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China ZhengTong Auto Services Holdings Limited

中國正通汽車服務控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1728)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of China ZhengTong Auto Services Holdings Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 together with the comparative figures for the corresponding period in 2023 as set out below.

HIGHLIGHTS

During the reporting period, the competition in the domestic automobile market further intensified due to factors such as price impact and fluctuations in market sentiment brought about by new energy and new models. Due to the above-mentioned factors, the sales volume and selling price of the Group’s new automobiles have decreased during the relevant period, resulting in a year-on-year increase in net loss compared to the same period in 2023. Based on their confidence in the long-term stability and improvement of China’s automotive distribution industry, the Board and the management of the Group have been adhering to the main business line of sales of luxury and ultra-luxury brand automobiles, implementing measures such as adjusting business strategies, transforming and upgrading business, reducing costs and increasing efficiency, and actively exploring emerging businesses and developing an international network. We believe that with the support of our state-owned shareholder and other public shareholders, we will be able to achieve positive development by continuously consolidating our existing advantages and making gradual adjustments.

For the six months ended 30 June 2024:

- revenue decreased by approximately 19.8% to approximately RMB9,876 million, mainly due to a decrease in sales volume and selling price of new automobiles;
- overall gross profit decreased by approximately 71.9% to approximately RMB177 million, and gross profit margin decreased by 3.3 percentage points to 1.8%, mainly due to a decrease in the average selling price of new automobiles;
- loss for the period was approximately RMB635 million, as compared to a loss for the period of approximately RMB386 million for the same period in 2023, mainly due to the decrease in revenue from the sales of new automobiles and gross profit margin from sales of new automobiles;
- basic loss per share was approximately RMB25 cents as compared to a basic loss per share of RMB14 cents for the same period in 2023;
- net cash inflow was approximately RMB147 million generated from its operating activities as compared to net cash outflow of approximately RMB446 million for the same period in 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 June 2024 — unaudited
(Expressed in RMB'000)

		Six months ended 30 June	
	<i>Note</i>	2024	2023
Revenue	4	9,875,622	12,309,565
Cost of sales		<u>(9,698,464)</u>	<u>(11,679,149)</u>
Gross profit		177,158	630,416
Other income	5	564,592	623,786
Selling and distribution expenses		(470,564)	(565,904)
Administrative expenses		<u>(504,360)</u>	<u>(535,363)</u>
(Loss)/profit from operations		(233,174)	152,935
Finance costs	6(a)	(492,060)	(536,380)
Share of profit/(loss) of associates and a joint venture		<u>2,116</u>	<u>(124)</u>
Loss before taxation	6	(723,118)	(383,569)
Income tax	7	<u>88,278</u>	<u>(2,495)</u>
Loss for the period		<u>(634,840)</u>	<u>(386,064)</u>
Loss for the period attributable to:			
Ordinary shareholders of the Company		(711,734)	(393,537)
Perpetual bond holders of the Company	17	42,759	—
Non-controlling interests		<u>34,135</u>	<u>7,473</u>
Loss for the period		<u>(634,840)</u>	<u>(386,064)</u>
Basic and diluted loss per share (RMB cents)	8	<u>(25.0)</u>	<u>(14.4)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

*for the six months ended 30 June 2024 — unaudited
(Expressed in RMB'000)*

	<i>Note</i>	Six months ended 30 June	
		2024	2023
Loss for the period		<u>(634,840)</u>	<u>(386,064)</u>
Other comprehensive income for the period (after tax):			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of:			
— financial statements of entities outside of the Mainland China		<u>(7,010)</u>	<u>(7,825)</u>
Other comprehensive income for the period		<u>(7,010)</u>	<u>(7,825)</u>
Total comprehensive income for the period		<u>(641,850)</u>	<u>(393,889)</u>
Attributable to:			
Ordinary shareholders of the Company		(718,744)	(401,362)
Perpetual bond holders of the Company	17	42,759	—
Non-controlling interests		<u>34,135</u>	<u>7,473</u>
Total comprehensive income for the period		<u>(641,850)</u>	<u>(393,889)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024 — unaudited

(Expressed in RMB'000)

	<i>Note</i>	At 30 June 2024	At 31 December 2023
Non-current assets			
Property, plant and equipment		6,455,724	6,075,954
Investment properties		462,769	431,510
Right-of-use assets		2,411,491	2,487,855
Intangible assets	9	2,463,346	2,540,361
Goodwill	9	566,736	566,736
Interests in associates		17,090	15,191
Interest in a joint venture		29,116	26,798
Deferred tax assets		850,609	758,013
Long-term receivables		395,828	381,655
Other financial assets	10	497,581	829,028
Pledged bank deposits		507,440	975,420
		<u>14,657,730</u>	<u>15,088,521</u>
Current assets			
Inventories	11	3,833,371	3,771,902
Trade and bills receivables	12	908,978	941,949
Prepayments, deposits and other receivables	13	4,678,231	4,941,148
Other financial assets	10	83,447	126,344
Pledged bank deposits		4,473,395	3,900,082
Cash and cash equivalents		469,758	744,855
		<u>14,447,180</u>	<u>14,426,280</u>
Current liabilities			
Loans and borrowings		16,514,726	16,272,920
Lease liabilities		292,190	319,641
Trade and other payables	14	5,054,152	5,638,481
Income tax payables		412,433	391,173
Other financial liabilities	10	12,561	22,177
		<u>22,286,062</u>	<u>22,644,392</u>
Net current liabilities		<u>(7,838,882)</u>	<u>(8,218,112)</u>
Total assets less current liabilities		<u>6,818,848</u>	<u>6,870,409</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*at 30 June 2024 — unaudited (continued)**(Expressed in RMB'000)*

	<i>Note</i>	At 30 June 2024	At 31 December 2023
Non-current liabilities			
Loans and borrowings		3,380,528	3,488,141
Lease liabilities		947,102	960,309
Deferred tax liabilities		924,672	970,800
Trade and other payables	<i>14</i>	124,796	139,567
Other financial liabilities	<i>10</i>	1,650	24,532
		<u>5,378,748</u>	<u>5,583,349</u>
NET ASSETS		<u>1,440,100</u>	<u>1,287,060</u>
CAPITAL AND RESERVES			
Share capital		246,394	246,394
Perpetual bonds	<i>17</i>	1,882,960	1,010,921
Reserves		<u>(1,614,033)</u>	<u>(895,485)</u>
Total equity attributable to equity shareholders of the Company		515,321	361,830
Non-controlling interests		<u>924,779</u>	<u>925,230</u>
TOTAL EQUITY		<u>1,440,100</u>	<u>1,287,060</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1 GENERAL INFORMATION

China ZhengTong Auto Services Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 9 July 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in 4S dealership business, automotive supply chain business and comprehensive properties business in the People’s Republic of China (the “**PRC**”).

2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 29 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2023 are available in the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2024.

The Group incurred a net loss of RMB635 million for the six months ended 30 June 2024 and had net current liabilities of RMB7,839 million as at 30 June 2024. The Group's liabilities included a sum of short-term and long-term loans and borrowings due to Xiamen ITG Holding Group Co., Ltd. ("**ITG Holding**") and its subsidiaries of RMB2,315million and RMB2,079 million, respectively. Notwithstanding these conditions, the Company's condensed consolidated interim financial statements for the six months ended 30 June 2024 have been prepared on a going concern basis and the directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. This is because, based on the cash flow projections for at least the next twelve months, the directors of the Company concluded that the Group will have adequate funds having considered the current available banking facilities as well as the financial support from ITG Holding, which has informed the Group that, on the basis that in compliant with regulatory regime applicable to state owned enterprises and after obtaining internal resolutions and approvals, it will provide such financial support to the Group as is necessary to enable the Group to continue operation as a going concern for at least the next twelve months.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* ("**2020 amendments**")
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* ("**2022 amendments**")
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. Since those disclosures are not required for any interim period presented within the annual reporting period in which the amendments are initially applied, the Group has not made additional disclosures in this interim financial report.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE

The Group is mainly engaged in sales of passenger motor vehicles, provision of facilitation service in relation to mortgage loans provided by third-party financial institutions to buyers of motor vehicles, provision of after-sales services and logistics services. Revenue represents the sales of goods and services income rendered to customers.

The amount of each significant category of revenue recognised during the period is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of passenger motor vehicles	7,657,625	10,580,807
Provision of mortgage facilitation services (i)	325,635	—
Provision of after-sales services	1,698,980	1,425,687
Provision of logistics services	180,775	189,234
Sales of comprehensive properties	12,597	—
Sales of lubricant oil	—	113,812
	<u>9,875,612</u>	<u>12,309,540</u>
Revenue from other sources		
Others	10	25
	<u>9,875,622</u>	<u>12,309,565</u>

- (i) Since 1 April 2024, due to changes in internal and external factors, the Group considered that provision of mortgage facilitation service became one of its ordinary business activities. Accordingly, income generated from providing the mortgage facilitation service has been presented as revenue starting from 1 April 2024, amounting to RMB325,635,000 for the period from 1 April 2024 to 30 June 2024. Mortgage facilitation service income earned during the period from 1 January 2024 to 31 March 2024 amounting to RMB279,723,000 (six months ended 30 June 2023: RMB290,455,000) was included in “service income” under “other income” (note 5).

