



# 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** 中升集團·終生夥伴  
PARTNER

INTERIM REPORT 2024





# CONTENTS

 This interim report is printed on environmental paper

2	Corporate Information
3	Letter from Senior Leadership
12	Management Discussion and Analysis
17	Interim Condensed Consolidated Statement of Profit or Loss
18	Interim Condensed Consolidated Statement of Comprehensive Income
19	Interim Condensed Consolidated Statement of Financial Position
21	Interim Condensed Consolidated Statement of Changes in Equity
22	Interim Condensed Consolidated 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. Zhang Zhicheng  
Mr. Tang Xianfeng  
Ms. Yu Ning (appointed on 27 March 2024)  
Ms. Zhou Xin (appointed on 27 March 2024)

### NON-EXECUTIVE DIRECTORS

Mr. Chan Ho Yin  
Mr. Sun Yanjun

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## CORPORATE HEADQUARTERS

No. 44, Binhai East Road  
Zhongshan District  
Dalian  
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## REGISTERED OFFICE

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

## LEGAL ADVISERS AS TO HONG KONG LAW

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

## COMPANY SECRETARY

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. Tang Xianfeng (*Chairman*)  
Mr. Huang Yi  
Mr. Li Guoqiang

## RISK COMMITTEE

Mr. Zhang Zhicheng (*Chairman*)  
Mr. Huang Yi

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Tang Xianfeng (*Chairman*)  
Mr. Zhang Zhicheng

## 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 and Registered Public  
Interest Entity Auditor  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong



# LETTER FROM SENIOR LEADERSHIP

**Dear Honorable Shareholders,**

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Zhongsheng Group Holdings Limited (“**Zhongsheng**”, “**we**” or the “**Company**”), we are very pleased to present the interim results report of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024.





## STRATEGY UPDATES

As we continue pursuing our new strategy in building Zhongsheng as a premium auto services brand in China, we have further strengthened our presence in the 32 core cities we operate. As at the date of this letter, there are more than 15.1 million of luxury brand vehicles in these 32 core cities and Zhongsheng has built long term customer relationships with 2.1 million of them. Close to 80% of these target customers are repeat auto buyers in these cities who have become sophisticated in choosing their auto service providers, well representing mature auto market (car

parc market) characteristics. All of these are the backdrops against which our new strategy is set to further consolidate the premium auto services sector in these 32 core cities, where 61% of luxury auto owners reside in China. We have pivoted most of our auto services to becoming OEM brand agnostic so that various service items could maximise their exposure to facilitate our customer acquisition, retention and conversion. All of our customers have been centrally managed through digitised tools, including WeCom customer reps, social media accounts, WeChat mini-programme based membership, and Zhongsheng GO, our captive e-commerce platform. All of the aforementioned strategic initiatives are aimed at building brand awareness and long-term relationships with individual auto owners regardless of their vehicle brands or fuel types.

In the first half of 2024, we are very excited that some of our core cities that are more strategically established have gradually seen fruits being borne — various operational metrics are pointing to local business expansion entering into a virtuous cycle. Taking Chengdu, Dalian, Nanjing and Shenzhen for example, the largest four core cities among our footprint, the total number of active customers grew 9% year-on-year, reaching close to 0.9 million in aggregate. Such expansion in customer base has translated into a broad base of operating activities (visits) growth compared to a year ago — regular servicing up 6%, OEM warranty up 10%, collision repair up 14%, auto insurance renewal up 22%, and used car retail sales units up 29%. In further demonstrating our strengths on customer acquisition, retention and conversion under our new strategy, across these four core cities, the proportion of customers who did not purchase their vehicles from Zhongsheng but came in for regular servicing, or collision repair, or auto insurance renewal were 20%, 35% and 29% respectively in the first half of 2024. We believe the progresses we have made across these four leading core cities have well proven the effectiveness of our new strategy and have shed lights on how local level operational results could be evaluated using these metrics as benchmarks. Performances will no longer be evaluated on a single store basis because our brand agnostic service offerings and centralised customer relationship management treat each local market as a whole, integrating all customers into the Zhongsheng auto service ecosystem in their respective local markets.



We have also taken a proactive approach to manage our long-term liabilities, in consistency with our management mantra of prudence. Since the beginning of the year, we actively sought financing opportunities on the banking side and capital market side both onshore and offshore. We issued a 3.5-year senior unsecured note in an aggregate principal amount of US\$600 million and concurrently redeemed our existing 2026 unsecured senior note in an aggregate amount of US\$292 million in July 2024. We also secured a syndicated loan of US\$350 million from offshore banks (drawdown expected in the fourth quarter of 2024 pending the approval from the National Development and Reform Commission of China). In the onshore capital market, we have successfully registered Panda Bonds in an aggregate amount of not more than RMB5 billion with the National Association of Financial Market Institutional Investors and subsequently completed the issue of the first tranche of the Panda Bonds with the total issue size of RMB1 billion and a maturity of three years in August 2024. Together with the cash we have offshore, the aforementioned long-term financing amount in aggregate will be sufficient to cover our upcoming offshore financing maturity, clearing all offshore maturity events in the next three years for us. In addition, we have also managed to bring down offshore financing cost by tightening our bond offering spread by 70bps as compared to our last issue in 2021 and reducing our loan spread by 60bps as a repeat borrower in the market. We are glad that the capital markets and bank lenders have all shown strong support to us so that we could rebalance our liability maturity profile at reasonable costs.

The Chinese auto market has been continuously very eventful so far in 2024 with new car model launches every other day — there have been total 591 new models launched or facelifts released in the first half of 2024. While potential Chinese new car buyers are showing clear fatigues towards trivial numerical differentiations touted by the local OEMs, their aggressive marketing campaigns and price cuts have also more or less backfired on brand reputation. In some part of the markets, retailers had pretty much entered into an exodus mode worrying they might get caught in a liquidity crunch, leading to a downward spiral free fall of prices towards the end of 2024 Q2. According to Autohome's research, in the six quarters between 2023 Q1 and 2024 Q2, average sales prices of some 160 models of prevailing passenger vehicles in China went down by 15.9% (using 2023 Q1 average price as base) in a one-way downward trend. The price movements in Chinese auto market at such point are no longer a reflection of supply and demand. Major global OEMs we closely work with have all taken proactive measures to counter such adverse market trends along the way, providing more frequent special retroactive compensation on a quarterly basis and grating more favourable financing terms both trying to alleviate cash flow pressure at the dealer level.



For global luxury auto incumbents, it has been obvious that the severity of market price drop had come to a point that was significantly eroding their brand equity. The primary reason for the price drop was more attributed to overall lackluster economic activities and corresponding less demand in the luxury segment. Therefore, BMW became the first one openly boycotting any irrational price war in China in July 2024 and amended their sales targets to rebalance prices and demand. Smaller dealers and dealers in lower tier cities are more vulnerable to such volume cuts and subsequent loss in aftersales businesses. A number of them may choose to exit the business and we believe such exits are constructive to the brand and major dealership groups like Zhongsheng, accelerating consolidation at the local market level and restoring price and profit stability.

## BUSINESS REVIEW AND OUTLOOK

### AFTERSALES SERVICES SEGMENT

In capitalising the huge potential aftermarket opportunities in China, we have pivoted conventional OEM brand-specific store-based services to Zhongsheng branded auto services that are OEM brand-agnostic and fuel type indifferent. We are able to maximise Zhongsheng brand exposure to our customer base in the core cities we operate through a wide array of auto services available to our customers through efforts in repeated activities conversion. As our customer base keeps growing, we introduce more online customer engagements in addition to conventional offline interactions. All our digitised tools — WeCom customer reps, social media accounts, WeChat mini-programme based membership, and Zhongsheng GO, our captive e-commerce platform — are working in a synergistic way to fulfil customer needs in auto services that are usually spontaneous and unpredictable. It is because of the spontaneity nature, we believe our Zhongsheng branded services are able to stimulate ongoing services conversion in the long run as long as our interactions with customers carry on.





