIBLE BONDS (Continued)**

(ii) (Continued)

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

	<b>Unaudited 30 June 2021 RMB'000</b>	Audited 31 December 2020 RMB'000
Nominal value of 2025 convertible bonds	4,169,664	4,169,664
Equity component	(30,760)	(30,760)
Direct transaction costs attributable to the liability component	<u>(37,239)</u>	<u>(37,239)</u>
Liability component at the issuance date	4,101,665	4,101,665
Interest expense	166,240	93,912
Exchange realignment	<u>(374,585)</u>	<u>(330,266)</u>
Liability component at the end of the period	<u>3,893,320</u>	<u>3,865,311</u>
Long-term portion	<u><u>3,893,320</u></u>	<u><u>3,865,311</u></u>

**15. SHARE CAPITAL**

	<b>Unaudited 30 June 2021</b>	Audited 31 December 2020
Authorised:		
1,000,000,000,000 shares of HK\$0.0001 each (HK\$'000)	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
2,315,384,591 (2020: 2,281,860,146) ordinary shares (HK\$'000)	<u>232</u>	<u>228</u>
Equivalent to RMB'000	<u>201</u>	<u>198</u>

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
**30 June 2021**

**16. SHARE OPTION SCHEME**

The Company operates 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 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 2021		Unaudited 30 June 2020	
	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>
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 <i>'000</i>	30 June 2021 Exercise price <i>HK\$ per share</i>	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 2020: nil).

The fair value of these share options granted determined using the Binominal 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%.

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
*30 June 2021*

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

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.

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 several individually immaterial dealerships which are engaged in the motor vehicle sales and service business in Mainland China, from certain third parties respectively on 1 January 2021 and 30 June 2021, at a total consideration of RMB681,477,000. The purchase consideration for those acquisitions was in the form of cash, with RMB655,940,000 paid by the end of June 2021.

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
**30 June 2021**

**17. BUSINESS COMBINATION (Continued)**

The acquisitions 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*	75,571
Land use rights*	28,104
Intangible assets*	135,200
Inventories	58,323
Trade receivables	1,530
Prepayments, other receivables and other assets	121,356
Cash in transit	731
Cash and cash equivalents	20,355
Trade and bills payables	(14,535)
Other payables and accruals	(136,012)
Bank loans and other borrowings	(23,672)
Deferred tax liabilities*	(37,746)
Current income tax liabilities	(2,828)
	<hr/>
Total identifiable net assets at fair value	226,377
	<hr/> <hr/>
Goodwill on acquisition*	455,100
	<hr/>
Total purchase consideration	681,477
	<hr/> <hr/>

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

Cash consideration paid	(655,940)
Cash and cash equivalents acquired	20,355
	<hr/>
Net cash outflow	(635,585)
	<hr/> <hr/>

Since the acquisitions, the acquired businesses contributed RMB459,240,000 to the Group's revenue and RMB14,311,000 of profit to the consolidated profit for the six months ended 30 June 2021.

\* 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 finalized and hence the initial accounting for the business combination of these companies was incomplete by the date of this announcement. Therefore, these amounts recognized in the Group's interim financial statements for the six months ended 30 June 2021 in relation to the acquisition of these companies were on a provisional basis.

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
**30 June 2021**

**18. CONTINGENT LIABILITIES**

As at 30 June 2021, 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>2021</b> <b>RMB'000</b>	Audited 31 December 2020 <b>RMB'000</b>
Contracted, but not provided for buildings	<b>170,703</b>	103,613
Contracted, but not provided for potential acquisitions	<b>58,546</b>	283,924
	<b>229,249</b>	387,537

**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 2021:

	<b>Unaudited</b> <b>For the six</b> <b>months ended</b> <b>30 June 2021</b> <b>RMB'000</b>	For the six months ended 30 June 2020 <b>RMB'000</b>
(i) Sales of goods to a joint venture: — Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd. (“Xiamen Zhongsheng”)	<b>3,665</b>	1,293
(ii) Purchase of goods or services from joint ventures: — Xiamen Zhongsheng	<b>5,877</b>	5,223
— TAC Automobile Accessories Trading (Shanghai) Co., Ltd. (“TAC”)	<b>3,760</b>	—
	<b>9,637</b>	5,223

