



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

Zhongsheng Group
Lifetime Partner

中升集團·終生夥伴



2022 INTERIM REPORT

CONTENTS

2	Corporate Information
3	Chairman's Statement
7	CEO's Statement
13	Management Discussion and Analysis
17	Consolidated Interim Statement of Profit or Loss
18	Consolidated Interim Statement of Comprehensive Income
19	Consolidated Interim Statement of Financial Position
21	Consolidated Interim Statement of Changes in Equity
22	Consolidated Interim Statement of Cash Flows
24	Notes to Interim Condensed Consolidated Financial Information
42	Corporate Governance and Other Information



CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Huang Yi (*Chairman*)
Mr. Li Guoqiang (*President and Chief Executive Officer*)
Mr. Du Qingshan (resigned on 27 May 2022)
Mr. Zhang Zhicheng
Mr. Li Guohui
Mr. Tang Xianfeng

NON-EXECUTIVE DIRECTORS

Mr. Hsu David (resigned on 1 August 2022)
Mr. Chan Ho Yin
Mr. Sun Yanjun (appointed on 1 August 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shen Jinjun
Mr. Ying Wei
Mr. Chin Siu Wa Alfred
Mr. Li Yanwei

CORPORATE HEADQUARTERS

No. 20 Hequ Street
Shahekou District
Dalian
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1803-09
18th Floor, Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE

Second Floor
Century Yard
Cricket Square
P.O. Box 902
Grand Cayman
KY1-1103
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
Second Floor
Century Yard
Cricket Square
P.O. Box 902
Grand Cayman
KY1-1103
Cayman Islands

LEGAL ADVISERS AS TO HONG KONG LAW

Allen & Overy
9th Floor, Three Exchange Square
Central
Hong Kong

COMPANY SECRETARY

Ms. Mak Sze Man (resigned on 1 August 2022)
Ms. Yao Zhenchao

AUTHORISED REPRESENTATIVES

Mr. Huang Yi
Ms. Yao Zhenchao

AUDIT COMMITTEE

Mr. Ying Wei (*Chairman*)
Mr. Shen Jinjun
Mr. Chin Siu Wa Alfred

REMUNERATION COMMITTEE

Mr. Chin Siu Wa Alfred (*Chairman*)
Mr. Li Guoqiang
Mr. Shen Jinjun

NOMINATION COMMITTEE

Mr. Shen Jinjun (*Chairman*)
Mr. Huang Yi
Mr. Chin Siu Wa Alfred

COMPLIANCE COMMITTEE

Mr. Du Qingshan (*Chairman*) (resigned on 27 May 2022)
Mr. Tang Xianfeng (*Chairman*) (appointed on 1 August 2022)
Mr. Huang Yi
Mr. Li Guoqiang

RISK COMMITTEE

Mr. Li Guohui (*Chairman*)
Mr. Huang Yi

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Li Guohui (*Chairman*)
Mr. Tang Xianfeng

BRANCH SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

881

AUDITORS

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong



CHAIRMAN'S STATEMENT



Huang Yi *Chairman*

Dear Honourable Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Zhongsheng Group Holdings Limited (“**Zhongsheng Group**” or the “**Company**”), I am very pleased to present the interim results report of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022.



In the first half of 2022, the international situation was complicated and volatile. The prices of international energy and other commodities remained high and inflation pressures escalated as a result of the Russia-Ukraine tensions. The COVID-19 pandemic continued in the People's Republic of China (the "PRC") with multiple local outbreaks since March 2022, resulting in a significant impact on the overall economic growth. According to the data released by the National Bureau of Statistics of China and based on preliminary estimates, the gross domestic product (GDP) of the PRC for the first half of 2022 was RMB56,264.2 billion, representing a year-on-year increase of 2.5% at constant prices.

The year-on-year growth for the first

and second quarters of 2022 were 4.8% and 0.4%, respectively, with the second quarter being more significantly affected. The total retail sales of consumer goods amounted to RMB21,043.2 billion in the first half of 2022, representing a year-on-year decrease of 0.7%. With the COVID-19 situation improving in June 2022 and the subsequent implementation of various policies and measures to stabilise the economy, the fundamentals gradually recovered with major economic indicators rebounding. The growth in retail sales of consumer goods nationwide turned from negative to positive, achieving a year-on-year increase of 3.1%, with production and demand gradually improving.

The COVID-19 pandemic spread nationwide in the first half of 2022 and lockdown measures were adopted either in whole region or key districts in multiple areas across the PRC. During the COVID-19 outbreak, certain automobile manufacturers suspended work and production with supply chain and logistics disruption. The automobile consumer market was also greatly affected. The production and sales volume in the domestic automobiles market had recorded significant declines for three consecutive months after March 2022.

As the pandemic situation has improved, national and local governments have released various stimulating policies to facilitate the recovery of the automobile market since May 2022, including reducing purchase taxes, increasing the supply of quotas of vehicle purchases, providing subsidies on automobile consumption, promoting automobile renewal consumption and pre-owned automobile consumption and supporting new energy vehicle consumption. On 25 April 2022, the State Council issued the Opinions of the General Office of the State Council on Further Releasing Consumption Potential and Promoting Continuous Consumption Recovery, proposing that all regions should not introduce new restriction measures on automobile purchase; gradually cancel limitations on automobile purchases according to local conditions; and promote the transformation from purchase management to usage management on automobiles and other consumer goods. Subsequently, various cities with licence quotas introduced follow-up policies. A total of more than 200,000 quotas of vehicle purchases were increased in Guangzhou, Shenzhen, Shanghai, Hangzhou, Tianjin and other cities. On 31 May 2022, the Ministry of Finance and the State Taxation Administration issued the Announcement on Reducing the Vehicle Purchase Tax on Certain Passenger Vehicles, proposing to halve the vehicle purchase tax on passenger vehicles with engine displacements of 2.0 litres or less purchased between 1 June and 31 December 2022, and with a unit price (excluding the VAT) of no more than RMB300,000. The scale of the tax reduction is expected to reach RMB60 billion. The executive meeting of the State Council on 22 June 2022 proposed to activate the pre-owned automobile market and promote automobile renewal consumption. The State Council will completely abolish restrictions on the relocation of pre-owned automobiles from 1 August 2022 and conduct separate registration (單獨簽註) for transfer registrations and issuance of temporary vehicle licence plates from 1 October 2022 to further improve regulations on the registration and filing of operators in the pre-owned automobile market and the registration and management of automobile transactions. In addition to national policies, local governments have also actively introduced relevant policies to stimulate automobile consumption. Currently, the governments of more than 21 provinces/municipalities have promulgated relevant policies on promoting automobile consumption, including cash subsidies and automobile consumption coupons.



As a result of a series of government's policy support to promote automobile consumption, the automobile production and sales gradually recovered and improved. According to the latest data published by the China Association of Automobile Manufacturers, the automobile production and sales volume reached 12.117 million units and 12.057 million units, respectively, in the first half of 2022, representing a year-on-year decrease of 3.7% and 6.6%, respectively, and such decreases were narrowed by 5.9 percentage points and 5.6 percentage points, respectively, as compared to those of January to May 2022. Consumer confidence recovered remarkably in June 2022 and the production and sales volume achieved a year-on-year increase of 28.2% and 23.8%, respectively.

In 2022, although facing the huge impact from Covid-19, the Group achieved resilient performance in each business segment, including new automobiles, value-added services and after-sales services. The Group achieved new automobile sales volume of 242,280 units in the first half of 2022, representing a decrease of 12.1% as compared to the corresponding period last year, of which sales volume for luxury brands reached 143,857 units, representing a decrease of 11.1% as compared to the corresponding period last year and accounting for 59.4% of the Group's total sales volume. The Group's new car volume outperformed the industry underpinned by further optimisation in its product mix. The revenue generated from new automobile sales for the first half of 2022 amounted to RMB68,813.1 million, representing a decrease of 5.2% over the corresponding period last year. The gross profit margin of new automobile decreased by 0.6 percentage points year-on-year. Revenue from the after-sales business reached RMB12,820.3 million in the first half of 2022, representing a year-on-year increase of 13.4% and accounted for 14.9% of the Group's total revenue. The revenue of value-added services business segment, such as automobile insurance and automobile finance, in the first half of 2022 reached RMB1,502.8 million, representing a year-on-year decrease of 4.4%.

Zhongsheng Group has always been adhering to the "Brand + Region" strategy, placing balanced emphasis on self-development as well as mergers and acquisitions, and carrying out industry consolidation through mergers and acquisitions which rested on focusing same-store growth. As at 30 June 2022, the total number of the Group's dealerships increased to 417, 261 of which were luxury brand dealerships and 156 of which were mid-to-high-end brand dealerships, covering 25 provinces, municipalities or autonomous regions and over 110 cities in the PRC.