Under our Zhongsheng branded auto services strategy, new car sales are no longer the only channel to acquire customers. Zhongsheng branded auto services have been available to customers with any OEM brands or vehicle fuel types, including premium pre-owned automobile business, OEM-brand agnostic collision repair services, automobile cleaning and detailing services, auto insurance renewal services, our courtesy car services, roadside assistance, travel car rental services, etc., have potentially covered almost all use cases in auto services an auto owner may encounter. At the moment, we have centralised all customer relationship management and used car business across all our operations in 32 core cities. More than 90% of our facilities across the country are able to deliver full set of cleaning and detailing services. Nearly 10,000 courtesy cars and more than 1,000 positions of auto insurance renewal specialists have been deployed among our core cities, too. Currently, Zhongsheng also operates 26 collision centres in 20 cities and there are another 19 additional collision centres being under construction or planned.







Customer relationship is no longer managed at the individual OEM-branded dealership store. WeCom customer reps in a centralised organisation at each core city are providing Zhongsheng branded CRM experiences through WeChat to all our existing and potential customers, integrating traffic from all our offline facilities and online social media and vertical media. Our WeChat mini-programme based membership system works in tandem with our captive membership e-commerce platform, Zhongsheng GO, so we are able to monitor and maintain individual

customer activity level with the help of membership points, e-voucher offerings for services, and online promotion of popular households shopping items. As at the end of June 2024, we have 7.4 million WeCom customer contacts; 3.1 million Zhongsheng GO subscribed members, who contribute an average of 840,000 daily visits; 16.6 million followers with various social media accounts we operate, from which we had over a million of transaction leads in the first half of 2024.

Our Zhongsheng brand auto services strategy requires us to relentlessly expand and maintain an active local customer base and actively engage with the customers through omni-channels so as to repeatedly stimulate and capture spontaneous auto service demand among them. We provide auto owners of any OEM-brands or fuel types with the high-quality service experiences from Zhongsheng, regardless of whether their vehicles were initially purchased from Zhongsheng. Our full-fledged auto service offerings and customer relationship management tactics mutually create a virtuous cycle of growing customer scale and business volume.

Data from our four leading core cities, Nanjing, Shenzhen, Chengdu, and Dalian have proven the effectiveness of Zhongsheng's strategy and execution. With the same number of dealership stores in these four cities over the past two years, we have continued to increase the number of active customers through centralised brand-agnostic operations. At the group level, in the first half of 2024, the number of pre-owned automobile retail sales and the number of renewed policies have achieved a year-on-year growth of 45.2% and 22.9% respectively. The number of aftersales service visits also increased accordingly, which was in line with the increase in the number of active customers of 8.5% and the increase in the number of auto insurance policies brokered of 16.8% year-over-year in the first half of 2024. The number of visits for regular servicing, OEM warranty and collision repair in the first half of 2024 increased by 3.4%, 17.2%, and 9.1% respectively. Our recurring aftersales services segment is not dependent solely on new car sales. We are seeing between 15–40% of the customers, who have regular servicing, collision repair or auto insurance renewal services with us, did not have their vehicles initially purchased from Zhongsheng. However, we would caution that such proportion numbers vary among different cities and do not serve as a key performance indicator of our business because of the reverse relationship this number has with our respective local market share. The higher the local auto service market share, the lower the proportion of customers who purchased vehicles from others.

### PRE-OWNED AUTOMOBILE BUSINESS

With our strategic focus on building the pre-owned automobile business, "Zhongsheng Pre-owned Automobile" has gradually grown into a leading player in the industry and a more reliable brand for consumers in our core cities, especially in the premium segment. Even with the adverse new car market price volatility, Zhongsheng Pre-owned Automobile managed to achieve a decent level of profit, with an average single-car aggregate profit contribution of RMB6,600 in the first half of 2024, and the consolidated profit of the pre-owned automobile business increased 25.1% year-on-year to RMB670 million, bolstered by the increase in total pre-owned automobile sales volume at 102,000 units.

We polished and optimised the procedures of our pre-owned automobile's operation since the beginning of 2023, which encompass a quality network of vehicle sourcing and distribution structure, allowed us to achieve a monthly average of 20,000 pre-owned automobile sales in the first half of 2024, except for February due to the Chinese New Year holiday (including the data of internal transactions). Besides, we are seeing more and more stores selling more than 100 pre-owned automobile every month (flagship stores) through building comprehensive vehicle sourcing and customer acquisition channels. The number of our pre-owned automobile flagship stores has reached 49 by the end of June, and we expect there will be more flagship stores through the knowhow sharing in our core cities.

We strive for the growth of pre-owned automobile not only in sales units' growth, but also in the quality of sales. Retail pre-owned automobile transactions are the crown jewel of the business segment. The value of retail transactions is not only reflected in the aggregate profit we make at the time of the transaction, but also creates ongoing aftersales business opportunities as we manage to retain and engage the customer. In the first half of 2024, the retail sales units of our pre-owned automobile have increased to 26,000 units from 18,000 in the same period of 2023. A key to higher retail transactions is better quality vehicle sourcing. Whether it is our own courtesy car fleets or targeted trade-in offers taken by existing customers, they all attributed to the quality increase of our pre-owned automobile retail inventories. On the other hand, our growing customer base, omni-channel traffic leads and broad spectrum of service offerings are all drawing more potential pre-owned automobile buyers to us. Profits are further exploited because of our centralised pre-owned automobile business operations within the group, lifting the boundaries between OEM-brands, dealership stores, and business regions, for profit seeking.

The volatility undergoing in the new car market in China also posts significant challenges to the pre-owned automobile market development. However, unlike the new car business segment which is more vulnerable to a variety of factors that are not subject to our operational control, we are able to exert more control on our pre-owned automobile business segment at the current stage given the nascency of the sector that is still largely under institutionalised. We firmly believe our customer-centric and premium positioned Zhongsheng strategy will surely continue to promote the high-quality growth of Zhongsheng Pre-owned Automobile business.

### NEW AUTOMOBILE BUSINESS

As at the end of June 2024, we had 419 dealership stores nationwide, of which 269 were luxury brands and 150 were in the mid-to-high end segment. Since 2022, there has been no significant changes in the number of our dealership stores because simply adding store presence does not contribute to the growth of our Zhongsheng branded auto services strategy anymore. At this stage, we continue to optimise the brand and city location of our dealership stores in accordance with our core city market segmentation. In the first half of 2024, we added three Toyota stores and two Mercedes stores that are located in part of our 32 core cities, while we closed six stores that were either non-core brands we operate or located in non-core cities. This is in line with our strategy to be more concentrated on core OEM brands and local market density in core cities.

As an undisputable leader in new car distribution in China, Zhongsheng owns 32% of the market share of new car sales in China for Lexus, 18% for Mercedes, 10% respectively for Toyota, Volvo and Jaguar Land Rover, and 6% respectively for BMW and Audi. What is more worth noting is, among our 32 core cities, the market share for new car sales by brand is more relevant, with the highest being Lexus at 52% and then Volvo, Jaguar Land Rover and Nissan at around 40%, Mercedes-Benz at almost 30% and BMW, Audi, Toyota and Honda at around 20%. Higher market share in the core areas means higher business concentration, which in turn means stronger resistance to market volatilities in the current new car market environment. We believe we would further reaching higher market share in the wake of dealership sector reshuffling in China benefitting from ongoing consolidation among the core brands we operate in our core cities. Zhongsheng demonstrated its strong operation management and customer reach, and achieved new car sales of 233,000 units in the first half of 2024, representing a year-on-year increase of 3.9%.





## MARKET REVIEW

China's GDP grew by 5.0% in the first half of 2024, with 4.7% growth in the second quarter, showing softening in economy. CPI rose by 0.1% in the same period, while PPI declined by 2.1% year-on-year. The total retail sales of consumer goods grew by 3.7% year-on-year in the first half of 2024, of which the total retail sales of consumer goods of automobiles stayed flat. The global geopolitical environment continued to be complex and uncertain, and our domestic economic structural adjustment was still undergoing, which fortunately

maintained relatively stable despite some noises in the economic data.