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
**30 June 2021**

**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 2021:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'000</b>	<b>RMB'000</b>
(i) Due from related parties:		
Trade related		
Joint ventures		
— Xiamen Zhongsheng	<u>4,474</u>	<u>1,168</u>
(ii) Due to related parties:		
Trade related		
Joint ventures		
— Zhongsheng Tacti	80	80
— Xiamen Zhongsheng	114	63
— TAC	<u>1,584</u>	<u>1,202</u>
	<u>1,778</u>	<u>1,345</u>

Balances with related parties 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 2021</b>	30 June 2020
	<b>RMB'000</b>	<b>RMB'000</b>
Short term employee benefits	21,686	13,626
Post-employee benefits	<u>150</u>	<u>95</u>
Total compensation paid to key management personnel	<u>21,836</u>	<u>13,721</u>

**Notes to Interim Condensed Consolidated Financial Information (Continued)**  
*30 June 2021*

**21. EVENTS AFTER THE REPORTING PERIOD**

- (a) On 1 July 2021, the Company entered into the share purchase agreement with Fu Tung Holdings Limited as the seller and Jardine Motors as the guarantor, pursuant to which the seller has conditionally agreed to sell and the Company has conditionally agreed to purchase the entire issued share capital of Zung Fu China.

The consideration payable by the Company for the proposed acquisition is US\$1,300 million, subject to certain closing adjustments. On closing, the Company will settle the consideration by paying the Seller US\$900 million in cash and the remaining consideration to be settled by the issuance of consideration shares at the issue price of HK\$63.3964 per share.

- (b) On 12 July 2021, the Company allotted and issued an aggregate of 47,253,000 new shares to HHLR Fund, L.P. and YHG Investment, L.P., represent approximately 2.04% of the existing issued share capital of the Company.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue for the six months ended 30 June 2021 was RMB87,361.3 million, representing an increase of RMB29,158.2 million or 50.1% as compared to the six months ended 30 June 2020. Revenue from new automobile sales amounted to RMB72,555.6 million, representing an increase of RMB22,767.9 million or 45.7% as compared to the six months ended 30 June 2020. Revenue from after-sales and accessories business amounted to RMB11,302.3 million, representing an increase of RMB2,886.9 million or 34.3% as compared to the six months ended 30 June 2020. Revenue from pre-owned automobile sales was RMB3,503.4 million, representing an increase of RMB3,503.4 million.

New automobile sales business accounted for a substantial portion of the Group's revenue, representing 83.1% (for the six months ended 30 June 2020: 85.5%) of the total revenue for the six months ended 30 June 2021. After-sales and accessories business accounted for 12.9% of the total revenue for the six months ended 30 June 2021 (for the six months ended 30 June 2020: 14.5%), while pre-owned automobile sales accounted for 4.0% (for the six months ended 30 June 2020: nil). For the six months ended 30 June 2021, almost all of the Group's revenue was derived from business located in the PRC.

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 31.7% of the Group's total revenue from new automobile sales (for the six months ended 30 June 2020: 30.8%).

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

Cost of sales and services for the six months ended 30 June 2021 amounted to RMB78,898.4 million, representing an increase of RMB26,104.9 million or 49.4% as compared to the six months ended 30 June 2020. Costs for new automobile sales business amounted to RMB69,792.7 million for the six months ended 30 June 2021, representing an increase of RMB21,498.4 million or 44.5% as compared to the six months ended 30 June 2020. Costs for after-sales and accessories business amounted to RMB5,850.9 million for the six months ended 30 June 2021, representing an increase of RMB1,351.7 million or 30.0% as compared to the six months ended 30 June 2020. Costs for pre-owned automobile sales business amounted to RMB3,254.8 million (for the six months ended 30 June 2020: nil).