Looking ahead, in facing the development trend of new energy vehicles, traditional automobile makers such as Mercedes-Benz, BMW and LEXUS have accelerated their electrification strategies. The cooperation on electrification between the Group and traditional automobile makers also continues. The LEXUS electrification showroom in Shenzhen has been put into operation. In Shenzhen, Qingdao and other cities, the Group's new automobile delivery centres and superstores for Xpeng have already been put into operation. In the first half of 2022, the Group's sales volume of electric vehicles achieved an increase of 54.0%. Currently, the development of the PRC electric vehicle market is characterised by high competitiveness. The Board believes that the Group will fully display its operation capability as a leading distributor and its advantages of network and customer base in top-tier cities and economically developed regions and prudently select outstanding new energy brand partners, which will achieve mutual growth with the brands, thereby seizing opportunities in the development of electric vehicles.

For the development and progress the Group has achieved, we would like to thank the staff from all departments for their loyalty, dedication and contributions as well as shareholders and business partners for their trust, support and encouragement. On behalf of the Board, I would like to express our sincere gratitude to all of you for your valuable contributions to the Group's outstanding development!

Huang Yi

Chairman

Hong Kong, 30 August 2022





CEO'S STATEMENT



Li Guoqiang
President and Chief Executive Officer



MARKET REVIEW

In the first half of 2022, sales volume for luxury brands also declined due to the impact of the pandemic, shortage of chips, volatile supplies and surging oil prices etc. In terms of brands, Mercedes-Benz delivered over 355,800 units of new automobiles in the PRC for the first half of 2022, representing a year-on-year decrease of 19.4%. Its high-end profitable models maintained a robust growth, demonstrating strong brand power. The S-Class limousines and Maybach achieved a year-on-year increase of 13% and 62%, respectively. Meanwhile, the EQ product series achieved an increase of 28% in the second quarter as compared to that of the first quarter. The EQE, the first domestically produced model based on the dedicated EVA electric platform of Mercedes-Benz, is expected to be released soon. The C-Class and other main models will introduce plug-in hybrid versions. Mercedes-Benz will become one of the luxury brands with the most diversified new energy products in the PRC market. BMW delivered 378,700 units (including MINI) in the PRC, representing a year-on-year decrease of 18.9%. The electric models i7 and i3 newly released in 2022 recorded outstanding performances. The sales volume of BMW's pure electric automobiles achieved a year-on-year increase of 74.6% in the first half of 2022. The total sales volume of Audi reached 317,000 units (including imported automobiles), representing a year-on-year decrease of 24.2%. TOYOTA remained as the Japanese mid-end brand with the best performance in the first half of 2022. The new automobile sales volume of TOYOTA in the PRC was 954,173 units in the first half of 2022, representing a year-on-year decrease of 18.1%.

According to the statistics published by the Ministry of Public Security, national automobile ownership reached 310 million units by the end of June 2022. The number of automobile drivers reached 454 million, representing 1.46 times of the automobile ownership. The number of newly licensed drivers (with less than one year of driving experience) was 11.03 million nationwide. The newly registered automobiles nationwide in the first half of 2022 amounted to 11.10 million units. The number of newly registered automobiles in April and May 2022 was significantly lower than that in the corresponding period last year due to the impacts of the pandemic. It has gradually recovered since June 2022.

The pre-owned automobile market was also sluggish in the first half of 2022 due to the impact of the pandemic with the trade volume declining significantly for three consecutive months from March 2022. The trade volume of pre-owned automobiles recorded a year-on-year decrease of nearly 30% and 20% in April and May 2022, respectively, and has gradually recovered since June. According to data published by the China Automobile Dealers Association, the total trade volume of pre-owned automobiles in the first half of 2022 was 7.5852 million units as at June 2022, representing a year-on-year decrease of 10.07%, or 849,000 units, as compared to the corresponding period last year. In order to facilitate market recovery in the post-pandemic period, the PRC introduced various favourable policies on the development of the pre-owned automobile market. Not only will these policies accelerate circulation, improve trading efficiency and standardise market circulation channels of the pre-owned automobile market, they will also exert a reverse impact to promote the development of the new automobile market, expand consumer options and channels for purchasing vehicles, further stimulate consumer demand and utilise resources reasonably.

BUSINESS REVIEW

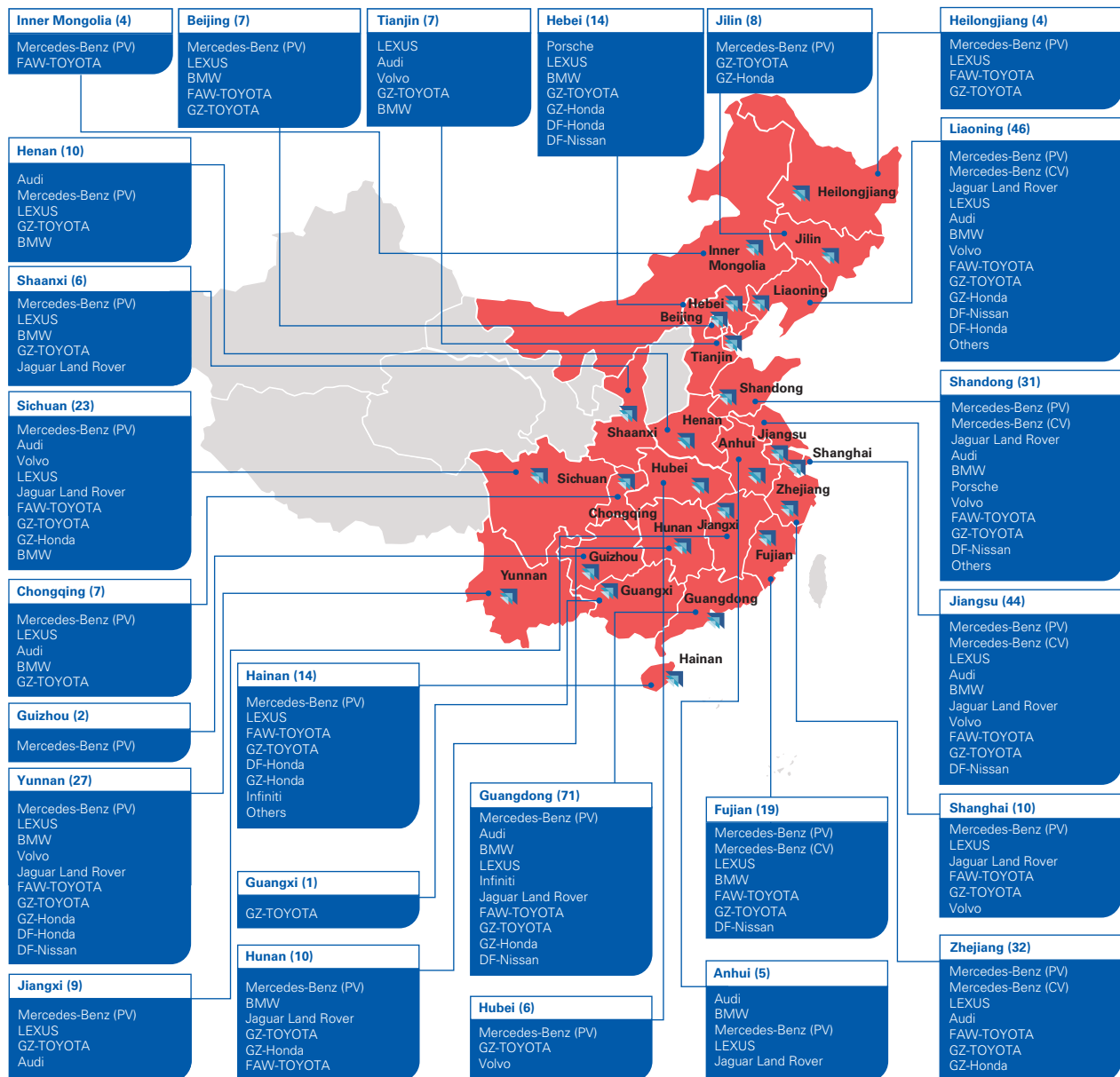
ADHERING TO THE "BRAND + REGION" STRATEGY, FURTHER OPTIMISING THE EXISTING BRAND PORTFOLIOS AND STRENGTHENING THE LEADING ADVANTAGES IN KEY REGIONS

According to the statistics of the Ministry of Public Security of the PRC, as at the end of June 2022, 81 cities across the PRC accounted for the ownership of more than one million automobiles, representing an increase of 7 cities year-on-year. 37 cities accounted for the ownership of more than two million automobiles, and 20 cities accounted for the ownership of more than three million automobiles. Automobile ownership in Beijing has exceeded six million; that in each of Chengdu and Chongqing has surpassed the five million mark; and that in each of Suzhou, Shanghai, Zhengzhou, Xi'an and Wuhan has surpassed four million. Currently, large and economically developed cities with accelerated population influx remain at the core of continuous growth in the PRC automobile market. The Group will also continue to deepen its network presence in high-tier cities and major economically-developed regions, so as to further strengthen its leadership position in key regions.