In recent years, Chinese automakers have continued to expand in the global automotive market, and the trend of China becoming a new powerhouse in the global automotive industry is unstoppable. Looking at the domestic market, passenger car sales in China have been lower than its peak in 2017, and growth has since leveled off. According to industry auto insurance subscription data (the “**insurance data**”), the sales volume of domestic passenger vehicles in China in the first half of 2024 amounted to 9.9 million units, representing a year-on-year increase of 3.9%, which was lower compared to the increase of 5.8% for 2023. According to the statistics of the Ministry of Public Security of China (the “**MPS**”), as at the end of June 2024, China is the largest auto market globally with 345 million vehicles. Most of the higher tier cities in China have already shifted from a new car market to a car parc market. In such a market background, we noticed that as Chinese OEMs continued to launch new models and facelifts in order to grab market shares, price wars have become out of control given their products have little differentiation but only in prices. For auto OEMs, seeking a dynamic balance between volume and price for their long-term brand building is the key to their sustainable development. In the first half of 2024, among the key global auto incumbents Zhongsheng work closely with, Lexus and Audi recorded positive year-on-year growth of 20.7% and 2.6% with volumes at 85,000 and 330,000 units respectively. Mercedes, BMW and Toyota had year-on-year decline of 10.0%, 5.4% and 13.0% with volumes at 351,000, 364,000 and 683,000 units respectively, all based on insurance data.

The NEV segment (PHEV, EREV and BEV) in China exhibited strong growth momentum. In the first half of 2024, NEV amounted to 4.0 million units according to insurance data, representing a year-on-year increase of 37.5%. NEV penetration rate increased by 7 percentage points to 40.7% compared to that of 2023. In particular, PHEV and EREV models contributed to four percentage points and two percentage points respectively out of the total seven percentage points increase. PHEV adoption among consumers continued to rise. Brands such as Mercedes, Lexus and BMW have all had meaningful investment and deployment in PHEV and BEV models. Their pursuit of “multi-pathway strategy” (HEV/PHEV/BEV multi-technologies) will provide greater flexibility in dealing with the Chinese market.

The new car market is undergoing fast paced technological innovation and fierce price competition, posting both challenges and opportunities to the pre-owned vehicle market. In the first half of 2024, according to data of the China Automobile Dealers Association (CADA), the sales volume of pre-owned passenger vehicles was 7.5 million units, an increase of 6.9% year-on-year, while the average transaction price has been declining since February. Cross-region circulation has been active with the average relocation rate in the first half reaching 28.8% in China, up 2.6 percentage points year-on-year as various local government implementation measures of central policies like, the relaxation of pre-owned automobile relocation and major consumption item trade-ins, are taking more effect.

According to data from the MPS, as at the end of June 2024, the national automobile ownership increased by approximately 2.7% as compared with the end of 2023. In addition, auto ownership in China is concentrated with 26 cities each having more than three million vehicles, and 43 cities each having more than two million vehicles. As we reiterated, our Zhongsheng branded auto services strategy is specifically tailored to such concentrated car parc market among our 32 core cities.

## APPRECIATION

On behalf of the board, we would like to express our gratitude to all our staff and management team for their hard work, perseverance and commitment to Zhongsheng and our gratitude to all our shareholders and stakeholders for their unwavering trust and support.

**Huang Yi**  
*Chairman*

**Li Guoqiang**  
*President and Chief Executive Officer*

Hong Kong, 30 August 2024





# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### REVENUE

Revenue for the six months ended 30 June 2024 was RMB82,421.4 million, representing an increase of RMB519.7 million or 0.6% as compared to the six months ended 30 June 2023. Revenue from new automobile sales amounted to RMB60,812.0 million, representing a decrease of RMB3,757.0 million or 5.8% as compared to the six months ended 30 June 2023, primarily due to the decline in the average sales price of new automobile for the period. Revenue from accessories and after-sales services business amounted to 13,369.1 million, representing an increase of RMB1,137.2 million or 9.3% as compared to the six months ended 30 June 2023, among which the revenue from after-sales services (maintenance, warranty and collision) was RMB10,964.1 million, representing an increase of RMB1,327.5 million or 13.8% as compared to the six months ended 30 June 2023, which was primarily due to the increase in the number of visits for after-sales services and the average revenue contribution per visit for the period. Revenue from pre-owned automobile sales was RMB8,240.3 million, representing an increase of RMB3,139.6 million or 61.6% as compared to the six months ended 30 June 2023, primarily due to the growth of the sales volume of pre-owned automobile for the period.

New automobile sales business accounted for a substantial portion of the Group's revenue, representing 73.8% (for the six months ended 30 June 2023: 78.8%) of the total revenue for the six months ended 30 June 2024. Accessories and after-sales services business accounted for 16.2% of the total revenue for the six months ended 30 June 2024 (for the six months ended 30 June 2023: 14.9%), while pre-owned automobile sales accounted for 10.0% (for the six months ended 30 June 2023: 6.3%). For the six months ended 30 June 2024, all of the Group's revenue was derived from business located in China.

In terms of revenue from new automobile sales, Mercedes-Benz is the Group's top selling brand, with revenue from the sales of which representing approximately 40.5% of the Group's total revenue from new automobile sales (for the six months ended 30 June 2023: 43.1%).

### COST OF SALES AND SERVICES

Cost of sales and services for the six months ended 30 June 2024 amounted to RMB77,495.2 million, representing an increase of RMB2,563.3 million or 3.4% as compared to the six months ended 30 June 2023. Costs for new automobile sales business amounted to RMB62,802.1 million for the six months ended 30 June 2024, representing a decrease of RMB901.3 million or 1.4% as compared to the six months ended 30 June 2023. Costs for accessories and after-sales services business amounted to RMB7,070.8 million for the six months ended 30 June 2024, representing an increase of RMB610.0 million or 9.4% as compared to the six months ended 30 June 2023, of which the cost for after-sales services (maintenance, warranty and collision) was RMB5,929.1 million, representing an increase of RMB758.6 million or 14.7% as compared to the six months ended 30 June 2023. Costs for pre-owned automobile sales business amounted to RMB7,622.3 million for the six months ended 30 June 2024, representing an increase of RMB2,854.6 million or 59.9% as compared to the six months ended 30 June 2023.

## GROSS PROFIT

The Group's gross profit for the six months ended 30 June 2024 amounted to RMB4,926.2 million, representing a decrease of RMB2,043.6 million or 29.3% as compared to the six months ended 30 June 2023. The Company recorded a gross loss of RMB1,990.1 million for the new automobile sales business, representing a decrease of RMB2,855.7 million in gross profit as compared to a gross profit of RMB865.6 million for the six months ended 30 June 2023, primarily due to the decrease in new automobile average sales price for the period, and the decline of gross profit margin for new automobile sales of the automobile dealer side as a result of the increased competition in the domestic new automobile market. Gross profit from accessories and after-sales services business amounted to RMB6,298.3 million, representing an increase of RMB527.2 million or 9.1% as compared to the six months ended 30 June 2023. In particular, the gross profit from after-sales services (maintenance, warranty and collision) was RMB5,035.0 million, representing an increase of RMB568.9 million or 12.7% as compared to the six months ended 30 June 2023. Such change was primarily due to the growth of the business scale of the after-sales services for the period. For the six months ended 30 June 2024, gross profit from accessories and after-sales services business accounted for 127.9% of the total gross profit (for the six months ended 30 June 2023: 82.8%). Gross profit from pre-owned automobile sales business amounted to RMB618.0 million, representing an increase of RMB284.9 million or 85.6% as compared to the six months ended 30 June 2023, primarily due to the growth of the sales of pre-owned automobile for the period.

The gross profit margin for the six months ended 30 June 2024 was 6.0% (for the six months ended 30 June 2023: 8.5%).

## OTHER INCOME AND GAINS, NET

The other income and gains mainly consisted of commission income, interest income, rental income, government grants, other gains and losses, etc. The other income and gains, net, for the six months ended 30 June 2024 amounted to RMB2,367.5 million, representing a decrease of RMB32.8 million or 1.4% as compared to the six months ended 30 June 2023. In particular, the commission income (commission from automobile insurance, automobile financing and automobile registration services, etc.) was RMB1,941.6 million, representing a decrease of RMB50.0 million or 2.5% as compared to the six months ended 30 June 2023, and such change was relatively small.