The Group recognises income from provision of mortgage facilitation service as revenue at a point in time when the financial institutions entered into loan agreements with and provided loan to the buyers of the motor vehicles, which is also the point in time when the Group fulfilled its facilitation service.

Revenue from logistics services is recognised over-time upon fulfilment of services obligation, whereas revenue from sales of passenger motor vehicles and related mortgage facilitation service and after-sales services are recognised at a point in time.

5 OTHER INCOME

	<i>Note</i>	Six months ended 30 June	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
Service income		402,563	437,841
Interest income		46,562	33,338
Net gain on disposal of property, plant and equipment and right-of-use assets		1,541	51,500
Net realised and unrealised net gain on other financial instruments		67,209	76,753
Government grants	(i)	7,786	5,446
Others		38,931	18,908
		<u>564,592</u>	<u>623,786</u>

(i) The government grants were received unconditionally from the local government where they reside.

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	<i>Note</i>	Six months ended 30 June	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
(a) Finance costs:			
Interest on loans and borrowings		461,936	517,288
Interest on lease liabilities		36,091	39,765
Finance cost for consideration of business combination		—	1,654
Other finance costs	(i)	16,577	24,451
Less: interest capitalised		(22,544)	(46,778)
		<u>492,060</u>	<u>536,380</u>
(b) Staff costs:			
Salaries, wages and other benefits		367,388	414,472
Contributions to defined contribution retirement plans	(ii)	28,136	25,709
Equity settled share-based payment expenses		196	864
		<u>395,720</u>	<u>441,045</u>

(i) It mainly represents the interest expenses arising from discounting of bills payables.

- (ii) Employees of the Group’s PRC subsidiaries are required to participate in defined contribution retirement schemes administered and operated by the local municipal governments where the subsidiaries are registered. The Group’s PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the respective local municipal government to the schemes to fund the retirement benefits of the employees. The Group remits all pension fund contributions to the respective tax bureau, which are responsible for the payment and liabilities relating to the pension funds.

The Group also operates a Mandatory Provident Fund Scheme (the “MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

The Company’s and its subsidiaries’ contributions made to the above defined contribution schemes are non-refundable and cannot be used to reduce the future or existing level of contribution of the Company and its subsidiaries should any forfeiture be resulted from the schemes.

The Group has no other material obligation for the payment of retirement benefits other than the annual contributions described above.

Six months ended 30 June	
2024	2023
<i>RMB’000</i>	<i>RMB’000</i>

(c) Other items:

Cost of inventories (<i>note 11(b)</i>)	9,472,953	11,419,654
Depreciation		
— Owned property, plant and equipment	183,719	149,589
— Right-of-use assets	159,207	177,360
— Investment properties	9,532	7,312
Amortisation of intangible assets	82,185	81,489
Operating lease charges	14,814	3,604
Net foreign exchange loss	28,334	119,158

7 INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current tax:		
Provision for PRC income tax for the period	50,446	10,718
Deferred tax:		
Origination and reversal of temporary differences	<u>(138,724)</u>	<u>(8,223)</u>
	<u>(88,278)</u>	<u>2,495</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) No provision for Hong Kong Profits Tax was made for the Group's subsidiaries located in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the period. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.
- (iii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax rate of 25% (six months ended 30 June 2023: 25%), except for Shengze Jietong Supply Chain Co.,Ltd. ("**Shengze Jietong**"), an automotive logistics supplier in the PRC. Shengze Jietong is subject to a preferential rate of 15% for high-tech enterprises for three years commenced from 2023.

Taxation for the Group's PRC subsidiaries is calculated using the estimated annual effective rates of taxation that are expected to be applicable.

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the six months ended 30 June 2024 was based on the loss attributable to ordinary shareholders of the Company of RMB711,734,000 (six months ended 30 June 2023: loss attributable to ordinary shareholders of the Company of RMB393,537,000) and the weighted average number of ordinary shares in issue during the six months ended 30 June 2024 of 2,850,682,420 shares (six months ended 30 June 2023: 2,733,099,326 shares).

(b) Diluted loss per share

The potential ordinary shares in respect of the effect of Share Award Scheme was anti-dilutive, as they would lead to a decline in the loss per share. Therefore, diluted loss per share is equal to basic loss per share.

9 INTANGIBLE ASSETS

	Car dealerships & Dealership operation rights <i>RMB'000</i>	Favourable lease contracts <i>RMB'000</i>	Trademark <i>RMB'000</i>	Software and others <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:					
At 1 January 2023	4,848,553	36,904	362,732	28,558	5,276,747
Additions	—	—	—	325	325
Disposal	—	—	—	(896)	(896)
At 31 December 2023, and 1 January 2024	4,848,553	36,904	362,732	27,987	5,276,176
Additions	—	—	—	5,170	5,170
At 30 June 2024	4,848,553	36,904	362,732	33,157	5,281,346
Accumulated amortisation:					
At 1 January 2023	1,538,284	36,898	—	17,935	1,593,117
Amortisation for the year	158,244	6	—	6,786	165,036
Disposal	—	—	—	(896)	(896)
At 31 December 2023, and 1 January 2024	1,696,528	36,904	—	23,825	1,757,257
Amortisation for the period	79,122	—	—	3,063	82,185
At 30 June 2024	1,775,650	36,904	—	26,888	1,839,442
Accumulated impairment losses					
At 1 January 2023, 31 December 2023, 1 January 2024, and 30 June 2024	832,931	—	145,627	—	978,558
Net book Value					
At 30 June 2024	2,239,972	—	217,105	6,269	2,463,346
At 31 December 2023	2,319,094	—	217,105	4,162	2,540,361

The car dealerships arise from prior business combinations and relate to relationships with automakers, with an estimated useful life of 40 years. The fair value of the car dealerships as at the respective acquisition date was determined by using the multiple excess earning method.

The dealership operation rights arise from a prior business combination through an agreement on strategic operation management cooperation scheme, with an estimated useful life of 10 years. The fair value of the dealership operation rights as at the acquisition date was determined by using the multiple excess earning method.

The amortisation charge for the period ended 30 June 2024 is included in administrative expenses in the consolidated statement of profit or loss.

Having considered the impacts of macroeconomic environment changes, the intense competition in automobile dealership industry and the recent development in customer demand observed in automobile sector, the management of the Group performed an impairment assessment, assisted by an external valuer, to determine the recoverable amount of the cash generating units (CGUs) containing intangible assets — car dealerships and/or goodwill as at 30 June 2024. Based on the result of management's assessment with reference to an external valuation report, no impairment loss of intangible assets — car dealerships or goodwill was recognised during the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

The recoverable amounts of CGUs have been determined based on the value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated by using an estimated growth rate of 2.2% (2023: 2.5%) which is consistent with the forecasts included in industry reports. The pre-tax discount rate applied to the impairment test as at 30 June 2024 was within a range from 12% to 14% (31 December 2023: 13% to 15%) which reflected current market assessment of the time value of money and the risk specific to CGUs.

10 OTHER FINANCIAL ASSETS/(LIABILITIES)

	<i>Note</i>	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Other financial assets carried at FVPL			
Current			
Wealth management products	<i>(i)</i>	61,123	84,285
Forward contracts	<i>(ii)</i>	30	7,585
Option contracts	<i>(iii)</i>	18,080	34,474
Swap contracts	<i>(iv)</i>	4,214	—
		<u>83,447</u>	<u>126,344</u>
Non-current			
Option contracts	<i>(iii)</i>	49	—
Equity investment in Dongfeng Logistics	<i>(v)</i>	497,532	829,028
		<u>581,028</u>	<u>955,372</u>
Other financial liabilities carried at FVPL			
Current			
Option contracts	<i>(iii)</i>	(12,561)	(22,177)
Non-current			
Option contracts	<i>(iii)</i>	(226)	(11,723)
Swap contracts	<i>(iv)</i>	(1,424)	(12,809)
		<u>(14,211)</u>	<u>(46,709)</u>

- (i) Wealth management products included investment in wealth management products purchased from Western Trust Co., Ltd. (“**Western Trust**”) and investments with banks in the PRC.