As at 30 June 2022, the total number of the Group's dealerships increased to 417, 261 of which were luxury brand dealerships and 156 of which were mid-to-high-end brand dealerships, covering 25 provinces, municipalities or autonomous regions and over 110 cities in the PRC. As at 30 June 2022, the brand and geographical distribution of the Group's dealership were as follows:

Regions where the Group has presence



Currently, the Group's brand portfolio includes luxury brands such as Mercedes-Benz, LEXUS, BMW and Audi, as well as mid-to-high-end brands such as TOYOTA. The Group maintains the leading position in the market segment of all core brands.



RESILIENT PERFORMANCE ACROSS ALL BUSINESS SEGMENTS, AND STRATEGIC DEVELOPMENT OF PRE-OWNED AUTOMOBILES AND ELECTRIC VEHICLES

Based on the “Worry Free Double Insurance (雙保無憂)”, the Group’s original insurance product, the Group further released the “Worry Free Vehicle Maintenance PLUS (養車無憂PLUS)” in the first half of 2022. The service protection was fully upgraded, covering free maintenance, repairs and warranty for 6 years/120,000 kilometres. It provided sound supplements to the Group’s after-sales and insurance businesses during the COVID-19 outbreak in the second quarter and effectively facilitated the improvement of customer loyalty, number of visits annually and unit price for the insured customers. At the same time, the promotion of new media branding continued. Currently, the Group and dealerships have over eight million followers on Tik Tok and other platforms, making the brand premium of Zhongsheng increasingly significant.

The Group considers the pre-owned automobiles business as a new engine to performance growth and constantly reinforces the strategic significance of the pre-owned automobiles business. The core objectives of the pre-owned automobiles business are to promote the sales of new automobiles and the retail sales of pre-owned automobiles and achieve value circulation covering the full life cycle of the driving experience of customers. In the first half of 2022, the Group established UCCs (Used Car Centres) in key regions with the core positioning in sharing people (customers), goods (automobiles), sites (channels, inventories and talent) and other resources. Through pricing, retail, reconditioning and other centralised construction, it eliminated organisational boundaries and promoted the coordinated operation of dealerships to achieve the best performance at the Group level overall. The Group strived to solve the weaknesses in the pre-owned automobile industry and build a trustworthy and professional pre-owned automobile brand image of Zhongsheng focusing on high-end retail and chain operation. The Group continued its effort to establish a pre-owned automobiles certification system of Zhongsheng. All certified automobiles have passed all-round selection, testing, reconditioning and rating on automobile conditions and enjoy the benefit of seven-day return without reason. Meanwhile, the Group provides trouble-free, reassuring and comfortable one-stop services, including finance, insurance and automobile inspection and transfer and will introduce customised automobile seeking services in the future. At the same time, the Group will speed up platform construction and the pre-owned automobiles business will gradually carry out information technology and digitalisation transformation. It will build a digital marketing matrix covering all channels based on the Group’s official website, vertical media and self-media online and through UCCs, core brand retail stores and dealerships in key cities offline and fully display its advantages as a national dealer with more than 400 stores in 110 cities. Also, it proposes to introduce online VR automobile viewing + delivery in offline stores, allowing customers to purchase pre-owned automobiles across the PRC conveniently. The trade volume of pre-owned automobiles reached 65,606 units in the first half of 2022, representing a decrease of 1.7% as compared to the corresponding period last year. The old to new ratio of pre-owned automobiles was 27.0%. The percentage of same brand retail sales of pre-owned automobile increased by 11 percentage points as compared to the corresponding period last year.



The Group has devoted relentless efforts to promote digitalisation and service quality. The Group has been vigorously promoting its digitalisation management from web portal to dealership level, the core management in customer dimension and marketing digitalisation for dealers, and its refined management has been continuously deepened, achieving sound results. After the Group's official website was revamped, the cumulative total number of leads exceeded 19,000 and the cumulative trading volume exceeded RMB180 million. Through the establishment of digitalised marketing platforms, the Group aims to enhance customer experience and improve customer value, realise the digitalised marketing model with data-driven business growth and fully achieve the sharing of data resources with the coverage of all business processes and the full life cycle of customers. Through connecting financial data, business data, customer data, operation and maintenance data, it has facilitated sufficient exchanges of internal and external data to display the advantage of resources sharing. Meanwhile, the business systems continuously and independently developed by the Group, such as the New Car APP, the pre-owned automobiles trading platform, the Accident Car Clue APP, Financial Smart Butler, Mobility Scooter APP and other digitalisation tools have achieved outstanding management results in business expansion and practical applications. In the future, the artificial intelligence decision-making model characterised by stronger timeliness, finer granularity and greater comprehensiveness will be gradually applied in business segments. The Board expects that it will achieve data-driven intelligent decision making through big data and other technologies. Despite the great impacts of the pandemic and other macro factors on the industry in the first half of 2022, the Group maintained sound operation overall. The Group's industry-leading advantages in scale and efficiency were improved and its leadership was further strengthened.



Facing the multiple major adverse factors interwinding in the industry, Zhongsheng Group rose up to market challenges actively by leveraging its own operational capabilities in the first half of 2022. The Group achieved new automobile sales volume of 242,280 units in the first half of 2022, representing a decrease of 12.1% as compared to the corresponding period last year, of which sales volume for luxury brands reached 143,857 units, representing a decrease of 11.1% as compared to the corresponding period last year and accounting for 59.4% of the Group's total sales volume. Revenue from the after-sales business reached RMB12,820.3 million in the first half of 2022, representing a year-on-year increase of 13.4% and accounted for 14.9% of the Group's total revenue. After-sales business maintained its stable growth. The revenue of value-added services business segment, such as automobile insurance and automobile finance, in the first half of 2022 reached RMB1,502.8 million, representing a year-on-year decrease of 4.4%. The trade volume of pre-owned automobiles reached 65,606 units in the first half of 2022, representing a decrease of 1.7% as compared to the corresponding period last year. In the first half of 2022, the Group's financial penetration rate of new automobile sales further increased to 70.2%.

FUTURE STRATEGY AND OUTLOOK

In the second half of 2022, despite the uncertainty of the domestic pandemic situation, the PRC economy and consumption are expected to recover stably under the support of proactive fiscal, monetary and other economic supportive policies of the government. Automobile consumption is expected to continue its recovery in the second half of 2022, especially the fourth quarter of 2022, benefiting from the direct supportive policies on automobile consumption at the same time. The sales volume of leading luxury brands is also likely to achieve high growth.

The Group will firmly seize the historical opportunities in the development of the pre-owned automobile industry, fully utilise its advantages as a national dealership group and strive to expand its proportion of the pre-owned automobile business. Meanwhile, in terms of internal operation, it will continue to promote business innovation and management optimisation represented by the "Worry Free Vehicle Maintenance (養車無憂)" and UCCs, continue to advance digitalised and refined management and promote high-quality endogenous growth. At the same time, it will pay close attention to opportunities of integration in the industry, carry out industrial integration and promote business growth through external development.

Li Guoqiang

President and Chief Executive Officer

Hong Kong, 30 August 2022



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE

Revenue for the six months ended 30 June 2022 was RMB86,029.3 million, representing a decrease of RMB1,332.0 million or 1.5% as compared to the six months ended 30 June 2021. Revenue from new automobile sales amounted to RMB68,813.1 million, representing a decrease of RMB3,742.5 million or 5.2% as compared to the six months ended 30 June 2021. Revenue from after-sales and accessories business amounted to RMB12,820.3 million, representing an increase of RMB1,518.0 million or 13.4% as compared to the six months ended 30 June 2021. Revenue from pre-owned automobile sales was RMB4,395.9 million, representing an increase of RMB892.5 million or 25.5% as compared to the six months ended 30 June 2021.

New automobile sales business accounted for a substantial portion of the Group's revenue, representing 80.0% (for the six months ended 30 June 2021: 83.1%) of the total revenue for the six months ended 30 June 2022. After-sales and accessories business accounted for 14.9% of the total revenue for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 12.9%), while pre-owned automobile sales accounted for 5.1% (for the six months ended 30 June 2021: 4.0%). For the six months ended 30 June 2022, 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 41.3% of the Group's total revenue from new automobile sales (for the six months ended 30 June 2021: 31.7%).

COST OF SALES AND SERVICES

Cost of sales and services for the six months ended 30 June 2022 amounted to RMB77,562.3 million, representing a decrease of RMB1,336.1 million or 1.7% as compared to the six months ended 30 June 2021. Costs for new automobile sales business amounted to RMB66,611.9 million for the six months ended 30 June 2022, representing a decrease of RMB3,180.8 million or 4.6% as compared to the six months ended 30 June 2021. Costs for after-sales and accessories business amounted to RMB6,777.1 million for the six months ended 30 June 2022, representing an increase of RMB926.2 million or 15.8% as compared to the six months ended 30 June 2021. Costs for pre-owned automobile sales business amounted to RMB4,173.3 million for the six months ended 30 June 2022, representing an increase of RMB918.5 million or 28.2% as compared to the six months ended 30 June 2021.