## PROFIT FROM OPERATIONS

The profit from operations for the six months ended 30 June 2024 amounted to RMB2,755.8 million, representing a decrease of RMB2,011.9 million or 42.2% as compared to the six months ended 30 June 2023. Such change was primarily due to the changes in gross profit and other income and gains, net as discussed above, and the changes in other items affecting the profit from operations were relatively small for the period. The operating profit margin for the six months ended 30 June 2024 was 3.3% (for the six months ended 30 June 2023: 5.8%).

## PROFIT FOR THE PERIOD

The profit for the six months ended 30 June 2024 amounted to RMB1,500.0 million, representing a decrease of RMB1,515.3 million or 50.3% as compared to the six months ended 30 June 2023. The net profit margin for the six months ended 30 June 2024 was 1.8% (for the six months ended 30 June 2023: 3.7%).

## PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The profit attributable to owners of the parent for the six months ended 30 June 2024 amounted to RMB1,579.6 million, representing a decrease of RMB1,429.2 million or 47.5% as compared to the six months ended 30 June 2023.



## LIQUIDITY AND FINANCIAL RESOURCES

### CASH FLOW

The Group primarily uses cash to pay for new automobiles, pre-owned 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 things, the cash flows requirement and expansion of the Group. The Group maintained a healthy liquidity position throughout the six months ended 30 June 2024.

### CASH FLOW GENERATED FROM OPERATING ACTIVITIES

For the six months ended 30 June 2024, the net cash generated from operating activities by the Group amounted to RMB2,925.6 million.

### CASH FLOW USED IN INVESTING ACTIVITIES

For the six months ended 30 June 2024, the net cash used in investing activities by the Group amounted to RMB433.3 million, primarily used for the acquisitions of property, plant and equipment (fleet).

### CASH FLOW USED IN FINANCING ACTIVITIES

For the six months ended 30 June 2024, the net cash used in financing activities by the Group amounted to RMB942.4 million, primarily used for payment of lease expenses and finance interests.

### NET CURRENT ASSETS

As at 30 June 2024, the Group had net current assets of RMB20,902.3 million, representing a decrease of RMB3,166.7 million from the net current assets of the Group as at 31 December 2023.

### 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 2024, the Group's total capital expenditures amounted to RMB618.7 million (for the six months ended 30 June 2023: RMB449.3 million). Save as disclosed above, the Group had not made any significant investments during the six months ended 30 June 2024.

### 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 RMB16,366.1 million as at 31 December 2023 to RMB18,353.5 million as at 30 June 2024, mainly due to a slight increase in the number of days of turnover of new automobiles, as well the corresponding increase in the inventory of pre-owned automobiles and the inventory of spare parts and automobile accessories, as a result of the expansion of the Group's pre-owned automobiles and after-sales business scale.

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

	For the six months ended 30 June	
	2024	2023
Average inventory turnover days	36.2	33.6

The inventory turnover days of the Group showed an increase during the six months ended 30 June 2024 as compared to the six months ended 30 June 2023, which was mainly due to the intensified competition in the new car market in the first half of the year. Nevertheless, the Directors believe that the inventory turnover days of the Group are still in a healthy range and the Group's inventory mix will gradually be 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 2024. As at the date of this interim 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 2024, the Group's bank loans and other borrowings amounted to RMB28,531.5 million (31 December 2023: RMB28,372.8 million), and the convertible bonds liability portion amounted to RMB3,252.9 million (31 December 2023: RMB3,175.9 million). The increase in the Group's bank loans and other borrowings during the six months ended 30 June 2024 was primarily to meet the needs of the Group's operations and capital structure. The annual interest rates of the bank loans and other borrowings ranged from 0.5% to 6.9%.

#### INTEREST RATE RISK AND FOREIGN EXCHANGE RATE RISK

As at 30 June 2024, the Group has not used any derivatives to hedge interest rate risk. The operations of the Group are mainly carried out in China with most transactions settled in RMB. 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 2024, the Group had 30,944 employees (31 December 2023: 31,180). 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 2024, the pledged group assets amounted to approximately RMB12.1 billion (31 December 2023: RMB11.6 billion).

### FUTURE PLANS AND EXPECTED FUNDING

Going forward, the Company will increase the Group's density in core areas and core brands as appropriate on the foundation of the Group's existing regional and brand layout through new store establishment and mergers and acquisitions, continue to expand its pre-owned automobile and after-sales services businesses, and capitalise on the market opportunities that align with the Group's business and growth objectives. 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 institutions. The Group currently has sufficient credit facilities granted by banks.

### GEARING RATIO

As at 30 June 2024, the gearing ratio of the Group was 41.9% (31 December 2023: 40.9%), which was calculated from net debt divided by the sum of net debt and total equity.



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

Interim Report 2024

ZHONGSHENG GROUP HOLDINGS LIMITED

17

		<b>Unaudited</b>	
	Notes	<b>For the six months ended 30 June 2024 RMB'000</b>	For the six months ended 30 June 2023 RMB'000
<b>REVENUE</b>	4(a)	<b>82,421,409</b>	81,901,699
Cost of sales and services provided		<b>(77,495,184)</b>	(74,931,889)
<b>Gross profit</b>		<b>4,926,225</b>	6,969,810
Other income and gains, net	4(b)	<b>2,367,526</b>	2,400,320
Selling and distribution costs		<b>(3,447,486)</b>	(3,498,028)
Administrative expenses		<b>(1,090,505)</b>	(1,104,471)
<b>Profit from operations</b>		<b>2,755,760</b>	4,767,631
Finance costs	6	<b>(792,249)</b>	(717,969)
Share of (losses)/profits of:			
Joint ventures		<b>(1,197)</b>	(3,173)
Associates		<b>2,135</b>	1,194
<b>Profit before tax</b>	5	<b>1,964,449</b>	4,047,683
Income tax expense	7	<b>(464,422)</b>	(1,032,400)
<b>Profit for the period</b>		<b>1,500,027</b>	3,015,283
<b>Attributable to:</b>			
Owners of the parent		<b>1,579,552</b>	3,008,707
Non-controlling interests		<b>(79,525)</b>	6,576
		<b>1,500,027</b>	3,015,283
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic			
— For profit for the period (RMB)	9	<b>0.662</b>	1.253
Diluted			
— For profit for the period (RMB)	9	<b>0.662</b>	1.245



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

18 ZHONGSHENG GROUP HOLDINGS LIMITED

Interim Report 2024

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2024 RMB'000</b>	For the six months ended 30 June 2023 RMB'000
<b>Profit for the period</b>	<b>1,500,027</b>	3,015,283
<b>Other comprehensive loss</b>		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<b>(39,436)</b>	(154,362)
<b>Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods</b>	<b>(39,436)</b>	(154,362)
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<b>(65,759)</b>	(248,888)
<b>Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods</b>	<b>(65,759)</b>	(248,888)
<b>Other comprehensive loss for the period, net of tax</b>	<b>(105,195)</b>	(403,250)
<b>Total comprehensive income for the period</b>	<b>1,394,832</b>	2,612,033
<b>Attributable to:</b>		
Owners of the parent	<b>1,474,357</b>	2,605,457
Non-controlling interests	<b>(79,525)</b>	6,576
	<b>1,394,832</b>	2,612,033