The underlying assets of wealth management products purchased from Western Trust are a wide range of government and corporate bonds, bank deposits as well as money market funds, etc. During the six months ended 30 June 2024, the Group has redeemed part of these wealth management products with proceeds of RMB2,976,000 (six months ended 30 June 2023: RMB850,000). An unrealised loss for the investment of RMB20,183,000 was recognised for the six months ended 30 June 2024 (six months ended 30 June 2023: an unrealised loss of RMB16,522,000).

The remaining wealth management products represented the investments with banks. These investments with no guarantee of principal and interest were classified as FVPL. During the six months ended 30 June 2024, the net realised/unrealised gain for these investments of RMB588,000 was recognised as a gain in other income in the consolidated statement of profit or loss (six months ended 30 June 2023: an unrealised gain of RMB196,000).

- (ii) Forward contracts are used to mitigate the effect of the Group’s foreign currency exposure arising from the loans and borrowings. A financial asset or a financial liability is recognised for each unsettled forward contract as at 30 June 2024 and cannot be offset in the financial position, as the Group do not have a legally enforceable right to net off the amounts among different forward contracts.

During the six months ended 30 June 2024, net realised/unrealised gain of RMB413,000 from the forward contracts (six months ended 30 June 2023: loss of RMB56,685,000) was recognised as a gain in other income in the consolidated statement of profit or loss.

- (iii) The Group entered into several USD/RMB foreign currency option contracts with PRC banks in order to manage the Group’s foreign currency risk. The Group is required to transact with banks for designated notional amount on each of the valuation dates specified within the respective contracts (“**Valuation Date**”).

At the Valuation Date, the reference rate, which represents the spot rate as specified within the respective contracts, shall be compared against the strike rates (upper and lower)/barrier rate as specified within the respective contracts, and the Group may receive from/pay to the banks an amount as specified in the contracts if certain conditions specified within the respective contracts are met.

During the six months ended 30 June 2024, net realised/unrealised gain of RMB68,312,000 (six months ended 30 June 2023: gain of RMB149,764,000) from the option contracts was recognised as a gain in other income in the consolidated statement of profit or loss.

- (iv) Swap contracts

Swap contracts are used to mitigate the effect of the Group’s variable interest rate risk exposure arising from the loans and borrowings denominated in the USD. A financial asset or a financial liability is recognised for each unsettled swap contract as at 30 June 2024 and cannot be offset in the financial position, as the Group do not have a legally enforceable right to net off the amounts among different swap contracts.

During the six months ended 30 June 2024, net realised/unrealised gain of RMB18,079,000 from the swap contracts (six months ended 30 June 2023: nil) was recognised as a gain in other income in the consolidated statement of profit or loss.

(v) Equity investment in Dongfeng Logistics

Dongfeng Logistics is an unlisted entity incorporated in the PRC and is principally engaged in the provision of logistics services. As at 31 December 2023, the Group held 14.43% equity interest in Dongfeng Logistics and has recognised its interests in Dongfeng Logistics as a financial asset at fair value through profit or loss.

In March 2024, the Group has disposed of 5.77% equity interest in Dongfeng Logistics with a cash consideration of RMB331,496,300. Upon completion, the Group holds 8.66% equity interest in Dongfeng Logistics which continues to be recognised as a financial asset at FVPL.

As at 30 June 2024, the remaining value of 8.66% equity investment in Dongfeng Logistics was RMB497,532,000, based on fair value with reference to the latest transaction price.

11 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	<i>Note</i>	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
4S dealership business			
— Motor vehicles		3,122,964	2,734,186
— Automobile spare parts		302,939	309,238
— Others		51,732	49,339
		<u>3,477,635</u>	<u>3,092,763</u>
Comprehensive properties business			
— Properties under development for sale	<i>(i)</i>	<u>355,736</u>	<u>679,139</u>
		<u>3,833,371</u>	<u>3,771,902</u>

- (i) During the six months ended 30 June 2024, the Group decided to change the use of certain properties under development from held for sale to held for lease or owner-occupation. Upon the change in use, properties under development of RMB281,291,000 were reclassified to investment properties of RMB17,171,000 and property, plant and equipment of RMB264,120,000, respectively.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of inventories sold	9,369,900	11,379,502
Write-down of inventories	106,288	46,663
Reversal of write-down of inventories	(3,235)	(6,511)
	<u>9,472,953</u>	<u>11,419,654</u>

12 TRADE AND BILLS RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date, is as follows:

	At	At
	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	905,925	932,958
Over 3 months but within 1 year	430	5,193
Over 1 year	2,623	3,798
	<u>908,978</u>	<u>941,949</u>
Trade receivables	908,929	941,949
Bills receivables	49	—
Trade and bills receivables	<u>908,978</u>	<u>941,949</u>

All of the trade and bills receivables are expected to be recovered within one year.

Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Credit risk in respect of trade and bills receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade receivables balances mainly represent receivables from individual customers, who obtain mortgages from their financial institutions and used the drawn-down mortgage principal to settle the Group's trade receivables within one month when the mortgages were granted by their financial institutions, and warranty receivables from automobile manufacturers. For the receivables from automobile manufacturers, risk of default is considered low, as these are companies with good credit rating.

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
	<i>Note</i>		
Prepayments		368,167	406,580
Deposits		348,480	387,351
Other receivables	(i)	3,955,600	4,146,415
Receivables due from related parties		5,984	802
		<u>4,678,231</u>	<u>4,941,148</u>

- (i) Other receivables include vendor rebates receivables of RMB3,539,438,000 (31 December 2023: RMB3,700,997,000) from automobile manufacturers. The Group earns vendor rebates under various and differing arrangements with automobile manufacturers. Rebates based on purchase or sales volumes are granted by vendors if certain purchase or sales targets are met. Performance rebates are granted by vendors in accordance with the vendors' comprehensive assessment of the Group's business performance.

All of the prepayments, deposits and other receivables are expected to be recovered within one year or on demand.

14 TRADE AND OTHER PAYABLES

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

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Current		
Within 3 months	2,555,656	3,413,579
Over 3 months but within 6 months	540,294	686,253
Over 6 months but within 12 months	4,055	10,511
Trade and bills payable	3,100,005	4,110,343
Contract liabilities	967,454	935,900
Other payables and accruals	932,659	573,406
Payables due to related parties	54,034	18,832
	<u>5,054,152</u>	<u>5,638,481</u>
Non-current		
Long-term payables	124,796	139,567
	<u>5,178,948</u>	<u>5,778,048</u>

15 FINANCIAL GUARANTEES ISSUED

In March 2016, Wuhan Zhengtong United Industrial Investment Group Co., Ltd. (“**Wuhan Zhengtong**”), an indirect wholly-owned subsidiary of the Company, had entered into an undertaking (the “**2016 Undertaking**”) to provide financial guarantees for Beijing Guangze Real Estate Development Co., Ltd. (“**Beijing Guangze**”)’s obligations to: 1) pay the redemption price for the equity investment made by Ningbo Yuchen Fengze Equity Investment Partnership (Limited Partnership) (“**Yuchen Fengze**”) in Beijing Zunbaocheng Real Estate Co., Ltd. (“**Beijing Zunbaocheng**”) and Beijing Baoze Automobile Technology Development Co., Ltd. (“**Beijing Baoze**”) (“**Equity Investment Redemption Obligation**”); and 2) repay the outstanding loan balance owed by Beijing Guangze to Yuchen Fengze (“**Unsettled Loan Balance**”). In March 2020, Wuhan Zhengtong renewed the 2016 Undertaking as certain shortfall agreements (“**2020 Shortfall Agreements**”) to further provide financial guarantees for the Equity Investment Redemption Price and the Unsettled Loan Balance.

Beijing Guangze is a company indirectly controlled by a family member of Mr. Wang Muqing. Wang Muqing and Wang Muqing’s family member had been the controlling shareholder of the Group when the 2020 Shortfall Agreements were entered into and until 31 August 2021, and ceased to be a related party of the Group from 23 June 2022. Beijing Guangze holds 8.6758% and 4.3478% equity interest in Beijing Zunbaocheng and Beijing Baoze, respectively.

Other than by the financial guarantees provided by Wuhan Zhengtong as mentioned above, the Equity Investment Redemption Obligation and Unsettled Loan Balance were also secured by, among other things, certain land use rights and properties located in Beijing, belonging to Beijing Zunbaocheng and Beijing Baoze (the “**Pledged Assets**”) since 2016.

On 17 December 2021, the Company was notified that a court judgement had been granted by the Ningbo Intermediate People’s Court in favour of Yuchen Fengze and against (among others) Beijing Guangze, Beijing Zunbaocheng, Beijing Baoze and Wuhan Zhengtong.

On 28 December 2021, the Company was notified that another court judgement had been granted in favour of Yuchen Fengze and against (among others) Beijing Guangze, Beijing Zunbaocheng, Beijing Baoze and Wuhan Zhengtong by the Yangzhou Intermediate People’s Court (together with the aforementioned court judgement being notified on 17 December 2021, as “**First Instance Judgement**”).