GROSS PROFIT

The Group's gross profit for the six months ended 30 June 2022 amounted to RMB8,467.0 million, representing an increase of RMB4.1 million or 0.05% as compared to the six months ended 30 June 2021. Gross profit from new automobile sales business amounted to RMB2,201.2 million, representing a decrease of RMB561.7 million or 20.3% as compared to the six months ended 30 June 2021. Gross profit from after-sales and accessories business amounted to RMB6,043.3 million, representing an increase of RMB591.9 million or 10.9% as compared to the six months ended 30 June 2021. For the six months ended 30 June 2022, gross profit from after-sales and accessories business for 71.4% of the total gross profit (for the six months ended 30 June 2021: 64.4%). Gross profit from pre-owned automobile sales business amounted to RMB222.6 million, representing a decrease of RMB25.9 million or 10.4% as compared to the six months ended 30 June 2021.

The gross profit margin for the six months ended 30 June 2022 was 9.8% (for the six months ended 30 June 2021: 9.7%).

OTHER INCOME AND GAINS, NET

The other income and gains, net, for the six months ended 30 June 2022 amounted to RMB1,696.3 million, representing a decrease of RMB111.1 million or 6.1% as compared to the six months ended 30 June 2021. The other income and gains mainly consisted of service income from automobile insurance and automobile financing services, commission from pre-owned automobile trading business, rental income and interest income, etc.

PROFIT FROM OPERATIONS

The profit from operations for the six months ended 30 June 2022 amounted to RMB5,248.1 million, representing a decrease of RMB455.0 million or 8.0% as compared to the six months ended 30 June 2021. The operating profit margin for the six months ended 30 June 2022 was 6.1% (for the six months ended 30 June 2021: 6.5%).

PROFIT FOR THE PERIOD

The profit for the six months ended 30 June 2022 amounted to RMB3,436.0 million, representing a decrease of RMB296.2 million or 7.9% as compared to the six months ended 30 June 2021. The net profit margin for the six months ended 30 June 2022 was 4.0% (for the six months ended 30 June 2021: 4.3%).

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The profit attributable to owners of the parent for the six months ended 30 June 2022 amounted to RMB3,425.5 million, representing a decrease of RMB270.2 million or 7.3% as compared to the six months ended 30 June 2021.

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 2022.

CASH FLOW GENERATED FROM OPERATING ACTIVITIES

For the six months ended 30 June 2022, the net cash generated from operating activities by the Group amounted to RMB3,653.0 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 2022, the net cash used in investing activities by the Group amounted to RMB835.2 million.

CASH FLOW USED IN FINANCING ACTIVITIES

For the six months ended 30 June 2022, the net cash used in financing activities by the Group amounted to RMB2,418.3 million.

NET CURRENT ASSETS

As at 30 June 2022, the Group had net current assets of RMB14,165.3 million, representing an increase of RMB2,199.2 million from the net current assets of the Group as at 31 December 2021.

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 2022, the Group's total capital expenditures amounted to RMB897.9 million. Save as disclosed above, the Group had not made any significant investments during the six months ended 30 June 2022.

INVENTORY ANALYSIS

The Group's inventories primarily consisted of new automobiles, pre-owned 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 increased from RMB11,192.0 million as at 31 December 2021 to RMB14,376.9 million as at 30 June 2022, primarily due to the impact of lockdown measures adopted by the PRC government to curb the spread of the COVID-19 pandemic in the PRC.

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

	For the six months ended 30 June	
	2022	2021
Average inventory turnover days (automobiles)	30.0	20.8

The inventory turnover days of the Group showed an increase during the six months ended 30 June 2022 as compared to the six months ended 30 June 2021, which was mainly due to the impact of lockdown measures adopted by the PRC government to curb the spread of the COVID-19 pandemic in the PRC. During the six months ended 30 June 2022, the Group's inventory mix gradually optimised.

ORDER BOOK AND PROSPECT FOR NEW BUSINESS

Due to its business nature, the Group did not maintain an order book as at 30 June 2022. As at the date of this report, 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 2022, the Group's bank loans and other borrowings amounted to RMB18,219.4 million (31 December 2021: RMB20,187.8 million), and the convertible bonds liability portion amounted to RMB4,150.5 million (31 December 2021: RMB3,897.4 million). The decrease in the Group's bank loans and other borrowings during the six months ended 30 June 2022 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 0.8% to 4.65%.

INTEREST RATE RISK AND FOREIGN EXCHANGE RATE RISK

The Group currently has not used any derivatives to hedge interest rate risk. The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. Most cash and bank deposits of the Group are denominated in RMB. In general, the Group's bank loans and other borrowings were denominated in RMB, United States dollars and Hong Kong dollars, and the liability component of convertible bonds were denominated in Hong Kong dollars. The Group has not used any long-term contracts, currency borrowings or other means to hedge its foreign currency exposure. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

EMPLOYEE AND REMUNERATION POLICY

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 2022, the Group had 37,172 employees (31 December 2021: 39,668). 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 bank and other loan and banking facilities which were used to finance daily business operations. As at 30 June 2022, the pledged group assets amounted to approximately RMB5.9 billion (31 December 2021: RMB5.6 billion).

FUTURE PLANS AND EXPECTED FUNDING

Going forward, the Company will continue to expand the width 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 2022, the gearing ratio of the Group was 37.7% (31 December 2021: 39.9%), which was calculated from net debt divided by the sum of net debt and total equity.





CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Unaudited For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000
REVENUE	4(a)	86,029,290	87,361,275
Cost of sales and services provided	5(b)	(77,562,355)	(78,898,401)
Gross profit		8,466,935	8,462,874
Other income and gains, net	4(b)	1,696,270	1,807,390
Selling and distribution costs		(3,720,825)	(3,441,631)
Administrative expenses		(1,194,311)	(1,125,547)
Profit from operations		5,248,069	5,703,086
Finance costs	6	(560,242)	(596,336)
Share of profits/(losses) of:			
Joint ventures		139	3,710
An associate		(26)	(977)
Profit before tax	5	4,687,940	5,109,483
Income tax expense	7	(1,251,967)	(1,377,307)
Profit for the period		3,435,973	3,732,176
Attributable to:			
Owners of the parent		3,425,452	3,695,698
Non-controlling interests		10,521	36,478
		3,435,973	3,732,176
Earnings per share attributable to ordinary equity holders of the parent			
Basic			
— For profit for the period (RMB)	9	1.419	1.609
Diluted			
— For profit for the period (RMB)	9	1.388	1.571

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Unaudited	
	For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000
Profit for the period	3,435,973	3,732,176
Other comprehensive (loss)/income		
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(416,561)	144,946
Net other comprehensive (loss)/income to be reclassified to profit in subsequent periods	(416,561)	144,946
Other comprehensive (loss)/income for the period, net of tax	(416,561)	144,946
Total comprehensive income for the period	3,019,412	3,877,122
Attributable to:		
Owners of the parent	3,008,891	3,840,644
Non-controlling interests	10,521	36,478
	3,019,412	3,877,122



CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		17,346,867	17,371,855
Right-of-use assets		4,654,041	4,872,469
Land use rights		3,474,302	3,468,956
Prepayments		477,210	487,372
Intangible assets		10,154,224	10,337,459
Goodwill		8,326,151	8,296,827
Investments in joint ventures		55,833	55,694
Investment in an associate		5,014	—
Deferred tax assets		242,788	236,484
Total non-current assets		44,736,430	45,127,116
CURRENT ASSETS			
Inventories	10	14,376,890	11,192,016
Trade receivables	11	1,742,864	1,815,180
Prepayments, other receivables and other assets		13,520,631	15,169,171
Amounts due from related parties	20(b)(i)	5,633	28,558
Financial assets at fair value through profit or loss		127,139	160,991
Pledged bank deposits		1,185,092	797,094
Cash in transit		324,703	233,890
Cash and cash equivalents		11,422,508	10,950,038
Total current assets		42,705,460	40,346,938
CURRENT LIABILITIES			
Bank loans and other borrowings	12	12,750,561	15,219,401
Trade and bills payables	13	7,071,269	5,459,996
Other payables and accruals		4,287,675	4,856,063
Lease liabilities		431,819	395,983
Amounts due to related parties	20(b)(ii)	1,723	1,748
Income tax payable		2,268,693	2,447,698
Dividends payable		1,728,450	—
Total current liabilities		28,540,190	28,380,889
Net current assets		14,165,270	11,966,049
Total assets less current liabilities		58,901,700	57,093,165

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (continued)

30 June 2022

	Notes	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		3,250,205	3,271,864
Convertible Bonds	14	4,150,548	3,897,401
Lease liabilities		4,099,818	4,248,986
Bank loans and other borrowings	12	5,468,850	4,968,423
Total non-current liabilities		16,969,421	16,386,674
Net assets		41,932,279	40,706,491
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	209	209
Reserves		41,460,829	40,243,582
		41,461,038	40,243,791
Non-controlling interests		471,241	462,700
Total equity		41,932,279	40,706,491



CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Unaudited Attributable to owners of the parent												
	Share capital RMB'000	Share premium RMB'000	Share Option Reserve RMB'000	Equity component of convertible bonds	Discretionary reserve fund RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests	
				RMB'000								Total equity RMB'000	Total equity RMB'000
At 1 January 2021	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 year	—	—	—	—	—	—	—	—	—	3,695,698	3,695,698	36,478	3,732,176
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	144,946	—	144,946	—	144,946
Total comprehensive income for the year	—	—	—	—	—	—	—	—	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 and cancellation 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 of convertible bonds	—	—	—	(378)	—	—	—	(3,995)	—	—	(4,373)	—	(4,373)
Final 2020 dividend declared	—	(1,113,189)	—	—	—	—	—	—	—	—	(1,113,189)	—	(1,113,189)
Reversal of put option over non-controlling interest	—	—	—	—	—	—	—	245,000	—	—	245,000	—	245,000
At 30 June 2021	201	4,641,225	49,391	30,484	37,110	3,301,478	(1,386,176)	(2,034,468)	(79,658)	25,769,003	30,328,590	398,717	30,727,307
At 1 January 2022	209	9,785,687	49,391	30,484	37,110	3,856,037	(1,386,176)	(2,034,468)	57,821	29,847,696	40,243,791	462,700	40,706,491
Profit for the year	—	—	—	—	—	—	—	—	—	3,425,452	3,425,452	10,521	3,435,973
Other comprehensive loss for the year:													
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(416,561)	—	(416,561)	—	(416,561)
Total comprehensive income for the year	—	—	—	—	—	—	—	—	(416,561)	3,425,452	3,008,891	10,521	3,019,412
Repurchase and cancellation of shares	—	(63,193)	—	—	—	—	—	—	—	—	(63,193)	—	(63,193)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	3,247	3,247
Disposal of subsidiaries	—	—	—	—	—	(1)	—	—	—	—	(1)	(1,591)	(1,592)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(3,636)	(3,636)
Final 2021 dividend declared	—	(1,728,450)	—	—	—	—	—	—	—	—	(1,728,450)	—	(1,728,450)
At 30 June 2022	209	7,994,044	49,391	30,484	37,110	3,856,036	(1,386,176)	(2,034,468)	(358,740)	33,273,148	41,461,038	471,241	41,932,279

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

		Unaudited	
	Notes	For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000
Operating activities			
Profit before tax		4,687,940	5,109,483
Adjustments for:			
Share of profits of joint ventures and an associate		(113)	(2,733)
Depreciation and impairment of property, plant and equipment	5(c)	881,223	666,055
Depreciation of right-of-use assets		294,442	243,434
Amortisation of land use rights	5(c)	56,516	49,311
Amortisation of intangible assets	5(c)	206,395	146,636
Impairment of trade receivables		3,296	898
Interest income	4(b)	(117,822)	(80,779)
Net loss/(gain) on disposal of items of property, plant and equipment	4(b)	46,627	(8,431)
Finance costs	6	560,242	596,336
Fair value losses/(gains), net:			
— Listed equity investments held for trading		209	(14,950)
— Financial products		298	9,340
Dividends income from listed equity investment		(1,042)	(1,114)
Write-down of inventories to net realisable value	5(c)	3,000	1,847
Gain on disposal of subsidiaries		533	—
Covid-19-related rent concessions from lessors		(9,241)	—
Gain on redemption of convertible bonds		—	(4,753)
		6,612,503	6,710,580
Increase in cash in transit		(90,820)	(163,061)
Decrease/(increase) in trade receivables		69,217	(352,357)
Decrease in prepayments, other receivables and other assets		1,700,047	1,382,283
(Increase)/decrease in inventories		(3,194,925)	468,686
Increase/(decrease) in trade and bills payables		546,935	(288,923)
Decrease in other payables and accruals		(550,064)	(295,076)
Decrease/(increase) in amounts due from related parties — trade related		22,925	(3,306)
(Decrease)/increase in amounts due to related parties — trade related		(25)	433
Cash generated from operations		5,115,793	7,459,259
Tax paid		(1,462,799)	(1,057,225)
Net cash generated from operating activities		3,652,994	6,402,034



CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2022

	Notes	Unaudited	
		For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000
Investing activities			
Purchase of items of property, plant and equipment		(1,435,103)	(1,946,807)
Proceeds from disposal of items of property, plant and equipment		717,668	477,249
Purchase of land use rights		(194,675)	(311,525)
Purchase of intangible assets		(5,399)	(4,893)
(Prepayments for)/refund from the potential acquisitions of equity interests from third parties		(36,000)	18,544
Acquisitions of subsidiaries, net of cash acquired		43,933	(269,754)
Increase in prepayments, other receivables and other assets		(47,232)	(29,112)
Interest received		117,822	80,779
Disposal of subsidiaries, net of cash		2,716	—
Dividends received from listed equity investments		1,042	1,114
Net cash used in investing activities		(835,228)	(1,984,405)
Financing activities			
Proceeds from bank loans and other borrowings		51,040,565	59,702,964
Repayments of bank loans and other borrowings		(53,442,915)	(60,678,879)
(Increase)/decrease in pledged bank deposits		(387,998)	713,081
Increase/(decrease) in trade and bills payable		1,056,084	(1,214,219)
Lease payments		(329,851)	(290,785)
Repurchase of shares		(63,193)	(26,829)
Repayment of convertible bonds		—	(48,573)
Decrease in deposits to entities controlled by suppliers for borrowings		96,975	171,433
Interest paid for bank loan and other borrowings		(384,356)	(410,783)
Dividends paid to the non-controlling shareholders		(3,636)	(46,480)
Acquisition of non-controlling interests		—	(6,000)
Net cash used in financing activities		(2,418,325)	(2,135,070)
Net increase in cash and cash equivalents		399,441	2,282,559
Cash and cash equivalents at beginning of each period		10,950,038	8,210,363
Effect of foreign exchange rate changes, net		73,029	(11,557)
Cash and cash equivalents at end of each period		11,422,508	10,481,365

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. GENERAL INFORMATION

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

The Company was incorporated on 23 June 2008 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman KY1-1103, Cayman Islands. The Company has established a principal place of business which is located at Rooms 1803–09, 18th Floor, Sun Hung Kai Centre, 30 Harbour Road, 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 2022 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 30 August 2022. 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 2022 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 the Group’s annual financial statements for the year ended 31 December 2021, 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 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS16, and HKAS 41</i>

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



3. OPERATING SEGMENT INFORMATION

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

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

INFORMATION ABOUT GEOGRAPHICAL AREA

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

INFORMATION ABOUT MAJOR CUSTOMERS

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the six months ended 30 June 2022, 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

	Unaudited	
	For the six	For the six
	months ended	months ended
	30 June 2022	30 June 2021
	RMB'000	RMB'000
Revenue from contracts with customers		
Disaggregated revenue information		
Type of goods or service		
Revenue from the sale of motor vehicles	73,208,948	76,058,985
Revenue from after-sales service	12,820,342	11,302,290
Total revenue from contracts with customers	86,029,290	87,361,275
Geographical markets		
Mainland China	86,029,290	87,361,275
Timing of revenue recognition		
At a point in time	86,029,290	87,361,275

30 June 2022

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

	Unaudited	
	For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000
Commission income	1,502,831	1,572,034
Rental income	22,952	21,242
Government grants	30,532	30,406
Interest income	117,822	80,779
Net (losses)/gains on disposal of items of property, plant and equipment	(46,627)	8,431
Fair value (losses)/gains, net:		
Financial assets at fair value through profit or loss		
— listed equity investments	(209)	14,950
— financial products	(298)	(9,340)
Dividend income from listed equity investments	1,042	1,114
Others	68,225	87,774
	1,696,270	1,807,390



5. PROFIT BEFORE TAX

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

	Unaudited	
	For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000
(a) Employee benefit expense (including directors' and chief executive officer's remuneration):		
Wages and salaries	2,402,623	2,683,541
Pension scheme contributions	439,870	298,104
Other welfare	197,725	168,435
	3,040,218	3,150,080
(b) Cost of sales and services provided:		
Cost of sales of motor vehicles	70,785,293	73,047,525
Others	6,777,062	5,850,876
	77,562,355	78,898,401
(c) Other items:		
Depreciation and impairment of property, plant and equipment	881,223	666,055
Amortisation of land use rights	56,516	49,311
Amortisation of intangible assets	206,395	146,636
Promotion and advertisement	398,562	611,426
Office expenses	244,598	274,822
Depreciation of right-of-use assets	294,442	243,434
Lease expenses	31,016	15,178
Logistics expenses	108,539	95,338
Impairment of trade receivables	3,296	898
Write-down of inventories to net realizable value	3,000	1,847
Net losses/(gains) on disposal of items of property, plant and equipment	46,627	(8,431)
Dividend income from listed equity investments	(1,042)	(1,114)
Fair value losses/(gains), net:		
Financial assets at fair value through profit or loss		
— listed equity investments	209	(14,950)
— financial products	298	9,340

30 June 2022

6. FINANCE COSTS

	Unaudited	
	For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000
Interest expense on bank borrowings	287,817	321,167
Interest expense on convertible bonds	72,287	76,458
Interest expense on other borrowings	96,292	98,961
Interest expense on lease liabilities	149,746	132,899
Interest capitalised	(45,900)	(33,149)
	560,242	596,336

7. INCOME TAX EXPENSE

	Unaudited	
	For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000
Current Mainland China corporate income tax	1,291,933	1,429,119
Deferred tax	(39,966)	(51,812)
	1,251,967	1,377,307

8. DIVIDENDS

The Directors of the Company proposed not to declare any interim dividend for the six months ended 30 June 2022.