## **Gross Profit**

The Group's gross profit for the six months ended 30 June 2021 amounted to RMB8,462.9 million, representing an increase of RMB3,053.3 million or 56.4% as compared to the six months ended 30 June 2020. Gross profit from new automobile sales business amounted to RMB2,762.9 million, representing an increase of RMB1,269.5 million or 85.0% as compared to the six months ended 30 June 2020. Gross profit from after-sales and accessories business amounted to RMB5,451.4 million, representing an increase of RMB1,535.2 million or 39.2% as compared to the six months ended 30 June 2020. For the six months ended 30 June 2021, gross profit from after-sales and accessories business accounted for 64.4% of the total gross profit (for the six months ended 30 June 2020: 72.4%). Gross profit from sales of pre-owned automobile amounted to RMB248.5 million (for the six months ended 30 June 2020: nil).

The gross profit margin for the six months ended 30 June 2021 was 9.7% (for the six months ended 30 June 2020: 9.3%).

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

The other income and gains, net, for the six months ended 30 June 2021 amounted to RMB1,807.4 million, representing an increase of RMB333.2 million or 22.6% as compared to the six months ended 30 June 2020. 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 2021 amounted to RMB5,703.1 million, representing an increase of RMB1,900.9 million or 50.0% as compared to the six months ended 30 June 2020. The operating profit margin for the six months ended 30 June 2021 was 6.5% (for the six months ended 30 June 2020: 6.5%).

## **Profit for the Period**

The profit for the six months ended 30 June 2021 amounted to RMB3,732.2 million, representing an increase of RMB1,423.1 million or 61.6% as compared to the six months ended 30 June 2020. The net profit margin for the six months ended 30 June 2021 was 4.3% (for the six months ended 30 June 2020: 4.0%).

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

The profit attributable to owners of the parent for the six months ended 30 June 2021 amounted to RMB3,695.7 million, representing an increase of RMB1,404.0 million or 61.3% as compared to the six months ended 30 June 2020.

## **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 and other funds raised from the capital markets and currently expects that future liquidity will continue to be satisfied mainly by the foregoing.

The Group has adopted a prudent financial management approach towards its treasury policies and will revisit such policies from time to time, taking into account, among other thing, the cash flows requirement and expansion of the Group. The Group maintained a healthy liquidity position throughout the six months ended 30 June 2021.

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

For the six months ended 30 June 2021, the net cash generated from operating activities by the Group amounted to RMB6,402.0 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 2021, the net cash used in investing activities by the Group amounted to RMB1,984.4 million.

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

For the six months ended 30 June 2021, the net cash used in financing activities by the Group amounted to RMB2,135.1 million.

## Net Current Assets

As at 30 June 2021, the Group had net current assets of RMB10,137.6 million, representing an increase of RMB4,760.9 million from the net current assets of the Group as at 31 December 2020.

## 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 2021, the Group's total capital expenditures were RMB1,565.9 million. Save as disclosed above, the Group had not made any significant investments during the six months ended 30 June 2021.

## 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. To leverage scale advantage and centralisation efficiency, 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 RMB9,090.1 million as at 31 December 2020 to RMB8,677.9 million as at 30 June 2021, primarily due to the further optimisation of inventory structure and 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:

	For the six months ended 30 June	
	2021	2020
Average inventory turnover days	20.8	29.7
Average inventory turnover days (luxury brands)	<u>21.6</u>	<u>25.9</u>

The inventory turnover days of the Group showed a decrease during the six months ended 30 June 2021 as compared to the six months ended 30 June 2020, which was mainly due to improved inventory management. During the six months ended 30 June 2021, the Group had continued to optimise its inventory mix.

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

Due to its business nature, the Group did not maintain an order book as at 30 June 2021. As at the date of this announcement, save as already disclosed, the Group has no new services to be introduced to the market.

## **Bank Loans and Other Borrowings**

As at 30 June 2021, the Group's bank loans and other borrowings amounted to RMB18,244.0 million (31 December 2020: RMB19,331.4 million), and the convertible bonds liability portion amounted to RMB3,893.3 million (31 December 2020: RMB4,827.2 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 healthy cash flow generated from operating activities. The annual interest rates of the bank loans and other borrowings ranged from 1.0% to 5.23%.