Pursuant to the First Instance Judgement, Beijing Guangze shall:

- pay to Yuchen Fengze a principal amount of RMB420 million together with interest, comprising, among others, the redemption price for the equity investment made by Yuchen Fengze in Beijing Zunbaocheng and Beijing Baoze. Wuhan Zhengtong was held jointly and severally liable for the same amount (the “**Equity Investment First Instance Judgement**”);
- pay to Yuchen Fengze approximately RMB1.41 billion (comprising the loan principal of RMB1.35 billion, accrued interest, default interest and compound interest) and late payment interest, the actual amount of which will increase with time and relevant costs. Wuhan Zhengtong was held jointly and severally liable for the same amount (the “**Loan First Instance Judgement**”).

Wuhan Zhengtong filed appeals against the First Instance Judgement through Zhejiang, Jiangsu Higher People’s Court, respectively (the “**Appeals**”).

The Company received the second instance judgement in respect of the Equity Investment First Instance Judgement from Zhejiang Higher People’s Court on 23 June 2022, pursuant to which, Zhejiang Higher People’s Court disagreed with and overturned the first instance judgement that Wuhan Zhengtong was jointly and severally liable for the amounts involved. Pursuant to the second instance judgement, Wuhan Zhengtong was the guarantor but not an obligor who was jointly and severally liable for the amounts owed by Beijing Guangze (i.e. Wuhan Zhengtong was responsible for only the shortfalls if Beijing Guangze fails to fulfill its repayment obligations), and after paying Yuchen Fengze under its guarantee obligations, Wuhan Zhengtong shall be entitled to claim a repayment from Beijing Guangze to the extent of the guarantee obligation it has performed.

On 12 January 2023, Wuhan Zhengtong and Yuchen Fengze entered into a settlement agreement (the “**Settlement Agreement**”), pursuant to which Wuhan Zhengtong withdrew its appeal against the Loan First Instance Judgement and Yuchen Fengze agreed to facilitate the disposal of the collateral assets, including the Pledged Assets, in satisfaction of the debt owed to it.

According to the PRC legal opinion issued by an external legal advisor, the Group is only obliged to pay the shortfall based on the 2020 Shortfall Agreements and the Settlement Agreement, if any, when Yuchen Fengze has shortfalls to recover the debt owed to it, by collecting the proceeds of disposal of the collateral assets.

Accordingly, cash shortfalls for the Group are the expected payments to reimburse Yuchen Fengze for any shortfall after Yuchen Fengze has collected the proceeds of the disposal of the collateral assets to recover the debt owed to it.

The maximum amount guaranteed by Wuhan Zhengtong with the 2020 Shortfall Agreements was RMB1.93 billion as at 30 June 2024 (31 December 2023: RMB1.93 billion). Both the Equity Investment Redemption Obligation and the Unsettled Loan Balance were collateralised by the Pledged Assets.

In June 2024, Beijing Second Intermediate People’s Court has launched a judicial auction of the Pledged Assets. The court has determined the fair value of the Pledged Assets to be RMB3.02 billion, and the starting auction price was RMB2.11 billion. At the end of July 2024, the court has announced that the judicial auction was aborted. Thereafter, the creditor has applied for paying debts in kind with the value of the Pledged Assets under the starting auction price. Up to date, the court has not yet issued a ruling in this respect.

In accordance with a PRC legal opinion obtained by the Company from an external legal advisor, considering all the developments, the probability of the Group’s expected future net cash outflows is remote. The directors of the Company having given due consideration of the legal advice and the relevant facts and circumstances including their understanding of the latest development, are of the opinion that it is not probable that the Company will be required to make any payments. Therefore, the expected credit loss allowances for the financial guarantees, based on the Group’s expected net cash outflows, were assessed to be immaterial as at 30 June 2024 (31 December 2023: immaterial).

16 DIVIDENDS

- (i) No interim dividend was declared after the end of reporting periods of six months ended 30 June 2024 and 30 June 2023.
- (ii) No final dividend was declared in respect of the previous financial year, approved or paid during the reporting periods of six months ended 30 June 2024 and 30 June 2023.

17 PERPETUAL BONDS

Perpetual Bond 1

On 28 February 2023, Wuhan Zhengtong United Industrial Investment Group Co., Ltd. (“**Wuhan Zhengtong**”), an indirect wholly-owned subsidiary of the Company, issued perpetual bonds to a third party with a principal amount of RMB200 million at an initial interest rate of 8.5% per annum (“**Perpetual Bond 1**”). The proceeds from issuance of the Perpetual Bond 1 were RMB200 million. Coupon interest of 8.5% per annum are expected to be paid quarterly with the payment date being the 20th of the last month in each quarter in arrears and may be deferred at the discretion of Wuhan Zhengtong.

The Perpetual Bond 1 has no fixed maturity and is callable at Wuhan Zhengtong’s option at its principal amount together with any accrued, unpaid or deferred coupon interest payments (“**Call Option 1**”). The coupon rate will be 1) increased by a margin of 150 basis points (i.e., 1.5%) per annum and applied prospectively but with an annual interest cap of 10% if the Call Option 1 is not exercised by Wuhan Zhengtong after two years of issuance, or 2) adjusted to increase by 10% a time and applied prospectively once Wuhan Zhengtong elects to defer coupon interest payments at each payment date but with an annual interest cap of 10%. While any coupon interest is unpaid or deferred, Wuhan Zhengtong cannot declare or pay dividends or reduce registered capital. Pursuant to the terms of Perpetual Bond 1, Wuhan Zhengtong has no contractual obligations to repay the principal or to pay any coupon interest.

Perpetual Bond 2

On 14 April 2023 and 12 June 2023, Wuhan Zhengtong issued perpetual bonds to a third party with a principal amount of RMB100 million and RMB100 million at an initial interest rate of 8.5% and 8.0% per annum, respectively (“**Perpetual Bond 2**”). The total proceeds from issuance of the Perpetual Bond 2 were RMB200 million. Coupon interest of 8.5% and 8.0% per annum are expected to be paid quarterly with the payment date being the 20th of the last month in each quarter in arrears and may be deferred at the discretion of Wuhan Zhengtong.

The Perpetual Bond 2 has no fixed maturity and is callable at Wuhan Zhengtong’s option at its principal amount together with any accrued, unpaid or deferred coupon interest payments (“**Call Option 2**”). The coupon rate will be 1) increased by a margin of 150 basis points (i.e., 1.5%) per annum and applied prospectively but with an annual interest cap of 10% and 9.5%, respectively, if the Call Option 2 is not exercised by Wuhan Zhengtong after two years of issuance, or 2) adjusted to increase by 10% a time and applied prospectively once Wuhan Zhengtong elects to defer coupon interest payments at each payment date but with an annual interest cap of 10% and 9.5%, respectively. While any coupon interest is unpaid or deferred, Wuhan Zhengtong cannot declare or pay dividends or reduce registered capital. Pursuant to the terms of Perpetual Bond 2, Wuhan Zhengtong has no contractual obligations to repay the principal or to pay any coupon interest.

Perpetual Bond 3

On 30 June 2023 and 31 August 2023, ITG Holding Investment (HK) Limited (“**ITG HK**”), a fellow subsidiary controlled by the controlling shareholder of the Company, entered into written agreements and a written supplemental agreement with the Company, pursuant to which the existing unsecured short-term interest-bearing borrowing provided by ITG HK to the Company with a principal amount of USD140,000,000 (equivalent to RMB1,010,921,000) was converted into a perpetual bond with no fixed maturity (“**Perpetual Bond 3**”) and is callable at the Company’s option. Coupon interest of 8.5% per annum are paid annually in arrears and may be deferred at the discretion of the Company.

Pursuant to the terms of Perpetual Bond 3, the Company has no contractual obligation to repay the principal or to pay any coupon interest.

Perpetual Bond 4

On 11 November 2023 and 26 December 2023, Xiamen ZhengTong Automobile Group Co., Ltd. (“**Xiamen Zhengtong**”), an indirect wholly-owned subsidiary of the Company, issued perpetual bonds to a third party with a principal amount of RMB350 million and RMB150 million at an initial interest rate of 7.2% and 7.0% per annum, respectively (“**Perpetual Bond 4**”). The total proceeds from issuance of the Perpetual Bond 4 were RMB500 million. Coupon interest of 7.2% and 7.0% per annum are expected to be paid quarterly with the payment date being the 20th of the last month in each quarter in arrears and may be deferred at the discretion of Xiamen Zhengtong.