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 shares of 2,414,633,134 (six months ended 30 June 2021: 2,297,556,561) 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.



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

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

	Unaudited	
	For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000
Earnings		
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	3,425,452	3,695,698
Interest on convertible bonds	72,287	76,458
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	3,497,739	3,772,156
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,414,633,134	2,297,556,561
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	99,978,074	101,409,488
Share option	6,266,979	5,667,095
Weighted average number of ordinary shares used in diluted earnings per share calculation	2,520,878,187	2,404,633,144
Earnings per share (RMB)		
Basic	1.419	1.609
Diluted	1.388	1.571

30 June 2022

10. INVENTORIES

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Motor vehicles	13,350,025	10,233,397
Spare parts and others	1,043,861	972,615
	14,393,886	11,206,012
Less: provision for inventories	16,996	13,996
	14,376,890	11,192,016

11. TRADE RECEIVABLES

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Trade receivables	1,765,820	1,834,840
Impairment	(22,956)	(19,660)
	1,742,864	1,815,180

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:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Within 3 months	1,660,269	1,729,127
More than 3 months but less than 1 year	76,027	79,711
Over 1 year	6,568	6,342
	1,742,864	1,815,180

**12. BANK LOANS AND OTHER BORROWINGS**

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Bank loans and overdrafts repayable:		
– within one year or on demand	10,814,258	11,292,900
– in the second year	1,531,446	1,457,586
– in the third to fifth years	888,128	662,281
	13,233,832	13,412,767
Other borrowings repayable		
– within one year	1,936,303	3,926,501
– in the third to fifth years	3,049,276	2,848,556
	4,985,579	6,775,057
Total bank loans and other borrowings	18,219,411	20,187,824
Less: Portion classified as current liabilities	12,750,561	15,219,401
Long-term portion	5,468,850	4,968,423

13. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Trade payables	2,950,136	2,394,947
Bills payable	4,121,133	3,065,049
Trade and bills payables	7,071,269	5,459,996

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

30 June 2022

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:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Within 3 months	6,507,000	5,135,868
3 to 6 months	518,947	254,511
6 to 12 months	3,014	17,191
Over 12 months	42,308	52,426
	7,071,269	5,459,996

14. CONVERTIBLE BONDS

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

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

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

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 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	(37,239)	(37,239)
Liability component at the issuance date	4,101,665	4,101,665
Interest expense	310,791	238,504
Exchange realignment	(261,908)	(442,768)
Liability component at the end of the period	4,150,548	3,897,401
Long-term portion	4,150,548	3,897,401



15. SHARE CAPITAL

	Unaudited 30 June 2022	Audited 31 December 2021
Authorised: 1,000,000,000,000 shares of HK\$0.0001 each (HK\$'000)	100,000	100,000
Issued and fully paid: 2,413,557,863 (2021: 2,415,040,863) ordinary shares (HK\$'000)	241	242
Equivalent to RMB'000	209	209

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. 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.

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 2022		Unaudited 30 June 2021	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	22.60	11,000	22.60	11,000
At 30 June	22.60	11,000	22.60	11,000

30 June 2022

16. SHARE OPTION SCHEME (continued)

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

Number of options '000	30 June 2022 Exercise price HK\$ per share	Exercise period
11,000	22.60	26 April 2019 to 25 April 2028 (both dates inclusive)

The fair value of the share options granted during 2018 was HK\$58,135,000 (HK\$5.29 each). No equity-settled share option expense has been recognised by the Group in the statement of profit or loss during this period (six months ended 30 June 2021: 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%.

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 recognised in the share option reserve will be transferred to retained profits.

**17. BUSINESS COMBINATION**

- (a) 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 Tianjin Beichen Zhongsheng LEXUS Automobile Sales and Services Co., Ltd., which is engaged in the motor vehicle sales and service business in Mainland China, from third party on 1 January 2022 at a total consideration of RMB70,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB30,000,000 paid by the end of June 2022.

Company Name	Acquired equity interests %
Tianjin Beichen Zhongsheng LEXUS Automobile Sales and Services Co., Ltd. (天津北辰中升雷克薩斯汽車銷售服務有限公司)	100%

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

	Recognised fair values on acquisition date RMB'000
Property, plant and equipment*	9,405
Intangible assets*	17,400
Inventories	7,245
Prepayments, other receivables and other assets	50,421
Cash and cash equivalents	1,029
Trade and bills payables	(8,187)
Other payables and accruals	(30,660)
Deferred tax liabilities*	(4,350)
Total identifiable net assets at fair value	42,303
Goodwill on acquisition*	27,697
Total purchase consideration	70,000

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

Cash consideration paid	(30,000)
Cash and cash equivalents acquired	1,029
Net cash outflow	(28,971)

Since the acquisition, the acquired business contributed RMB95,134,000 to the Group's revenue and RMB792,000 of profit to the consolidated profit for the six months ended 30 June 2022.

30 June 2022

17. BUSINESS COMBINATION (continued)

- (b) In September 2019, the Group, together with Toyota Motor Finance (China) Co., Ltd. (“**TFSCN**”), Toyota Motor (China) Investment Co., Ltd. (“**TMCI**”) and Hainan Jiahui Project Investment Co., Ltd. (“**Jiahua**”) jointly established Toyota Mobility services (Hainan) Corporation. The registered capital of Toyota Mobility services (Hainan) Corporation (“**Hainan Mobility**”) is RMB10,000,000, of which the Group, TFSCN, TMCI and Jiahua hold 30%, 33%, 32% and 5% of the equity interest, respectively. According to the article of association of Hainan Mobility, the directors of the Group considered that the Group had significant influence over Hainan Mobility., which was accounted for as an associate.

In December 2021, the Group signed an agreement with the other shareholders of Hainan Mobility to increase its equity interest in Hainan Mobility up to 61.11% with a capital injection of RMB8,000,000.

The capital injection of RMB8,000,000 were completed in the form of cash payment on 30 March 2022, upon which the Group had a 61.11% equity interest in Hainan Mobility and obtained control over Hainan Mobility accordingly.

The acquisition has been accounted for using the acquisition method. The consolidated financial statements have included the results of Hainan Mobility since the acquisition date.

The Group has elected to measure the non-controlling interest in Hainan Mobility at the non-controlling interest’s proportionate share of Hainan Mobility’s identifiable net assets.

As at the acquisition date, the fair value of the equity interest in Hainan Mobility held by the Group before the acquisition was calculated by using the market approach, amounting to RMB210,000 approximately, while the carrying amount was nil. The gain of RMB210,000 was recognised in other income and gains in the consolidated interim statement of profit or loss for the six months ended 30 June 2022, as a result of the remeasuring the equity interest in Hainan Mobility held by the Group before the business combination to fair value.

Company Name	Acquired equity interests %
Toyota Mobility services (Hainan) Corporation (豐田海南出行有限公司)	61.11%

**17. BUSINESS COMBINATION (continued)**

(b) (continued)

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

	Recognised fair values on acquisition date RMB'000
Property, plant and equipment*	24,800
Prepayments, other receivables and other assets	1,103
Deferred income tax assets	1,300
Trade receivable	514
Prepayments, other receivables and other assets	9,984
Cash and cash equivalents	540
Trade and bills payables	(67)
Other payables and accruals	(29,476)
Deferred tax liabilities*	(352)
Total identifiable net assets at fair value	8,346
Non-controlling interests arising from a business combination	3,246
Goodwill on acquisition*	3,110
Total purchase consideration	8,210
An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:	
Cash consideration paid	(8,000)
Cash and cash equivalents acquired	540
Net cash outflow	(7,460)

Since the acquisition, the acquired business contributed nil to the Group's revenue and RMB699,000 of profit to the consolidated profit for the six months ended 30 June 2022.

* The Group engaged an independent appraiser to assist with the identification and determination of fair values to be assigned to the assets and liabilities of these acquired companies as disclosed in note 17. However, the valuation was not finalised and hence the initial accounting for the business combination of these companies was incomplete by the date of this interim report. Therefore, these amounts recognised in the Group's interim financial statements for the six months ended 30 June 2022 in relation to the acquisition of these companies were on a provisional basis.