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

Interim Report 2024

ZHONGSHENG GROUP HOLDINGS LIMITED

19

	Notes	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		17,572,991	18,055,099
Right-of-use assets		5,367,540	5,077,814
Land use rights		3,435,445	3,493,701
Prepayments		338,699	399,420
Intangible assets		9,426,140	9,629,424
Goodwill		8,363,558	8,364,196
Investments in joint ventures		53,655	54,852
Investments in associates		12,016	9,881
Debt investments at amortised cost		72,062	72,065
Deferred tax assets		503,688	513,352
Total non-current assets		45,145,794	45,669,804
<b>CURRENT ASSETS</b>			
Inventories	10	18,353,521	16,366,096
Trade receivables	11	3,980,966	4,108,501
Prepayments, other receivables and other assets		18,145,144	17,340,686
Amounts due from related parties	20(b)(i)	10,617	33,322
Financial assets at fair value through profit or loss		125,191	148,551
Term deposits and pledged bank deposits		3,707,145	3,871,391
Cash in transit		349,179	118,126
Cash and cash equivalents		17,146,435	15,611,984
Total current assets		61,818,198	57,598,657
<b>CURRENT LIABILITIES</b>			
Bank loans and other borrowings	12	16,480,964	15,873,276
Trade and bills payables	13	13,249,588	11,041,368
Other payables and accruals		3,584,851	3,686,529
Lease liabilities		683,621	609,762
Amounts due to related parties	20(b)(ii)	7,092	6,801
Income tax payable		1,921,535	2,309,847
Dividends payable		1,735,349	2,000
Convertible Bonds, current portion	14	3,252,857	—
Total current liabilities		40,915,857	33,529,583
Net current assets		20,902,341	24,069,074
Total assets less current liabilities		66,048,135	69,738,878



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2024

20 ZHONGSHENG GROUP HOLDINGS LIMITED

Interim Report 2024

	Notes	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		3,512,233	3,418,851
Convertible Bonds	14	—	3,175,879
Lease liabilities		4,831,697	4,598,066
Bank loans and other borrowings	12	12,050,539	12,499,506
Total non-current liabilities		20,394,469	23,692,302
Net assets		45,653,666	46,046,576
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	15	207	207
Treasury shares		(33,121)	—
Reserves		45,520,789	45,797,089
		45,487,875	45,797,296
<b>Non-controlling interests</b>		165,791	249,280
<b>Total equity</b>		45,653,666	46,046,576

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

Interim Report 2024

ZHONGSHENG GROUP HOLDINGS LIMITED

21

	Unaudited													
	Attributable to owners of the parent													
	Share capital	Share premium	Share Option Reserve	Treasury shares	Equity component of convertible bonds	Discretionary reserve fund	Statutory reserve	Merger reserve	Other reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 31 December 2022</b>	208	7,703,606	49,391	(51,742)	30,484	37,110	4,098,420	(1,386,176)	(2,094,572)	(845,373)	36,272,368	43,813,724	303,836	44,117,560
Effect of adoption of amendments to HKAS 12	–	–	–	–	–	–	–	–	–	–	(52,319)	(52,319)	(816)	(53,135)
At 1 January 2023	208	7,703,606	49,391	(51,742)	30,484	37,110	4,098,420	(1,386,176)	(2,094,572)	(845,373)	36,220,049	43,761,405	303,020	44,064,425
Profit for the year	–	–	–	–	–	–	–	–	–	–	3,008,707	3,008,707	6,576	3,015,283
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	(403,250)	–	(403,250)	–	(403,250)
<b>Total comprehensive income for the year</b>	–	–	–	–	–	–	–	–	–	(403,250)	3,008,707	2,605,457	6,576	2,612,033
Cancellation of shares	(1)	(325,287)	–	43,627	–	–	–	–	–	–	–	(281,661)	–	(281,661)
Capital contribution from a non-controlling shareholder of subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	778	778
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(1,225)	(1,225)
Early redemption of 2018 convertible bonds	–	–	–	–	(9,600)	–	–	–	(52,704)	–	–	(62,304)	–	(62,304)
Final 2022 dividend declared	–	(2,374,883)	–	–	–	–	–	–	–	–	–	(2,374,883)	–	(2,374,883)
<b>At 30 June 2023</b>	207	5,003,436	49,391	(8,115)	20,884	37,110	4,098,420	(1,386,176)	(2,147,276)	(1,248,623)	39,228,756	43,648,014	309,149	43,957,163
<b>At 1 January 2024</b>	207	4,827,943	49,391	–	20,884	37,110	4,408,661	(1,386,176)	(2,127,183)	(961,426)	40,927,885	45,797,296	249,280	46,046,576
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,579,552	1,579,552	(79,525)	1,500,027
Other comprehensive loss for the year:														
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	(105,195)	–	(105,195)	–	(105,195)
<b>Total comprehensive income for the year</b>	–	–	–	–	–	–	–	–	–	(105,195)	1,579,552	1,474,357	(79,525)	1,394,832
Repurchase of shares	–	–	–	(33,121)	–	–	–	–	–	–	–	(33,121)	–	(33,121)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(3,964)	(3,964)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(15,992)	(15,992)	–	(15,992)
Final 2023 dividend declared	–	(1,734,665)	–	–	–	–	–	–	–	–	–	(1,734,665)	–	(1,734,665)
<b>At 30 June 2024</b>	207	3,093,278	49,391	(33,121)	20,884	37,110	4,408,661	(1,386,176)	(2,127,183)	(1,066,621)	42,491,445	45,487,875	165,791	45,653,666

\* These reserve accounts comprise the consolidated reserves of RMB45,520,789,000 (31 December 2023: RMB45,797,089,000).



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

22 ZHONGSHENG GROUP HOLDINGS LIMITED

Interim Report 2024

		<b>Unaudited</b>	
	Notes	<b>For the six months ended 30 June 2024 RMB'000</b>	For the six months ended 30 June 2023 RMB'000
<b>Operating activities</b>			
Profit before tax		1,964,449	4,047,683
Adjustments for:			
Share of (profits)/losses of joint ventures and associates		(938)	1,979
Depreciation and impairment of property, plant and equipment	5	1,022,091	441,543
Depreciation of right-of-use assets	5	393,382	329,983
Amortisation of land use rights	5	57,506	56,754
Amortisation of intangible assets	5	201,922	200,714
Impairment of trade receivables	5	(11,675)	21,678
Interest income	4(b)	(224,321)	(230,930)
Net loss on disposal of items of property, plant and equipment	4(b)	7,498	5,489
Net gain on disposal of intangible assets	4(b)	(394)	—
Gain on termination of lease	4(b)	(2,761)	—
Finance costs	6	792,249	717,969
Fair value (gains)/losses, net:			
— Listed equity investments held for trading	4(b)	(9,511)	(18,508)
— Funds	4(b)	264	(480)
Investment income from debt investments at amortised cost	4(b)	(1,827)	(1,547)
Dividends income from listed equity investment	4(b)	(1,487)	(1,240)
Write-down of inventories to net realisable value	5	13,006	7,173
Losses on disposal of subsidiaries	5	17,244	—
Gain on the extinguishment of convertible bond	4(b)	—	(58,084)
		<b>4,216,697</b>	<b>5,520,176</b>
Increase in cash in transit		(231,034)	(38,384)
Decrease/(increase) in trade receivables		143,743	(765,735)
Increase in prepayments, other receivables and other assets		(548,211)	(1,350,318)
Increase in inventories		(2,009,353)	(190,385)
Increase in trade and bills payables		2,203,538	1,048,410
(Decrease)/increase in other payables and accruals		(125,085)	271,475
Decrease in amounts due from related parties — trade related		22,705	1,695
Increase/(decrease) in amounts due to related parties			
— trade related		291	(674)
<b>Cash generated from operations</b>		<b>3,673,291</b>	<b>4,496,260</b>
Tax paid		(747,708)	(1,029,293)
<b>Net cash generated from operating activities</b>		<b>2,925,583</b>	<b>3,466,967</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2024