The Perpetual Bond 4 has no fixed maturity and is callable at Xiamen Zhengtong’s option at its principal amount together with any accrued, unpaid or deferred coupon interest payments (“**Call Option 3**”). The coupon rate will be 1) increased by a margin of 150 basis points (i.e., 1.5%) per annum and applied prospectively but with an annual interest cap of 8.7% and 8.5%, respectively, if the Call Option 3 is not exercised by Xiamen Zhengtong after two years of issuance, or 2) adjusted to increase by 10% a time and applied prospectively once Xiamen Zhengtong elects to defer coupon interest payments at each payment date but with an annual interest cap of 8.7% and 8.5%, respectively. While any coupon interest is unpaid or deferred, Xiamen Zhengtong cannot declare or pay dividends or reduce registered capital. Pursuant to the terms of Perpetual Bond 4, Xiamen Zhengtong has no contractual obligations to repay the principal or to pay any coupon interest.

Perpetual Bond 5

On 30 June 2024, ITG HK entered into written agreements with the Company, pursuant to which the existing unsecured interest-bearing borrowings provided by ITG HK to the Company with a principal amount of USD24,132,000 (equivalent to RMB171,985,000) and principal amount of RMB657,295,000 were converted into a perpetual bond with no fixed maturity (“**Perpetual Bond 5**”) and is callable at the Company’s option. Coupon interest of 5.0% per annum are paid annually in arrears and may be deferred at the discretion of the Company.

Pursuant to the terms of Perpetual Bond 5, the Company has no contractual obligation to repay the principal or to pay any coupon interest.

As the Perpetual Bonds 1 to 5 only impose contractual obligations on the Group to repay the principal or to pay any distributions under certain circumstances which are at the Group’s discretion, they have in substance conferred upon the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations, and therefore do not meet the definition of a financial liability in accordance with HKAS 32 *Financial Instruments: Presentation*. As a result, Perpetual Bonds 1 to 5 are classified as equity and distributions, if and when declared, are treated as equity dividends.

As Perpetual Bonds 1, 2 and 4 were issued by Wuhan Zhengtong and Xiamen Zhengtong, indirect wholly-owned subsidiaries of the Company, respectively, to external third parties, and could not be treated as equity directly or indirectly attributable to the equity shareholders of the Company, therefore, they are recorded in the non-controlling interests in the consolidated statement of financial position according to HKFRS 10, *Consolidated Financial Statements*. During the six months ended 30 June 2024, the profit attributable to the holders of Perpetual Bonds 1, 2 and 4, based on the applicable coupon interest rate, amounted to RMB35,012,000 (six months ended 30 June 2023: RMB7,870,000), out of which RMB34,586,000 has been distributed to the relevant bond holders (six months ended 30 June 2023: RMB7,142,000).

Perpetual Bond 3 and 5 were recorded directly in equity attributable to equity shareholders of the Company. During the six months ended 30 June 2024, the profit attributable to the holders of Perpetual Bonds 3 and 5 based on the applicable coupon interest rate, amounted to RMB42,759,000 (six months ended 30 June 2023: nil), and no distribution was made to the relevant bond holders (six months ended 30 June 2023: nil).

18 CONTINGENT LIABILITIES

- (a) In 2018, Wuhan Zhengtong, a subsidiary of the Company, and Beijing Guangze entered into a general contract agreement (the “General Contractor Agreement”) pursuant to which Wuhan Zhengtong engaged Beijing Guangze to undertake the development, establishment, re-establishment and expansion of 4S stores and relevant commercial projects owned by the Group. The contract consideration shall be utilized by Beijing Guangze as the general contractor for such costs as consultant fees for hiring professional service companies, approval and construction application fees, construction and installation fees and ancillary facilities fees. Details of the General Contractor Agreement had been disclosed in the Company’s announcement dated 13 March 2018.

In July 2022, the Group received a payment request of RMB6 million from one of the sub-contractors that had been involved in certain 4S Stores and commercial projects (the “Subcontractor”), as Beijing Guangze failed to fulfil its obligations under the General Contractor Agreement.

In accordance with the PRC legal opinion obtained by the Company from an external legal advisor, Beijing Guangze is the primary obligor for the relevant construction payments taking into account such facts and circumstances among others (i) Beijing Guangze had undertaken its general contractor role for the projects since the establishment of relevant contracts in prior years and the Group had entrusted Beijing Guangze with the projects and (ii) the Group had already fulfilled its obligations including the payment made to Beijing Guangze in accordance with the General Contractor Agreement. The historical payments to Beijing Guangze in relation to the Subcontractor is assessed to be approximately RMB236 million.

While the Subcontractor has not initiated any formal legal proceedings against the Group in this connection and the future development cannot be estimated with certainty, the directors of the Company, having given due consideration to the legal advice and the relevant facts and circumstances, are of the opinion that it is not probable that the Group will be sued by the Subcontractor and will need to make payments to the Subcontractor. Therefore, no provision has been made in respect of this matter as at 30 June 2024 (31 December 2023: nil).

- (b) In 2023, the Group was informed by receipt of two civil compliants that Wuhan Zhengtong has entered into certain agreements in 2016 to provide guarantees (the “**Guarantee Contracts**”) against two fixed assets mortgage loan contracts (the “**Fixed Assets Loan Contracts**”) entered into by Wuhan Economic and Technological Development Zone Branch of Hubei Bank Co., Ltd. (the “**Hubei Bank**”) with Beijing Guangze and Inner Mongolia Shengze Dingjie Automobile Trading Company Limited (the “**Inner Mongolia Shengze**”), respectively.

In March 2024, Wuhan Zhengtong received judgments in relation to aforementioned two civil lawsuits (the “**First Instance Judgment**”) from the Wuhan Intermediate People’s Court, pursuant to which i) the Guarantee Contracts were executed but are of no legal effect; and ii) Wuhan Zhengtong is obliged to bear half of the shortfalls, if any, when Hubei Bank has shortfalls to recover the debt owed to it, by collecting the proceeds of disposal of the collateral assets, for the failure of Beijing Guangze and Inner Mongolia Shengze to repay the debts.

As at 30 June 2024, the outstanding debts in relation to Fixed Assets Loan Contracts amounted to approximately RMB553 million. According to the valuation report issued by an external valuer on 22 March 2024, the estimated net realisable amount of the corresponding collaterals, calculated as fair value less cost to sell, was RMB654 million as at 31 December 2023. As the directors of the Company considered that there are no material changes in relation to the significant input for the measurement of the collaterals, the estimated net realisable amount of the collaterals as at 30 June 2024 were assessed to be the same as those of 31 December 2023, i.e. RMB654 million.

In accordance with a PRC legal opinion obtained by the Company from an external legal advisor, the First Instance Judgment considered that Wuhan Zhengtong is ranked lower in the order of priority in meeting payment commitments, as there exist several collaterals and there are other defendants who are also guarantors. The directors of the Company, having given due consideration of the legal advice and the relevant facts and circumstances including their understanding of the estimated net realisable amounts of the collaterals, are of the opinion that it is not probable that the Group will be required to make any payments. Therefore, no provision has been made in respect of this matter as at 30 June 2024 (31 December 2023: nil).

As at 30 June 2024, except for the aforementioned contingencies, the Group did not have any other material contingent liabilities.

19 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

On 25 July 2024, the Company entered into two subscription agreements with two subscribers respectively, pursuant to which the Company has conditionally agreed to allot and issue, and the two subscribers have conditionally agreed to subscribe for an aggregate of 479,888,000 subscription shares (the “**Subscription Shares**”) at the subscription price of HKD0.125 per Subscription Share (the “**Subscriptions**”). The net proceeds from the Subscriptions were approximately HKD59.33 million after deduction of the related expenses.

20 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the competition in the domestic automobile market further intensified, and factors such as price impact and fluctuations in market sentiment brought about by new energy and new models posed great challenges to traditional fuel automobile dealers. Although the implementation of favorable policies such as the national and local governments' trade in policy has somewhat stabilized sales, the profit margin of new automobile sales was still at a historic low. Faced with the turbulence and difficulties during the industry transformation period, with the firm support and full backing of its state-owned substantial shareholder, the Group focused on developing its main business of luxury and ultra-luxury brand automobile sales, continuously optimizing operational quality, innovating marketing methods, strengthening cost reduction and other measures, striving to stabilize the existing business base, exploring emerging businesses and developing an international network, and striving to create a "second growth curve". At the same time, we actively adjusted our operational strategies and carried out organizational restructuring to continuously promote quality and efficiency improvement.

For the six months ended 30 June 2024, the Group recorded a revenue of approximately RMB9,876 million and gross profit of approximately RMB177 million.