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

Currently, the Group does not purchase any derivatives to hedge interest rate risk. The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. Certain cash and bank deposits of the Group are denominated in RMB. Currently, the Group does not enter into any long-term contracts, currency borrowings or other means to hedge its foreign currency exposure. The Group's exposure to interest rate risk relates primarily to the Group's debt obligations that have a floating interest rate.

## **Employee and Remuneration Policy**

The Group adheres to a strong belief that one of the most valuable assets of a corporation is its employees. The Group values its human resources and recognises the importance of attracting and retaining qualified staff for its continuing success.

As at 30 June 2021, the Group had 33,201 employees (31 December 2020: 31,460). The Group strives to offer a harmonious, efficient and productive working environment, a diversified range of training programmes as well as an attractive remuneration package to its employees. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. The Group endeavours to motivate its staff with performance-based remuneration and reward its 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 borrowing from OEM auto financing company as the standard OEM norm and certain banking loan and facilities. As at 30 June 2021, the pledged group assets amounted to approximately RMB5.4 billion (31 December 2020: RMB5.9 billion).

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

During the six months ended 30 June 2021, 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 the reach and depth of its business in the luxury and mid-to-high end passenger vehicle market and capitalise on the market opportunities that align with the Group's business and growth objectives. The Company aims to expand its network coverage and scale 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 internal funds and borrowings from financial institution. The Group currently has sufficient credit facilities granted by banks.

## **Gearing Ratio**

As at 30 June 2021, the gearing ratio of the Group was 42.0% (31 December 2020: 50.9%), 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 (the "**2023 Convertible Bond Manager**") entered into a bond subscription agreement, according to which (i) the Company agreed to issue, and the 2023 Convertible Bond Manager 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 "**Original 2023 Convertible Bonds**"); and (ii) the Company agreed to grant the 2023 Convertible Bond Manager 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 Original 2023 Convertible Bonds, the "**2023 Convertible Bonds**"). On 14 May 2018, the 2023 Convertible Bond Manager exercised in full the option granted by the Company, pursuant to which the Company was required to issue the Option Bonds in the aggregate principal amount of HK\$775 million.

The 2023 Convertible Bonds were convertible into shares of the Company (the “Shares”) 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 Company partially repurchased and cancelled the 2023 Convertible Bonds in the aggregate amount of HK\$3,315 million on 22 May 2020. In addition, certain holders converted their 2023 Convertible Bonds into Shares. On 24 May 2021, the Company completed the early redemption of all outstanding 2023 Convertible Bonds. As at the date of this announcement, there are no outstanding 2023 Convertible Bonds in issue.

Please refer to the announcements of the Company dated 4, 6, 15 and 23 May 2018, 12, 13, 14, 22, 25 May and 20 and 27 November 2020 and 31 March and 25 May 2021, for further details on the 2023 Convertible Bonds.

### **2025 Convertible Bonds**

On 12 May 2020, the Company, Merrill Lynch (Asia Pacific) Limited and Morgan Stanley & Co. International plc (the “2025 Convertible Bond Managers”) entered into a bond subscription agreement, according to which the Company agreed to issue, and the 2025 Convertible Bond 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 2,462,615,665 Shares (calculated as at the date of this announcement).

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.

## BONDS

### 2026 Bonds

On 6 January 2021, the Company and Merrill Lynch (Asia Pacific) Limited, Mizuho Securities Asia Limited, CCB International Capital Limited, MUFG Securities Asia Limited and Morgan Stanley & Co. International plc (the “2026 Bond Managers”) entered into a bond subscription agreement, according to which the 2026 Bond Managers have conditionally agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the 3.00 per cent coupon rate. bonds to be issued by the Company in an aggregate principal amount of US\$450 million (the “2026 Bonds”). The maturity date of the 2026 Bonds is 13 January 2026, on which the Company is scheduled to redeem each 2026 Bond at its principal amount.