30 June 2022

18. CONTINGENT LIABILITIES

As at 30 June 2022, 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:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Contracted, but not provided for buildings	155,759	170,329
Contracted, but not provided for potential acquisitions	62,240	58,240
	217,999	228,569

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 2022:

	Unaudited For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000
(i) Sales of goods to a joint venture: — Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd. (" Xiamen Zhongsheng ")	7,280	3,665
(ii) Purchase of goods or services from joint ventures: — Xiamen Zhongsheng — TAC Automobile Accessories Trading (Shanghai) Co., Ltd. (" TAC ")	1,375 2,499	5,877 3,760
	3,874	9,637
(iii) Other borrowing to an associate: — Beijing Wangxin Insurance Sales Co., Ltd.	1,000	—



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 2022:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
(i) Due from related parties:		
Trade related		
Joint venture		
— Xiamen Zhongsheng	4,526	440
Associates		
— Beijing Wangxin Insurance Sales Co., Ltd.	1,107	—
— Hainan Mobility*	—	28,118
	1,107	28,118
(ii) Due to related parties:		
Trade related		
Joint ventures		
— Zhongsheng Tacti Automobile Service (Dalian) Co., Ltd	80	80
— TAC	1,643	1,668
	1,723	1,748

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

* Hainan Mobility has changed from an associate to a subsidiary during the period as disclosure in note 17(b).

(c) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP:

	Unaudited For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000
Short term employee benefits	19,582	21,686
Post-employee benefits	114	150
Total compensation paid to key management personnel	19,696	21,836

30 June 2022

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial assets				
Financial assets at fair value through profit or loss	127,139	160,991	127,139	160,991

FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2022

	Notes	Fair value measurement using			Total RMB'000 (Unaudited)
		Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss:					
Listed equity investments, at fair value	(i)	79,969	—	—	79,969
Financial products	(i)	47,170	—	—	47,170
		127,139	—	—	127,139



21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY (continued)

Assets measured at fair value: (continued)

As at 31 December 2021

	Notes	Fair value measurement using			Total RMB'000 (Audited)
		Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Financial assets at fair value through profit or loss:					
Listed equity investments, at fair value	(i)	90,424	—	—	90,424
Financial products	(i)	70,567	—	—	70,567
		160,991	—	—	160,991

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 and 31 December 2021, respectively.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (six months ended 30 June 2021: Nil).

Notes:

- (i) The fair values of listed equity investments and the financial products issued by financial institutions are based on quoted market prices.

22. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2022 and up to the date of approval of these financial statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

INTERESTS AND SHORT POSITIONS IN THE COMPANY'S SHARES

Name of Director	Capacity/Nature of Interest or Short Position	Total Number of Ordinary Shares	Approximate Percentage of Shareholding (%)
Mr. Huang Yi	Interest of controlled corporation, founder of a discretionary trust and agreement to acquire interests	1,313,445,376 (Long position)	54.42
		159,033,900 (Short position)	6.59
Mr. Li Guoqiang	Interest of controlled corporation, founder of a discretionary trust and agreement to acquire interests	1,313,445,376 (Long position)	54.42
		45,433,900 (Short position)	1.88
Mr. Zhang Zhicheng	Beneficial owner	5,500,000 (Long position) (Note 1)	0.23
Mr. Li Yanwei	Beneficial Owner	60,000 (Long position)	0.00

Note:

1. These interests represent options granted to the Director as beneficial owner under the Share Option Scheme.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.



SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, to the best knowledge of the Directors, the following are the persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholder	Capacity/Nature of Interest or Short Position	Total Number of Ordinary Shares	Approximate Percentage of Shareholding (%)
Blue Natural Development Ltd. (Note 1)	Beneficial owner and agreement to acquire interests	1,313,445,376 (Long position)	54.42
		45,433,900 (Short position)	1.88
Light Yield Ltd. (Note 2)	Beneficial owner, interest of controlled corporation and agreement to acquire interests	1,313,445,376 (Long position)	54.42
		159,033,900 (Short position)	6.59
Vest Sun Ltd. (Note 3)	Interest of controlled corporation and agreement to acquire interests	1,313,445,376 (Long position)	54.42
		45,433,900 (Short position)	1.88
Mountain Bright Limited (Note 4)	Beneficial owner and agreement to acquire interests	1,313,445,376 (Long position)	54.42
UBS TC (Jersey) Ltd.	Trustee, interest of controlled corporation and agreement to acquire interests	1,313,445,376 (Long position)	54.42
Vintage Star Limited (Note 5)	Beneficial owner and agreement to acquire interests	1,313,445,376 (Long position)	54.42
Jardine Matheson Holdings Limited	Interest of controlled corporation	505,816,116 (Long position)	20.96
Jardine Strategic Limited	Interest of controlled corporation	505,816,116 (Long position)	20.96
JMH Investments Limited	Interest of controlled corporation	505,816,116 (Long position)	20.96
JSH Investment Holdings Limited	Beneficial owner	505,816,116 (Long position)	20.96
JPMorgan Chase & Co.	Interest of controlled corporation, investment manager, person having a security interest in shares, trustee and approved lending agent	183,948,022 (Long position)	7.62
		121,102,909 (Short position)	5.02
		47,878,296 (Lending pool)	1.98

Notes:

1. Blue Natural Development Ltd. is owned by Light Yield Ltd. (62.3%) and Vest Sun Ltd. (37.7%). Mr. Huang Yi and Mr. Li Guoqiang are directors of Blue Natural Development Ltd.
2. Light Yield Ltd. is wholly-owned by Mr. Huang Yi, who is also the sole director of Light Yield Ltd.
3. Vest Sun Ltd. is wholly-owned by Mr. Li Guoqiang, who is also the sole director of Vest Sun Ltd.
4. Mountain Bright Limited is wholly-owned by UBS TC (Jersey) Ltd. as trustee of a trust settlement for Mr. Huang Yi (the settlor of the trust) and his family.
5. Vintage Star Limited is wholly-owned by UBS TC (Jersey) Ltd. as trustee of a trust settlement for Mr. Li Guoqiang (the settlor of the trust) and his family.
6. JPMorgan Chase & Co. held 183,948,022 (long position), 121,102,909 (short position) and 47,878,296 (lending pool) shares of the Company through its controlled entities, and was deemed to have interests in the shares of the Company held by such entities.

Save as disclosed above, as at 30 June 2022, the Directors are not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save for the completion of the acquisition of Zung Fu (China) Limited and its subsidiaries as disclosed in the Company's announcement dated 13 March 2022, during the six months ended 30 June 2022, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

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 initial 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 closing price per Share was HK\$34.800 as quoted on the Stock Exchange on 12 May 2020 (being the date on which the terms of the subscription of the 2025 Convertible Bonds were fixed). The net price of each Share was approximately HK\$45.20. The issue of the 2025 Convertible Bonds in the aggregate amount of HK\$4,560 million was completed on 21 May 2020. To the best of the Directors' knowledge, the 2025 Convertible Bonds were offered and sold by the 2025 Convertible Bond Managers to no less than six independent placees (who are independent individuals, corporate and/or institutional investors).

The Directors considered that the issue of the 2025 Convertible Bonds allowed the Company to refinance its existing debt and to extend its debt maturity profile.



There had been no conversion of the 2025 Convertible Bonds as at 22 September 2022, being the latest practicable date prior to the printing of this interim report. Upon full conversion of the 2025 Convertible Bonds at the initial conversion price of HK\$45.61 per Share, the Company would issue 99,978,074 Shares, with an aggregate nominal value of approximately HK\$9,997.81, increasing the total issued Shares to 2,513,535,937 Shares, which represent approximately 4.14% of the then existing share capital of the Company (calculated as at 22 September 2022, being the latest practicable date prior to the printing of this interim report), and approximately 3.98% of the issued share capital of the Company as enlarged by the issue of the shares upon full conversion of all the 2025 Convertible Bonds. Upon full exercise of the conversion rights attaching to the outstanding 2025 Convertible Bonds, the shareholdings of Mr. Huang Yi, Mr. Li Guoqiang and UBS TC (Jersey) Ltd., the substantial shareholders of the Company, will be diluted from approximately 52.10%, 52.10% and 52.10%, respectively, to approximately 50.02%, 52.10% and 52.10%, respectively, of the issued share capital of the Company as enlarged by the issue of the Shares upon the conversion of all the 2025 Convertible Bonds, based on the shareholdings of Mr. Huang Yi, Mr. Li Guoqiang and UBS TC (Jersey) Ltd. of the issued share capital of the Company as at 22 September 2022, being the latest practicable date prior to the printing of this interim report. Based on the profit for the six months ended 30 June 2022 attributable to ordinary equity holders of the parent of approximately RMB3,425.5 million, the basic and diluted earnings per Share attributable to the owners of the Company were RMB1.419 and RMB1.388, respectively.