In the first half of 2024, the stores of the Group received a total of 92 awards from automobile manufacturers, local governments, industry media and industry associations, among which 80 were awarded by manufacturers, and 12 were awarded by local governments, media and industry associations. During the reporting period, the Group ranked 18th among the top 100 China's Automobile Dealership Groups, up by 4 places from last year, and was successfully selected for the 2024 Top 100 China Automobile Distribution Industry Social Responsibility. Shenzhen Tianqi Land Rover (深圳天汽路虎), a store of the Group, was granted the 2024 China Auto Top 100 Dealer Single Store Award. Shenzhen Nanfang Tengxing Mercedes Benz (深圳南方騰星奔馳) and Wuhan Baoze BMW 4S stores ranked 7th and 27th respectively among the Top 100 China Auto 4S Store By Revenue.

The following is a review of the business development of the Group's various business sectors in the first half of 2024, and the progress made in improving management:

(I) Automobile dealership

During the reporting period, the Group strengthened operational guidance and management improvement for existing brand stores, implemented stricter assessment and incentive mechanisms, dynamically adjusted sales targets in response to market conditions, vigorously expanded after-sales and derivative businesses to enhance profit sources, strengthened dynamic monitoring of inventory, and reduced systemic operational risks.

The Group also actively and steadily promoted the distribution of new energy vehicles. In terms of new energy vehicle sales, the sales of new vehicles accounted for 9.97% of the Company's overall sales, and the sales of BMW new energy vehicles continuously increased, accounting for 5.47% of the Company's overall sales.

1. Sales of new automobiles

During the reporting period, faced with unfavorable market conditions, the Group flexibly adjusted its business strategies and marketing methods to reduce the adverse effects of price competition and maintain the stability of its new automobiles sales business.

In terms of business strategy, by actively adjusting the brand model structure, we strived for advantageous models to alleviate the adverse effects of the significant decline in new automobile prices. Secondly, we strengthened the national resource coordination and collaborative allocation of the same brand, increased the accumulation of pre orders, and further strengthened sales price control to find the best balance between maximizing brand OEM policies and the Group's sales revenue.

In terms of marketing methods, we actively organized and carried out themed marketing activities, and enhanced the effectiveness of store new media promotion, customer lead acquisition, and order conversion by leveraging various new media platforms and cross industry cooperation. We actively informed our customers of the national and local trade in policies, and conducted test drives and evaluating activities at new automobile launches to enhance brand image and increase sales opportunities. At the same time, we organized sales skills competitions within the Group to enhance the professional abilities and service levels of frontline sales personnel.

The Group's sales volume of new automobile for the period ended 30 June 2024 was in aggregate 26,615 units, representing a period-on-period decrease of approximately 12.9%, including 22,679 units of luxury and ultra-luxury branded automobiles, representing a period-on-period decrease of approximately 13.4%.

2. *After-sales services business*

In the first half of 2024, adhering to a “customer-centric” principle, the Group actively increased reminders and invitations for customers' first maintenance, customized maintenance, manufacturer recalls, warranty expiration, etc, and provided door-to-door pick-up and drop off and night maintenance services to enhance customer demand stickiness. We offered differentiated products for different customer groups. For ageing vehicles, we gave timely inspection and maintenance reminders to improve customer experience and increase output value. We proactively expanded our service coverage by offering frontline services in special weather conditions and providing free vehicle safety inspections, vehicle rescue, and food and material supplies, to safeguard customers' travel with convenient and thoughtful services.

During the reporting period, by leveraging its business scale, the Group actively strengthened centralized procurement of high-quality decoration products, spare parts, and regional outsourcing services, and effectively reduced procurement costs. In addition to offline services, the Group also improved and enhanced online after-sales service marketing by digital means such as store enterprise WeChat and mini-programs, providing customers with more comprehensive and timely after-sales services.

For the six months ended 30 June 2024, the Group provided after-sales services for 538,637 units of automobiles in aggregate. Revenue from the after-sales services of the Group amounted to approximately RMB1,699 million.

3. *Automobile-related derivative business*

3.1 *Pre-owned automobile business*

Benefiting from the implementation of a series of new policies to promote the healthy development of the pre-owned automobile market, China's pre-owned automobile industry continued to implement standardization, normalization, and scaling. In the first half of 2024, the cumulative transaction volume of pre-owned automobiles in China reached 9.383 million units, representing a period-on-period increase of 614,300 units or 7%, with a cumulative transaction amount of RMB625.212 billion.

The Group closely followed industry trends and policy opportunities, continuously strengthened the pre-owned automobile business, and achieved overall consolidation of the Group's business, gradually building an operational management model of pre-owned automobile headquarters + regional centers + retail benchmark stores. Under the unified management of the second-hand automobile operation headquarters, we established regional pre-owned automobile centers and the first batch of six brand retail benchmark stores at the four core areas to optimize the allocation of pre-owned automobile resources. Through dynamic inventory management, online promotion and lead conversion enhancement, we focused on improving the efficiency of vehicle flow to enhance business scale and promote the coordinated development of stores in various regions. For the six months ended 30 June 2024, the sales volume of the pre-owned automobiles of the Group increased by approximately 11% period-on-period.

3.2. Auto finance business

The Group fully utilizes its advantages in brand and scale, and continues to engage in deep and extensive cooperation with various types of financial institutions such as automobile finance companies and banks. We actively explored and developed mutually beneficial cooperation plans for automobile retail mortgage loans with multiple financial institutions, effectively increasing the total amount of financial product investment, improving the periods of financial products, and enhancing comprehensive services for high-quality customers.

For the six months ended 30 June 2024, the Group achieved a cumulative period-on-period increase of 108.4% in auto finance revenue.

3.3 Insurance agency business

In order to cope with fierce market competition and improve the quality of our business development, Dingze Insurance Agency Co., Ltd. (鼎澤保險代理有限公司) (“**Dingze Insurance Agency**”), a subsidiary of the Group, continuously consolidated its core businesses such as new insurance and renewal insurance, updated and optimized its existing derivative insurance products such as double insurances and commuter automobile insurance, and increased its product coverage. It not only provided more comprehensive insurance services to various customers, but also enhanced product competitiveness and insurance business profitability, which in turn contributed to the new automobile sales and after-sales business of 4S stores. In the first half of 2024, the Group's new automobile insurance coverage rate reached 94%, and the number of renewals increased by 6.7% compared to the corresponding period last year.

Dingze Insurance Agency has strengthened communication and cooperation with insurance companies by optimizing institutional processes and controlling costs, and actively sought pilot projects for urban renewal centers to further focus its resource advantages and facilitate the improvement of the automotive derivative businesses.

Continuously optimising brand structure and store-end profitability and focusing on market opportunities brought by the new energy and new dealership model

As a leading dealership group of luxury brands in the PRC, the Group represents mass-market luxury and ultra-luxury automobile brands including Porsche, Mercedes-Benz, BMW, Audi, Jaguar Land Rover and Volvo. In addition, the Group also engages in the dealership of mid-to-high-end brands such as FAW-Volkswagen, Buick, Dongfeng-Nissan, FAW Toyota and Dongfeng-Honda, as well as independent brands such as Hongqi, GWM Haval and Great Wall-Tank-WEY.

As of 30 June 2024, the Group had 93 dealership stores in 36 cities across 15 provinces and municipalities in China, and was authorised to develop 3 additional dealership stores.

The Group continued to optimize its existing network and made more prudent dynamic structural adjustments to its operating brand. In the first half of the year, we successfully obtained the Tesla authorized body and paint centre project in Guangzhou. The Wuhan Land Rover 4S store and Shanghai NIO authorization after-sales service center projects, which were authorized at the end of 2023, are also steadily progressing. The Group will keep a close eye on its own brands and the new energy sector, especially the maintenance sector which has a relatively stable revenue. It will also actively apply for city authorizations for new energy brands through reorganizing its own location and property resources.

(II) Supply chain business

Shengze Jietong Supply Chain Co., Limited* (聖澤捷通供應鏈有限公司), a subsidiary of the Group, achieved a revenue of approximately RMB172 million in the first half of 2024, boosted by the Spring Festival peak sales season and certain business route changes.

In terms of vehicle business, we have entered into a strategic cooperation agreement with Wuhan Dong Hon Logistics Co., Ltd. In terms of spare parts business, we re-tendered for carriers of common spare parts to reduce procurement costs, improve the application of spare parts systems, and enhance the efficiency of automated multi pass warehouse entry and exit operations. In terms of warehousing business, we have successfully renewed the venue leasing contract with XPeng and optimized and adjusted the layout of the warehousing area.

(III) Emerging business

The Group has proactively accelerated the strategic planning for its international business and formulated an international business plan. During the reporting period, we vigorously promoted the internationalization of our pre-owned automobile business through not only our own efforts but also the resources and channels within our shareholder base. We focused on expanding our business network in regions such as Africa, the Middle East, and Southeast Asia, and sought cooperation opportunities for overseas investment with mainstream domestic automakers.