Interim Report 2024

ZHONGSHENG GROUP HOLDINGS LIMITED

23

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2024 RMB'000</b>	For the six months ended 30 June 2023 RMB'000
<b>Investing activities</b>		
Purchase of items of property, plant and equipment	(1,238,252)	(1,620,616)
Proceeds from disposal of items of property, plant and equipment	662,164	825,795
Purchase of land use rights	(117,092)	(40,323)
Purchase of intangible assets	(3,379)	(4,203)
Purchase of debt investments at amortised cost	—	(72,258)
Prepayments for the potential acquisitions of equity interests from third parties	(1,500)	(31,500)
Acquisitions of subsidiaries, net of cash acquired	19	(7,974)
Decrease in prepayments, other receivables and other assets	37,860	213,922
Interest received	224,321	230,930
Acquisition of non-controlling interests	—	(8,349)
Disposal of subsidiaries, net of cash	1,079	—
Dividends received from listed equity investments	1,487	1,240
<b>Net cash used in investing activities</b>	<b>(433,293)</b>	<b>(513,336)</b>
<b>Financing activities</b>		
Proceeds from bank loans and other borrowings	51,861,550	52,770,810
Repayments of bank loans and other borrowings	(51,694,222)	(48,107,631)
Decrease/(increase) in pledged bank deposits	164,246	(399,358)
Capital contribution from non-controlling shareholders of a subsidiaries	—	778
Lease payments	(532,891)	(354,016)
Repurchase of shares	(33,121)	(273,385)
Redemption of convertible bonds	—	(1,422,962)
(Increase)/decrease in deposits to entities controlled by suppliers for borrowings	(39,248)	24,123
Interest paid for bank loan and other borrowings	(652,770)	(547,838)
Dividends paid to the non-controlling shareholders	(15,992)	(1,225)
<b>Net cash (used in)/generated from financing activities</b>	<b>(942,448)</b>	<b>1,689,296</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,549,842</b>	<b>4,642,927</b>
Cash and cash equivalents at beginning of each period	15,611,984	11,679,029
Effect of foreign exchange rate changes, net	(15,391)	30,655
<b>Cash and cash equivalents at end of each period</b>	<b>17,146,435</b>	<b>16,352,611</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 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 Chinese Mainland.

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 Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The Company has established a principal place of business which is located at Rooms 1803-09, 18th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “**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 2024 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 2024. 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 2024 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated 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 consolidated financial statements for the year ended 31 December 2023.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the 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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendment to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “ <b>2020 Amendments</b> ”)
Amendment to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “ <b>2022 Amendments</b> ”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller — lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller — lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

### 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 Chinese Mainland and over 90% of the Group's non-current assets other than deferred tax assets were located in Chinese Mainland, 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 2024, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

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

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

#### (a) REVENUE

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2024 RMB'000</b>	For the six months ended 30 June 2023 RMB'000
<b>Revenue from contracts with customers</b>		
Disaggregated revenue information		
<b>Type of goods or services</b>		
Sale of motor vehicles	69,052,326	69,669,778
Accessories and after-sales services	13,369,083	12,231,921
Total	<b>82,421,409</b>	81,901,699
<b>Geographical markets</b>		
Chinese Mainland	<b>82,421,409</b>	81,901,699
<b>Timing of revenue recognition</b>		
At a point in time	<b>82,421,409</b>	81,901,699

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

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

**(b) OTHER INCOME AND GAINS, NET**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2024 RMB'000</b>	<b>For the six months ended 30 June 2023 RMB'000</b>
Commission income	1,941,569	1,991,595
Rental income	16,787	18,248
Government grants	65,897	13,331
Interest income	224,321	230,930
Net losses on disposal of items of property, plant and equipment	(7,498)	(5,489)
Net gains on disposal of intangible assets	394	—
Net gains on lease termination	2,761	—
Losses on disposal of subsidiaries	(17,244)	—
Interest income from debt investments at amortised cost	1,827	1,547
Fair value gains/(losses), net:		
Financial assets at fair value through profit or loss		
— listed equity investments	9,511	18,508
— funds	(264)	480
Dividend income from listed equity investments	1,487	1,240
Gain on the extinguishment of convertible bond	—	58,084
Others	127,978	71,846
	<b>2,367,526</b>	<b>2,400,320</b>



**5. PROFIT BEFORE TAX**

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

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2024 RMB'000</b>	For the six months ended 30 June 2023 RMB'000
<b>Employee benefit expense (including directors' and chief executive officer's remuneration)</b>		
Wages and salaries	1,876,388	1,733,101
Pension scheme contributions (defined contribution scheme)	535,018	390,235
Other welfare	233,242	187,454
	<b>2,644,648</b>	<b>2,310,790</b>
Cost of inventories sold	75,762,131	73,719,179
Depreciation and impairment of property, plant and equipment	1,022,091	441,543
Depreciation of right-of-use assets	393,382	329,983
Amortisation of land use rights	57,506	56,754
Amortisation of intangible assets	201,922	200,714
Promotion and advertisement	210,961	427,152
Office expenses	185,793	232,534
Lease payments not included in the measurement of lease liabilities	253,427	121,008
Logistics expenses	215,160	163,832
Impairment of trade receivables	(11,675)	21,678
Write-down of inventories to net realizable value	13,006	7,173
Net losses on disposal of items of property, plant and equipment	7,498	5,489
Net gains on disposal of intangible assets	(394)	—
Net gains on lease termination	(2,761)	—
Dividend income from listed equity investments	(1,487)	(1,240)
Interest income from debt investments at amortised cost through profit or loss	(1,827)	(1,547)
Gain on the extinguishment of convertible bond	—	(58,084)
Losses on disposal of subsidiaries	17,244	—
Fair value (gains)/losses, net:		
Financial assets at fair value through profit or loss		
— listed equity investments	(9,511)	(18,508)
— funds	264	(480)

## 6. FINANCE COSTS

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2024 RMB'000</b>	<b>For the six months ended 30 June 2023 RMB'000</b>
Interest expense on bank borrowings	561,868	503,014
Interest expense on convertible bonds	54,146	72,984
Interest expense on other borrowings	53,198	29,251
Interest expense on lease liabilities	160,404	149,022
Less: Interest capitalised	(37,367)	(36,302)
<b>Total</b>	<b>792,249</b>	<b>717,969</b>

## 7. INCOME TAX

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2024 RMB'000</b>	<b>For the six months ended 30 June 2023 RMB'000</b>
Current Chinese Mainland corporate income tax	358,736	977,045
Deferred tax	105,686	55,355
<b>Total</b>	<b>464,422</b>	<b>1,032,400</b>

## 8. DIVIDENDS

The Directors of the Company proposed not to declare any interim dividend for the six months ended 30 June 2024.

## 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 2,385,668,363 (six months ended 30 June 2023: 2,402,085,625) 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:

	<b>Unaudited</b> <b>For the six</b> <b>months ended</b> <b>30 June 2024</b> <b>RMB'000</b>	For the six months ended 30 June 2023 RMB'000
<b>Earnings</b>		
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	1,579,552	3,008,707
Interest on convertible bonds	54,146	72,984
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	1,633,698	3,081,691
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,385,668,363	2,402,085,625
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	69,391,381	69,391,381
Share option	—	4,284,106
Weighted average number of ordinary shares used in diluted earnings per share calculation	2,455,059,744	2,475,761,112
<b>Earnings per share</b>		
Basic	0.662	1.253
Diluted	0.662	1.245



**10. INVENTORIES**

	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
Motor vehicles	<b>16,168,425</b>	14,418,816
Spare parts and others	<b>2,253,435</b>	2,002,613
	<b>18,421,860</b>	16,421,429
Less: provision for inventories	<b>68,339</b>	55,333
Total	<b>18,353,521</b>	16,366,096

**11. TRADE RECEIVABLES**

	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
Trade receivables	<b>4,041,921</b>	4,181,131
Impairment	<b>(60,955)</b>	(72,630)
Net carrying amount	<b>3,980,966</b>	4,108,501

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. On 30 June 2024, the Group had certain concentrations of credit risk as 35.7% (31 December 2023: 39.9%) of the Group's trade receivables were due from the Group's five largest customer. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at each end of reporting period (based on the invoice date) is as follows:

	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
Within three months	<b>3,824,006</b>	3,649,488
More than three months but less than one year	<b>138,203</b>	432,608
Over one year	<b>18,757</b>	26,405
Total	<b>3,980,966</b>	4,108,501

**12. BANK LOANS AND OTHER BORROWINGS**

	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
Bank loans and overdrafts repayable		
– within one year or on demand	<b>13,354,096</b>	13,755,701
– in the second year	<b>3,351,387</b>	1,034,420
– in the third to fifth years	<b>3,005,145</b>	5,757,934
	<b>19,710,628</b>	20,548,055
Other borrowings repayable		
– within one year	<b>3,126,868</b>	2,117,575
– in the third to fifth years	<b>3,199,611</b>	3,228,192
	<b>6,326,479</b>	5,345,767
Syndicated term loans		
– in the second year	<b>2,494,396</b>	2,478,960
Total bank loans and other borrowings	<b>28,531,503</b>	28,372,782
Less: Portion classified as current liabilities	<b>16,480,964</b>	15,873,276
Long-term portion	<b>12,050,539</b>	12,499,506

**13. TRADE AND BILLS PAYABLES**

	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
Trade payables	<b>3,603,569</b>	3,956,492
Bills payable	<b>9,646,019</b>	7,084,876
Trade and bills payables	<b>13,249,588</b>	11,041,368

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

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

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

	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
Within 3 months	<b>12,981,370</b>	10,450,209
3 to 6 months	<b>212,213</b>	527,770
6 to 12 months	<b>26,964</b>	41,409
Over 12 months	<b>29,041</b>	21,980
	<b>13,249,588</b>	11,041,368

**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**”). The bonds are 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. By the end of 31 December 2023, the Company has redeemed principal amounts of HK\$1,436,000,000 of the bonds. In light of the payment of a final dividend of HK\$1.09 per share for the year ended 31 December 2022, the conversion price of the remaining bonds with a principal amount of HK\$3,124,000,000 was adjusted to HKD\$45.02 per share with effect from 29 June 2023. 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.