Details of the 2025 Convertible Bonds are set out in note 14 to the financial statements.

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.

During the six months ended 30 June 2022, profit attributable to owners of the parent of the Group is approximately RMB3,425.5 million. As at 30 June 2022, the Group had consolidated reserves of RMB41,460.8 million and net current assets of RMB14,165.3 million. The Company will redeem the 2025 Convertible Bonds on the maturity date at its principal amount together with accrued and unpaid interest thereon. Based on the financial position of the Group, to the best knowledge of the Company, the Company expects that it will be able to meet its redemption obligations under the 2025 Convertible Bonds issued by the Company. As the 2025 Convertible Bonds bear no interest on the principal amount, it would be equally financially advantageous for the bondholders to convert or redeem the 2025 Convertible Bonds (and therefore the bondholders would be indifferent as to whether the 2025 Convertible Bonds are converted or redeemed) in the event that the price of each Share traded on the Stock Exchange equals the then adjusted conversion price of the 2025 Convertible Bonds. Conversion price of the 2025 Convertible Bonds will be subject to adjustment for consolidation or subdivision, capitalisation of profits or reserves, capital distribution, right issues, debt equity swap and other dilutive events, as the case may be, which may have impacts on the rights of the holders of the 2025 Convertible Bonds.

As at 30 June 2022, the net proceeds (after deduction of commission and expenses) from the issue of the 2025 Convertible Bonds had been fully utilised according to the intentions previously disclosed by the Company, with (1) approximately HK\$4,246.18 million having been used to fund the repurchase of existing convertible bonds of the Company, and (2) approximately HK\$275.06 million having been used for offshore working capital purpose.

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% 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.

The purpose of the Share Option Scheme was to attract and retain skilled and experienced personnel, to incentivise them to remain with the Group and to give effect to the customer-focused corporate culture of the Group, and to motivate them to strive for the future development and expansion of the Group, by providing them with the opportunity to acquire equity interests in the Company.

Details of the options to subscribe for Shares pursuant to the Share Option Scheme and the movement during the six months ended 30 June 2022 are set out below:

Name of Grantees	Date granted	Exercise price per share	Number of Share Options				Outstanding as at 30 June 2022
			Outstanding as at 31 December 2021	Granted during the period	Exercised during the period	Lapsed/Cancelled during the period	
Mr. Zhang Zhicheng – Executive Director	26 April 2018	HK\$22.60	5,500,000 (Note 1)	–	–	–	5,500,000
Mr. Du Qingshan – Former Executive Director	26 April 2018	HK\$22.60	5,500,000 (Note 1)	–	–	–	5,500,000
Total							11,000,000

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.



Further details of the Share Options are set out in note 16 to the financial statements. The Binomial Option Pricing Model is one of the commonly used models to estimate the fair value of an option which can be exercised before the expiry of the option period. The value of an option varies with different variables of certain subjective assumptions.

Any change in variables so adopted may materially affect the estimation of the fair value of an option.

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

During the six months ended 30 June 2022, no options had been granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme. As at 30 June 2022, the total number of Shares which may be issued under the Share Option Scheme was 11,000,000 Shares, representing approximately 0.46% of the issued share capital of the Company as at 22 September 2022, being the latest practicable date prior to the printing of this interim report.

CONNECTED TRANSACTIONS

Save for the completion of the acquisition of Zung Fu (China) Limited and its subsidiaries as disclosed in the Company's announcement dated 13 March 2022, there was no connected transaction entered into by the Group during the six months ended 30 June 2022 that is required to be disclosed under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

There have not been any significant events affecting the Group after 30 June 2022.

DIVISION OF RESPONSIBILITY BETWEEN THE BOARD AND THE MANAGEMENT

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors make decisions objectively in the interests of the Company.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

DELEGATION OF MANAGEMENT FUNCTION

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company.

The day-to-day management, administration and operations of the Company are delegated to the chief executive officer and the senior management. The delegated functions and work tasks are periodically reviewed. The Board's approval is needed prior to entering into any significant transactions by the abovementioned officers.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the Directors' information subsequent to the date of 2021 annual report of the Company are as follows:

1. Mr. Li Guohui, being an executive director of the Company has been appointed as the independent non-executive director of Shandong Weigao Group Medical Polymer Company Ltd (a company listed on the Hong Kong Stock Exchange with stock code: 1066) on 6 June 2022. He has also been appointed as the independent non-executive director of Space Group Holdings Limited (a company listed on the Hong Kong Stock Exchange with stock code: 2448) on 8 August 2022.
2. Mr. Shen Jinjun, being an independent non-executive director of the Company resigned as the independent non-executive director of China Grand Automotive Services Group Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code: 600297) on 3 August 2021.
3. Mr. Ying Wei, being an independent non-executive director of the Company resigned as the independent non-executive director of CHTC FONG'S INTERNATIONAL COMPANY LIMITED (a company listed on the Hong Kong Stock Exchange with stock code: 641) on 1 March 2022.

Save as disclosed in this interim report, no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 Listing Rules. Throughout the six months ended 30 June 2022 and up to the date of this interim report, 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 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 2022 and up to the date of this interim report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as approved by the Stock Exchange and as permitted under the Listing Rules as at the date of this interim report.

EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement during the six months ended 30 June 2022. Save for the 2025 Convertible Bonds and the Share Option Scheme, no equity-linked agreements existed during the six months ended 30 June 2022.



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

In May 2022, 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 18 June 2021 to buy back a total of 1,483,000 Shares through the Stock Exchange at the highest and lowest prices of HK\$50.40 and HK\$48.60 per Share, respectively. The aggregate purchase price paid (excluding commissions and other expenses) for such bought Shares was approximately HK\$73,595,000. All of such bought Shares have been cancelled on 30 May 2022.

In August and September 2022 (up to 22 September 2022, being the latest practicable date prior to the printing of this interim report), the Board determined to exercise its power under the general mandate to buy back Shares granted by the shareholders of the Company at the general meeting held on 17 June 2022 to buy back a total of 279,000 Shares and 4,563,000 Shares, respectively, at the highest and lowest prices of HK\$37.80 and HK\$36.40 per Share, respectively, for the buy-backs in August 2022 and HK\$36.90 and HK\$32.25 per Share, respectively, through the Stock Exchange for the buy-backs in September 2022 (calculated as at 22 September 2022, being the latest practicable date prior to the printing of this interim report). The aggregate purchase price paid (excluding commissions and other expenses) for the share buy-backs in August and September 2022 (up to 22 September 2022, being the latest practicable date prior to the printing of this interim report) was approximately HK\$10,329,000 and HK\$158,684,000 (calculated as at 22 September 2022, being the latest practicable date prior to the printing of this interim report), respectively. The Company will subsequently cancel such bought Shares.

The Board believes that the share buy-backs could reflect the Board's confidence in the Company's long-term business prospects. Save as disclosed in this interim report, 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 2022 and up to the date of this interim report.

AUDIT COMMITTEE

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 main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control and risk management systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

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 2022. The Audit Committee considers that the interim financial results for the six months ended 30 June 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

During the six months ended 30 June 2022, the Audit Committee held one meeting to review the annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of internal control and risk management systems and internal audit function, appointment of external auditors and relevant scope of works and arrangements for employees to raise concerns about possible improprieties. The Board, as supported by the Audit Committee as well as the management's report and the internal audit findings, considered that the risk management and internal control systems are effective and adequate.

INTERIM DIVIDEND

The Board proposed not to declare any interim dividend for the six months ended 30 June 2022.

CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENTAL POLICY

With a view to ensuring continuous compliance with applicable environmental laws and other rules and regulatory requirements in the PRC, it is the policy of the Group to reduce waste and save energy in the operation process and promote an environmentally friendly culture through carrying out environmental communication, establishing a green supply chain and launching green offices, promoting environmental projects for public welfare, implementing sustainable development, and putting into practice the concept of environmental protection for corporate citizens.

During the six months ended 30 June 2022, the Group has adopted a number of measures to reduce emissions in daily operations, and has implemented energy efficiency initiatives. For instance, the Group has improved emission monitoring equipment and sewage treatment to reduce exhaust and pollutant emissions for environmental protection and energy conservation while safeguarding employees' health. The employees of the Group are also encouraged to use public transportation and replace business travel and long-distance face-to-face meetings with telephone or video conferences where practicable, in order to reduce carbon emissions from transportation.

COMMUNITY CONTRIBUTION

The Group is committed to fulfilling its corporate social responsibility and commitments, serving the community and creating a positive impact with practical and concrete actions. Across its national dealership network, the Group offers employment opportunities for local residents and persons with disability, makes donations to support families in difficulties and students in poor mountainous regions, and offer assistance to underprivileged families, contributing to the development of local communities. The Group has also arranged their employees to take their spare time to care for the elderlies and organised activities for the elderlies at nursing home and the disabled.

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

Hong Kong
30 August 2022