In terms of expanding our new energy business, Hubei Guomao New Energy Technology Co., Ltd.* (湖北國貿新能源科技有限公司), a joint venture company of the Company, has accumulated more than 100 MW of reserves and tracked key photovoltaic projects during the reporting period. It has successfully signed contracts for three photovoltaic projects, including Wuhan Jieyuexing Supply Chain Industrial Park, Sichuan Changjiang Hydraulic Factory, and Hubei Port Group's Automobile Transport Company Park. In the future, it will continue to develop its light, storage, charging, and conversion related businesses from its base in Wuhan, with the aim of building a new energy investment and operation center that radiates across the Central China region.

(IV) Management improvement

In the first half of 2024, the Group continued to promote management improvement in cost reduction and efficiency improvement, regulated governance, internal supervision, risk prevention, information development and other aspects:

- In terms of cost reduction and efficiency improvement, we strictly implemented a strong performance evaluation mechanism, optimized personnel allocation and organizational structure at the store end, and strictly controlled variable costs such as travel expenses and marketing expenses. We promoted reasonable selection of batch sales pace for each store, reduced inventory level, strengthened the planning and of operating capital management, and further reduced average finance costs through various channels.
- In terms of regulated governance, the Group continued to put forward the establishment of an improved and standardized governance structure and scientific rules of procedure. During the reporting period, the Company added 13 new rules and regulations, amended 9 systems, simultaneously reviewed and updated the approval authority of various functional departments and investment enterprises at the headquarters, and optimized 25 system processes. Based on legal and regulatory requirements, best industry practices, and company strategic goals, we developed internal control manuals and integrity manuals that clearly outline guiding principles and operational standards.

- In terms of internal supervision, the Group emphasized the key points of auditing, focused on the implementation of strategic planning, the quality of business operation, and the efficiency of resource allocation, and strengthened audit work around key areas, important matters and major risks that affect the Company's business development. During the reporting period, we completed various audit projects, including but not limited to daily operations of 4S stores, pre-owned automobile business, seal management and other aspects and implemented comprehensive and in-depth process supervision of procurement business to ensure fairness, openness, and impartiality.
- In terms of risk prevention, we identify, collect, follow up, evaluate and reflect on risk control matters in accordance with the risk control system, and summarize and report thereon. At the same time, based on the business expansion of the Group, we improved risk prevention and control measures and adjusted our risk response strategies accordingly. The Company improved the management system for business risks, and strengthened risk identification, warning, and control. The Company has also established and optimized its financing, guarantee and foreign exchange transaction management systems, and strictly controlled the execution risks of its financial and fund-raising activities, giving full play to the emergency management and public opinion management team's guiding role in risk control.
- In terms of information development, the Group has independently developed multiple core business systems, including intelligent inventory, loaner vehicle, consignment mode, a brand-new member accounting system, and digital electronic tickets. By introducing advanced RPA technology, the manufacturer's system and internal OMS system have been seamlessly integrated, and a corporate digital transformation strategy has been formulated to gradually promote transformation.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2024, the Group recorded a revenue of approximately RMB9,876 million, representing a decrease of approximately 19.8% as compared to the revenue of approximately RMB12,310 million in the first half of 2023. The decrease in revenue was mainly due to a decrease in sales volume and the selling price of new automobiles during the period.

Revenue of the Group was derived from the sales of new automobiles, after-sales services, mortgage facilitation services and other businesses. In the first half of 2024, revenue from the sales of new automobiles amounted to approximately RMB7,658 million, representing a decrease of approximately 27.6% as compared to approximately RMB10,581 million in the first half of 2023, and accounted for approximately 77.5% of the total revenue in the first half of 2024 (corresponding period in 2023: 86.0%), among which, revenue from the sales of luxury and ultra-luxury branded automobiles accounted for 94.0% of the revenue from the sales of new automobiles (corresponding period in 2023: 95.0%).

In the first half of 2024, revenue from the after-sales services was approximately RMB1,699 million, representing an increase of approximately 19.2% as compared to approximately RMB1,426 million in the first half of 2023. In the first half of 2024, revenue from the after-sales services accounted for approximately 17.2% of the total revenue (corresponding period in 2023: 11.6%).

In the first half of 2024, revenue from the provision of mortgage facilitation services was approximately RMB326 million and accounted for approximately 3.3% of the total revenue. For details, please refer to the note 4 on page 9 of this announcement.

Cost of sales

For the six months ended 30 June 2024, the Group's cost of sales decreased by approximately 17.0% to approximately RMB9,698 million as compared to approximately RMB11,679 million in the first half of 2023, which was due to a decrease in sales of new automobiles. In the first half of 2024, cost of sales for new automobiles of the Group decreased by approximately 19.5% to approximately RMB8,498 million from approximately RMB10,558 million in the first half of 2023, which was due to a decrease in sales of new automobiles which resulted in a corresponding decrease in sales costs. Cost of after-sales services increased by approximately 19.7% to approximately RMB1,019 million from approximately RMB851 million in the first half of 2023. The increase was mainly attributable to a corresponding increase in after-sales service revenue.

Gross profit and gross profit margin

For the six months ended 30 June 2024, the Group's gross profit decreased by approximately 71.9% to approximately RMB177 million from approximately RMB630 million in the first half of 2023, and the gross profit margin decreased by approximately 3.3 percentage points to approximately 1.8% from 5.1% in the first half of 2023, which was mainly due to a decrease in the average selling price of new automobiles.

Selling and distribution expenses

For the six months ended 30 June 2024, the Group's selling and distribution expenses decreased by approximately 16.8% to approximately RMB471 million from approximately RMB566 million in the first half of 2023, which was mainly due to a decrease in labor costs, marketing expense and advertising cost.

Administrative expenses

For the six months ended 30 June 2024, the Group's administrative expenses amounted to approximately RMB504 million, representing a decrease of approximately 5.8% from approximately RMB535 million in the first half of 2023, which was mainly due to the changes in foreign exchange gains or losses.

Profit from operations

For the six months ended 30 June 2024, the Group's loss from operations was approximately RMB233 million, as compared to the profit from operations of approximately RMB153 million for the same period in 2023. The decrease was mainly due to the decrease in gross profit margin from sales of new automobiles during the period.

Income tax

For the six months ended 30 June 2024, the Group's income tax credit amounted to approximately RMB88 million, and the income tax expenses amounted to approximately RMB2 million in the first half of 2023. This was mainly due to the additional provision of income tax temporary differences.

Contingent liabilities

As at 30 June 2024, the Group did not have any material contingent liabilities other than as disclosed in "Note 18 Contingent liabilities" on pages 23 to 24 of this announcement.

Loss for the period

For the six months ended 30 June 2024, the Group's loss for the period was approximately RMB635 million, as compared with a loss of approximately RMB386 million in the first half of 2023. Such decrease was mainly due to the decrease in revenue from the sales of new automobiles and gross profit margin from sales of new automobiles.

Current assets and current liabilities

As at 30 June 2024, the Group's current assets amounted to approximately RMB14,447 million, representing an increase of approximately RMB21 million as compared to the current assets of approximately RMB14,426 million as at 31 December 2023.

As at 30 June 2024, the Group's current liabilities amounted to approximately RMB22,286 million, representing a decrease of approximately RMB358 million as compared to the current liabilities of approximately RMB22,644 million as at 31 December 2023. The decrease was mainly due to a decrease in trade and bills payable.

Cash flow

As at 30 June 2024, the Group had cash and cash equivalents amounting to approximately RMB470 million, representing a decrease of approximately RMB275 million from approximately RMB745 million as at 31 December 2023. The Group's transactions and monetary assets were principally denominated in Renminbi. The Group's primary uses of funds were to pay for purchases of new automobiles, spare parts and automobile accessories, to repay the Group's loans, borrowings and other indebtedness, to finance the Group's working capital and daily operating expenses and to establish new dealership stores or to acquire dealership stores or other businesses. The Group finances its liquidity requirements through a combination of cash flows generated from the operating activities, bank loans and other financings. For the six months ended 30 June 2024, the Group had net cash inflow of approximately RMB147 million generated from its operating activities (for the six months ended 30 June 2023: net cash outflow of approximately RMB446 million), which was primarily due to the decrease in the amount of trade and other payables paid during the period as compared to the amount paid in the same period in the first half of 2023.

Capital expenditure and investment

For the six months ended 30 June 2024, the Group's capital expenditure and investment were approximately RMB465 million (2023: RMB401 million), which was mainly due to the increase in investment in dealership shop upgrading and renovation.