Please refer to the announcements of the Company dated 4, 7, 13 and 14 January 2021, respectively, for further details on the 2026 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 2021 are set out below:

Name of Grantees	Date granted	Exercise price per share	Number of Share Options				Outstanding as at 30 June 2021
			Outstanding as at 31 December 2020	Granted during the Period	Exercised during the period	Lapsed/ Cancelled during the period	
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 2021, no options had been granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme. As at 30 June 2021, the total number of Shares which may be issued under the Share Option Scheme was 11,000,000 Shares, representing approximately 0.45% of the issued share capital of the Company as at the date of this announcement.

## **EVENTS AFTER THE REPORTING PERIOD**

After the Reporting Period, the Group had the following significant events:

### **Acquisition of Zung Fu China and the allotment and issue of Consideration Shares**

On 1 July 2021, the Company entered into the share purchase agreement with Fu Tung Holdings Limited as the seller and Jardine Motors as the guarantor, pursuant to which the seller has conditionally agreed to sell and the Company has conditionally agreed to purchase the entire issued share capital of Zung Fu China. Zung Fu China is a company incorporated in Hong Kong with limited liability and is principally engaged in the motor sales and servicing business in the PRC. Zung Fu China is one of the largest dealership networks of Mercedes-Benz in southern and western China. As a strategic partner with Mercedes-Benz, the business of Zung Fu China covers the sale and aftersales services of Mercedes-Benz, AMG, Mercedes-Maybach and Denza and other car related businesses.

The consideration payable by the Company for the proposed acquisition is US\$1,300 million, subject to certain closing adjustments. On closing, the Company will settle the consideration by paying the Seller US\$900 million in cash and the remaining consideration to be settled by the issuance of consideration shares (the “**Consideration Shares**”, being new Shares in the Company) at the issue price of HK\$63.3964 per share. The actual number of Consideration Shares to be issued to the seller will depend on the final consideration payable by the Company to be determined on the closing date.

Immediately after closing, the Company will hold 100% of the issued share capital of Zung Fu China and Zung Fu China will become a subsidiary of the Company and its financial results will be consolidated with those of the Company.

For further details, please refer to the announcement dated 1 July 2021 in relation to discloseable and connected transaction in relation to the acquisition of Zung Fu China involving issue of Consideration Shares under specific mandate.

### **Issue of new Shares under general mandate**

On 4 July 2021, the Company and the subscribers entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue and the subscribers have conditionally agreed to subscribe for an aggregate of 47,253,000 new Shares to be issued by the Company (the “**Subscription Shares**”) at the subscription price of HK\$63.3964 per share. The aggregate of 47,253,000 Subscription Shares represent approximately 2.04% of the existing issued share capital of the Company as at 4 July 2021 and approximately 2.00% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. Completion of the subscription under the subscription agreement took place on 12 July 2021.

Having deducted the fees and related expenses in connection with the issue of the Subscription Shares, the total amount of net proceeds received by the Company was approximately HK\$2,995.48 million. The Company intends to apply such net proceeds for general corporate purpose and may also apply part of the proceeds towards the satisfaction of the consideration payable for the acquisition of Zung Fu China.

For further details, please refer to the announcements dated 4 July 2021 and 12 July 2021 in relation to the issue and completion of new Shares under general mandate.

## **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 2021 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 2021 and up to the date of this announcement.

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

In January 2021, as the Board was of the view that share buy-backs and the subsequent cancellation of the bought Shares could enhance the value of the Shares thereby improving returns to the shareholders of the Company, the Board determined to exercise its powers under the general mandate to buy back Shares granted by the shareholders of the Company at the general meeting held on 10 June 2020 to buy back a total of 660,500 Shares at the highest and lowest prices of HK\$49.50 and HK\$47.65 per Share, respectively. The aggregate purchase price paid (excluding commissions and other expenses) for the bought Shares was approximately HK\$32,200,000. The Board believes that the share buy-backs could reflect the Board's confidence in the Company's long-term business prospects. All of the bought Shares have been cancelled as at the date of this announcement.

Save as disclosed in this announcement, 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 2021 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 2021. The Audit Committee considers that the interim financial results for the six months ended 30 June 2021 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 2021.

## **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 2021 will be despatched to the shareholders of the Company and published on the above websites in due course.

## APPRECIATION

The Group's continuous development and progress in the face of market competition and challenges are contingent 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, 9 August 2021

*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.*