**14. CONVERTIBLE BONDS (continued)**

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 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	568,248	514,102
Redemption of convertible bonds	(1,418,897)	(1,418,897)
Exchange realignment	1,841	(20,991)
Liability component at the end of the period	3,252,857	3,175,879
Less: portion classified as current liabilities	3,252,857	—
Long-term portion	—	3,175,879

**15. SHARE CAPITAL**

	Unaudited 30 June 2024	Audited 31 December 2023
Authorised: 1,000,000,000,000 shares of HK\$0.0001 each (HK\$'000)	100,000	100,000
Issued and fully paid: 2,385,668,363 (2023: 2,385,668,363) ordinary shares (HK\$'000)	239	239
Equivalent to RMB'000	207	207

**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.

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

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

	30 June 2024		Unaudited 30 June 2023	
	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	5,500	22.60	11,000
At 30 June	22.60	5,500	22.60	11,000

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 2024 Exercise price HK\$ per share	Exercise period
5,500	22.60	26 April 2019 to 25 April 2028 (both dates inclusive)

The fair value of the share options granted was HK\$29,068,000 (HK\$5.29 each). On 30 October 2023, the Company cancelled the 5,500,000 Share Options under the Share Option Scheme. 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 2023: 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 ten 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 5,500,000 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 5,500,000 additional ordinary shares of the Company and additional share capital of HK\$550 (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**

As part of the Group's plan to expand its motor vehicle sales and service business in Chinese Mainland, the Group acquired 100% of the equity interests of Fujian Zhongsheng Fengyue Sales Service Co., Ltd., which is engaged in the motor vehicle sales and service business in Chinese Mainland, from a third party on 1 February 2024 at a total consideration of RMB2,260,000. The purchase consideration for the acquisition was in the form of cash, and RMB452,000 has not been paid by the end of June 2024.

Company Name	Acquired equity interests %
Fujian Zhongsheng Fengyue Sales Service Co., Ltd. (福建中升豐悅銷售服務有限公司)	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	124
Intangible assets*	2,500
Inventories	1,772
Trade receivable	4,558
Prepayments, other receivables and other assets	5,680
Cash in transit	22
Cash and cash equivalents	19
Trade and bills payables	(5,334)
Other payables and accruals	(10,024)
Bank borrowings	—
Deferred tax liabilities*	(625)
<b>Total identifiable net assets at fair value</b>	<b>(1,308)</b>
<b>Goodwill on acquisition*</b>	<b>3,568</b>
<b>Total purchase consideration</b>	<b>2,260</b>

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

Cash consideration paid	(1,808)
Cash and cash equivalents acquired	19
<b>Total net cash outflow</b>	<b>(1,789)</b>

Since the acquisition, the acquired business contributed RMB32,939,000 to the Group's revenue and RMB247,943 of profit to the consolidated profit for the six months ended 30 June 2024.

\* 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 the acquired company as disclosed in note 17. However, the valuation was not finalised and hence the initial accounting for the business combination of the company was incomplete as at the date of this announcement. Therefore, these amounts recognised in the Group's interim financial statements for the six months ended 30 June 2024 in relation to the acquisition of the company was on a provisional basis.

## 18. CONTINGENT LIABILITIES

As at 30 June 2024, neither the Group nor the Company had any significant contingent liabilities.

## 19. COMMITMENTS

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Buildings	39,659	81,860

## 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 2024:

	Unaudited For the six months ended 30 June 2024 RMB'000	For the six months ended 30 June 2023 RMB'000
(i) Sales of goods to a joint venture: — Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd. (" <b>Xiamen Zhongsheng</b> ")	79,859	24,693
(ii) Purchase of goods or services from joint ventures: — Xiamen Zhongsheng — Zhongsheng Tacti — TAC Automobile Accessories Trading (Shanghai) Co., Ltd. (" <b>TAC</b> ")	56,964 5 7,552	11,414 — 2,819
	64,521	14,233
Purchase of goods or services from an associate: — Shanghai Zhongsheng Yongtai	4,609	—
(iii) Other borrowing to an associate: — Shanghai Xusheng Insurance Agency Co., Ltd.	—	5,000
(iv) Repayment of borrowing from associates: — Shanghai Xusheng Insurance Agency Co., Ltd. — Shanghai Zhongsheng Yongtai	— 7,000	6,607 —
	7,000	6,607
(v) Interest income from an associate: — Shanghai Zhongsheng Yongtai	253	—



**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 2024:

	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
(i) Due from related parties:		
Trade related		
Joint ventures		
— Xiamen Zhongsheng	6,617	21,432
— Shanghai Zhongsheng Hehai	—	890
	<b>6,617</b>	22,322
An Associate		
— Zhongsheng Yongtai	4,000	11,000
(ii) Due to related parties:		
Trade related		
Joint ventures		
— Xiamen Zhongsheng	587	126
— Zhongsheng Tacti	80	80
— TAC	3	1,845
— Zhongsheng Hehai	4,172	2,500
	<b>4,842</b>	4,551
An associate		
— Zhongsheng Yongtai	2,250	2,250

On 9 August 2023, the Group borrowed a loan of RMB11,000,000 to Zhongzheng Yongtai, and received repayment of RMB7,000,000 from Zhongzheng Yongtai on 25 March 2024. The interest rate was in line with the benchmark interest rate prescribed by the People's Bank of China. Early repayment is allowed.

Apart from the above-mentioned other borrowing to Zhongsheng Yongtai, the amounts due to related parties are unsecured, interest-free and has no fixed terms of repayment.

**20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)****(c) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP:**

	Unaudited	
	For the six months ended 30 June 2024 RMB'000	For the six months ended 30 June 2023 RMB'000
Short term employee benefits	30,120	17,790
Post-employee benefits	190	94
<b>Total compensation paid to key management personnel</b>	<b>30,310</b>	<b>17,884</b>

**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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	125,191	148,551	125,191	148,551

**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 2024*

	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) 125,191	—	—	125,191

## 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 2023*

		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)	121,376	—	—	121,376
Funds	(i)	27,175	—	—	27,175
<b>Total</b>		<b>148,551</b>	<b>—</b>	<b>—</b>	<b>148,551</b>

### *Liabilities measured at fair value:*

The Group did not have any financial liabilities measured at fair value as at 30 June 2024 and 31 December 2023, 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 2023: Nil).

Note:

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

## 22. EVENTS AFTER THE REPORTING PERIOD

### 2026 BONDS

On 6 January 2021, the Company issued principal amount of US\$450 million, 3.00 per cent. Bonds due 13 January 2026 (the “**2026 Bond**”).

The Company accepted, purchased and cancelled that the validly tendered 2026 Bonds representing an aggregate principal amount of US\$292,166,000 on 1 August 2024 pursuant to the terms set forth in the Tender Offer Memorandum. Following the settlement of the Offer and cancellation of the 2026 Bonds purchased pursuant to the Offer, the outstanding aggregate principal amount of the 2026 Bonds is US\$157,834,000 as at 1 August 2024.