Inventory

The Group's inventories included vehicles, automobile spare parts and properties under development for sale. In general, each of the Group's dealership stores individually manages the quotas and orders for new automobiles, automobile spare parts and other inventories. In addition, the Group utilizes its information technology systems to manage its inventories, and also monitors the inventories within its whole dealership network and may transfer automobiles from one dealership store to another to rebalance inventory levels. The inventories of the Group amounted to approximately RMB3,833 million as at 30 June 2024, representing an increase of approximately RMB61 million when compared with approximately RMB3,772 million as at 31 December 2023. Such change was mainly due to the increase in the closing inventory of new automobiles of the Group. The Group's average inventory turnover days in the first half of 2024 was 50.4 days, representing an increase of 1.0 day as compared to 49.4 days in the first half of 2023. The following table sets forth our average inventory turnover days (excluding the impact of properties under development for sale) for the period indicated:

	For the six months ended	
	30 June (day)	
	2024	2023
Average inventory turnover days (excluding the impact of properties under development for sale)	<u>50.4</u>	<u>49.4</u>

Foreign exchange risk

The Group conducts its business primarily in Renminbi. Certain bank deposits and bank loans were denominated in foreign currencies. The Group used forward exchange instruments and option foreign exchange instruments to partially hedge its US-dollar future loans repayment.

Liquidity and capital resources

Working capital and capital expenditures of the Group were primarily funded through cash generated from internal operation and borrowings provided by principal banks and other financial institutions. As at 30 June 2024, the Group's cash and cash equivalents and bank deposits were approximately RMB5,451 million (including: pledged bank deposits of approximately RMB4,981 million, cash and cash equivalents of approximately RMB470 million), representing a decrease of approximately RMB169 million, from approximately RMB5,620 million as at 31 December 2023. As at 30 June 2024, loans and borrowings, lease liabilities of the Group amounted to approximately RMB21,135 million (31 December 2023: loans and borrowings, lease liabilities of the Group amounted to approximately RMB21,041 million). As at 30 June 2024, the net gearing ratio of the Group was approximately 1,089.1% (31 December 2023: approximately 1,198.1%). Net gearing ratio as at 30 June 2024 was calculated as loans and borrowings and lease

liabilities less cash and cash equivalents, time deposits and pledged bank deposits divided by total equity. The Group will actively improve its operating efficiency and consider various methods to improve its existing financial position and reduce the degree of leverage of the Group.

Pledged assets

The Group has pledged its assets as security for loans and borrowings and as working capital for daily operations. As at 30 June 2024, the pledged assets of the Group amounted to approximately RMB9,690 million (31 December 2023: approximately RMB9,468 million).

Investments held in foreign currency and hedging

For the six months ended 30 June 2024, the Group did not hold any investments denominated in foreign currencies.

Employees and remuneration policies

As at 30 June 2024, the Group had a total of 6,555 employees in China (as at 31 December 2023: 6,669 employees). The total staff costs of the Group incurred for the six months ended 30 June 2024 were approximately RMB396 million (for the six months ended 30 June 2023: approximately RMB441 million).

The Group attaches great importance to human resources and is committed to building a more open and inclusive work environment. We have conducted a comprehensive review and optimization of the performance-based compensation system, strengthened assessment incentives and comprehensive evaluations to attract and retain outstanding talents with both moral integrity and talent.

In terms of employee training, the Group continues to implement a four-level training which includes training in creation, wisdom, leadership and innovation, as well as special training programs such as the Vitality Plan (活力計劃) and the Dandelion Plan (蒲公英計劃) to enhance multi-level training to improve the professional knowledge and skills of management and business personnel, while ensuring that the training content matches the actual needs of employees through graded training surveys conducted with the headquarters, brand departments and investors.

In the first half of 2024, the Group held a total of 32 internal training activities with 2,610 participants, covering multiple areas such as professional skills improvement, team collaboration ability cultivation and leadership development, comprehensively enhancing the comprehensive quality and work ability of the Company's management and employees at all levels, and effectively promoting in-depth communication, full collaboration and cooperation among teams.

The Group advocates a positive and proactive innovation culture, and inspires employees' creativity and team spirit through organizing various competitions, employee interest clubs, and book sharing events. At the same time, we actively commend outstanding employees who have performed outstandingly in their respective positions and made significant contributions to the development of the Company, encourage all employees to innovate and set good examples. The Company has also established an employee care fund to assist disadvantaged employees and their families, strengthen employee participation and sense of belonging. In addition, the Group also conducts regular employee satisfaction surveys and feedback mechanisms to promptly understand and address employee concerns.

FUTURE OUTLOOK AND STRATEGIES

As the core automotive platform of ITG Holding (our single largest shareholder), the Group has been committed to becoming a leading comprehensive service provider in the ecology of the automobile industry. Looking ahead, we will strengthen our market position in the luxury automobile segment market, strengthen our strategic partnership with mainstream luxury and ultra-luxury brand OEMs in China, continuously optimize our network and business structure, and continuously improve our store-end profitability. At the same time, we will deepen our cooperation with domestic new energy independent brands, actively embrace and seize development opportunities in the new energy automobile market and new energy business.

In terms of the development of emerging businesses, the Group will actively invest in promising new energy dealerships/brand distributors and authorized after-sales body and paint businesses, so as to enrich its new energy portfolio. Meanwhile, the Group will utilize its location advantages and industry resources, focus on its own strategic planning, actively develop and expand emerging businesses related to the automobile industry chain, continue to explore opportunities in emerging fields such as new energy, pre-owned automobile exports, and strive to implement projects as soon as practicable.

In addition, the Group plans to develop its international business in 2024, with the strategic goal of "building an integrated ecosystem of domestic and international automobile distribution". It aims to create six support systems comprising "headquarters empowerment and control", "talent construction and localization cultivation", "improving systems and processes", "enhancing digital level", "developing new business models", and "collaborative development within the ITG Holding system". With export trade as a gateway, the Group aims to obtain overseas authorization, establish overseas automobile distribution and service networks, and achieve internationalization of automobile distribution services.

In the future, under the guidance of the long-term development of China’s automotive industry and the spirit of “promoting stability through progress and improving quality through innovation”, the Group will take advantage of its scale and network and continue to unlock its development potential and march towards the corporate vision of becoming a “leading comprehensive service provider in the automotive ecosystem”.

INTERIM DIVIDEND

The Board does not recommend an interim dividend for the six months ended 30 June 2024.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the “**Audit Committee**”) comprises three members, all of whom are independent non-executive Directors, namely Dr. WONG Tin Yau, Kelvin (the chairman of the Audit Committee), Ms. YU Jianrong and Mr. SONG Tao.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for six months ended 30 June 2024. KPMG, the Group’s external auditor, has carried out a review of the unaudited interim financial statements for the six months ended 30 June 2024 in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the HKICPA.

EVENT AFTER REPORTING PERIOD

On 25 July 2024 (after trading hours), the Company entered into two subscription agreements with two independent third party subscribers, Mr. Yang Liguo (楊利國) and Ms. Li Xiao Feng (李小豐), respectively, pursuant to which the Company has conditionally agreed to allot and issue under a general mandate, and the two subscribers have conditionally agreed to subscribe for, an aggregate of 479,888,000 subscription shares at the subscription price of HK\$0.125 per subscription share.

The net proceeds from the subscriptions (after deduction of the related expenses of the subscriptions) amounted to approximately HK\$59.33 million, which will be applied for the repayment of bank loans. All conditions of the subscriptions have been fulfilled and completion of the subscriptions took place on 2 August 2024. For details of the above subscriptions, please refer to the announcements of the Company dated 25 July 2024 and 2 August 2024.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities (or sale of treasury shares (as defined under the Listing Rules), if any) during the six months ended 30 June 2024.

As at 30 June 2024, the Company did not hold any treasury shares (as defined under the Listing Rules).

CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value.

The Group also acknowledges the vital importance of good corporate governance to the success and sustainability of the Group.

The Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules (the “**CG Code**”). So far as the Board is aware, during the six months ended 30 June 2024, the Company has complied with the code provisions set out in the CG Code.

The Company will periodically review and enhance its corporate governance practices to ensure that it will continue to comply with the requirements of the CG Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a set of securities dealing code (the “**Securities Dealing Code**”) regarding securities transactions of the Directors with standards no less exacting than that of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the “**Model Code**”). In response to a specific enquiry by the Company, each of the existing Directors confirmed that they had complied with the Securities Dealing Code and the Model Code throughout the six months ended 30 June 2024.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT

This interim results announcement is available for viewing on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.zhengtongauto.com>) and the interim report for the six months ended 30 June 2024 of the Company containing all the information required by the Listing Rules will be published on the above websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management team and employees of the Group for their commitment and diligence, and would also like to thank our shareholders and business associates for their strong support to the Group.

For and on behalf of the Board
China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司
HUANG Junfeng
Chairman

29 August 2024

As at the date of this announcement, the Board comprises Mr. HUANG Junfeng (Chairman), Mr. ZENG Tingyi, Mr. WANG Mingcheng and Mr. CHEN Hong as executive Directors; and Dr. WONG Tin Yau Kelvin, Ms. YU Jianrong and Mr. SONG Tao as independent non-executive Directors.