### 2028 BONDS

On 30 July 2024, the Company issued 5.98 per cent. Bonds due 30 January 2028 with a nominal value of US\$600,000,000 (the “**2028 Bonds**”). The 2028 Bonds will bear interest from 30 July 2024 at the rate of 5.98 per cent. per annum payable semi-annually in arrear in equal instalments on the Interest Payment Dates falling on 30 January and 30 July in each year, commencing on 30 January 2025. The maturity date of the 2028 Bonds is 30 January 2028, on which the Company is scheduled to redeem each 2028 Bond at its principal amount.

### PANDA BONDS

On 20 May 2024, the Company made an application (the “**Application**”) to the National Association of Financial Market Institutional Investors (the “**Association**”) for registration of debt financing instruments in the aggregate amount of not more than RMB5 billion (the “**Panda Bonds**”). The Application was approved by the Association on 19 July 2024. The Company may issue the Panda Bonds in one or multiple tranches as and when appropriate within two years from the date of the notice of acceptance of the registration of the Panda Bonds from the Association, being 19 July 2024.

The issue of the first tranche of the Panda Bonds has been completed on 1 August 2024, the total issue size of the first tranche of the Panda Bonds is RMB1 billion, with a coupon rate of 3.5% and a maturity of three years.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2024, 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 C3 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 Directors	Capacity/Nature of Interest	Total Number of Ordinary Shares	Approximate Percentage of Shareholding (%) (Note 1)
Mr. Huang Yi	Interest of controlled corporation, founder of a discretionary trust, a concert party to an agreement to buy shares described in section 317(1)(a) of the SFO and beneficial owner	1,166,958,874 (Long position) (Note 2)	48.92
Mr. Li Guoqiang	Interest of controlled corporation, founder of a discretionary trust, a concert party to an agreement to buy shares described in section 317(1)(a) of the SFO and beneficial owner	1,166,958,874 (Long position) (Note 2)	48.92
Mr. Zhang Zhicheng	Beneficial owner	5,500,000 (Long position) (Note 3)	0.23
Ms. Zhou Xin	Beneficial owner and interest of spouse	426,500 (Long position) (Note 4)	0.02
Mr. Chin Siu Wa Alfred	Beneficial owner	100,000 (Long position)	0.00
Mr. Li Yanwei	Beneficial owner	71,000 (Long position)	0.00

#### Notes:

1. The approximate percentage of shareholding is calculated based on 2,385,668,363 shares of the Company in issue (including the treasury shares held by the Company) as at 30 June 2024.
2. These interests include the 5,883,000 treasury shares held by the Company as at 30 June 2024 as the Director controls over one-third of the voting power at general meetings of the Company. The Director is taken to have an interest in such treasury shares by virtue of the SFO.
3. These interests represent options granted to the Director as beneficial owner under the Share Option Scheme.
4. These interests comprise 336,500 shares of the Company held by the Director and 90,000 shares of the Company held by her spouse.

## INTERESTS IN THE COMPANY'S DEBENTURES

Name of Director	Nature of Interest	Currency of Debenture	Amount of Debenture Held	Amount of Debenture in Same Class in Issue	Type of Debenture
Mr. Huang Yi	Beneficial owner and founder of a discretionary trust	US\$	20,000,000	450,000,000	3% bonds due 2026
Mr. Li Guoqiang	Beneficial owner	US\$	10,000,000	450,000,000	3% bonds due 2026

Save as disclosed above, as at 30 June 2024, 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.

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

As at 30 June 2024, 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	Total Number of Ordinary Shares	Approximate Percentage of Shareholding (%) (Note 1)
Blue Natural Development Ltd. (Note 2)	Beneficial owner and a concert party to an agreement to buy shares described in section 317(1)(a) of the SFO	1,166,958,874 (Long position) (Note 3)	48.92
Light Yield Ltd. (Note 4)	Beneficial owner, interest of controlled corporation and a concert party to an agreement to buy shares described in section 317(1)(a) of the SFO	1,166,958,874 (Long position) (Note 3)	48.92
Vest Sun Ltd. (Note 5)	Interest of controlled corporation and a concert party to an agreement to buy shares described in section 317(1)(a) of the SFO	1,166,958,874 (Long position) (Note 3)	48.92
Mountain Bright Limited (Note 6)	Beneficial owner and a concert party to an agreement to buy shares described in section 317(1)(a) of the SFO	1,166,958,874 (Long position) (Note 3)	48.92

Name of Shareholder	Capacity/Nature of Interest	Total Number of Ordinary Shares	Approximate Percentage of Shareholding (%) (Note 1)
UBS TC (Jersey) Ltd.	Interest received by trustee and a concert party to an agreement to buy shares described in section 317(1)(a) of the SFO	1,166,958,874 (Long position) (Note 3)	48.92
Vintage Star Limited (Note 7)	Beneficial owner and a concert party to an agreement to buy shares described in section 317(1)(a) of the SFO	1,166,958,874 (Long position) (Note 3)	48.92
Jardine Matheson Holdings Limited	Interest of controlled corporation	505,816,116 (Long position)	21.20
Jardine Strategic Limited	Interest of controlled corporation	505,816,116 (Long position)	21.20
JMH Investments Limited	Interest of controlled corporation	505,816,116 (Long position)	21.20
JSH Investment Holdings Limited	Beneficial owner	505,816,116 (Long position)	21.20
Pandanus Associates Inc. (Note 8)	Interest of controlled corporation	122,545,000 (Long position)	5.14
Pandanus Partners L.P. (Note 8)	Interest of controlled corporation	122,545,000 (Long position)	5.14
FIL Limited (Note 8)	Interest of controlled corporation	122,545,000 (Long position)	5.14

## Notes:

- The approximate percentage of shareholding is calculated based on 2,385,668,363 shares of the Company in issue (including the treasury shares held by the Company) as at 30 June 2024.
- 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.
- These interests include the 5,883,000 treasury shares held by the Company as at 30 June 2024 as the substantial shareholder controls over one-third of the voting power at general meetings of the Company. The substantial shareholder is taken to have an interest in such treasury shares by virtue of the SFO.
- Light Yield Ltd. is wholly-owned by Mr. Huang Yi, who is also the sole director of Light Yield Ltd.
- Vest Sun Ltd. is wholly-owned by Mr. Li Guoqiang, who is also the sole director of Vest Sun Ltd.
- 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.

7. 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.
8. Pandanus Associates Inc. holds 100% interests in Pandanus Partners L.P., and Pandanus Partners L.P. holds 40.44% interests in FIL Limited. FIL Limited held 122,545,000 shares (long position) of the Company in aggregate 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 2024, 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, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2024, the Group did not have any material acquisitions nor disposals of subsidiaries, associates and joint ventures.

## 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 conditionally agreed to subscribe and pay for (or to procure subscribers to subscribe and pay for) the zero coupon convertible bonds due 2025 in an aggregate principal amount of HK\$4,560 million (the “**2025 Convertible Bonds**”).

The 2025 Convertible Bonds are convertible into shares of the Company (the “**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\$34.80 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.

Pursuant to the terms and conditions of the 2025 Convertible Bonds, certain holders of the 2025 Convertible Bonds served notices of redemption on the Company, requiring the Company to redeem an outstanding principal amount of HK\$1,436,000,000 of the 2025 Convertible Bonds at 110.15% of their principal amount on 21 May 2023, representing approximately 31.49% of the principal amount of the 2025 Convertible Bonds. Immediately after the early redemption, such redeemed 2025 Convertible Bonds were cancelled and the principal amount of the outstanding 2025 Convertible Bonds was HK\$3,124,000,000 (the “**Outstanding 2025 Convertible Bonds**”).

Pursuant to the terms and conditions of the 2025 Convertible Bonds, in light of the payment of a final dividend of HK\$1.09 per Share for the year ended 31 December 2022 and a final dividend of HK\$0.797 per Share for the year ended 31 December 2023, the conversion price of the 2025 Convertible Bonds was adjusted from HK\$45.61 to HK\$45.02 per Share with effect from 29 June 2023 and further to HK\$43.88 per Share with effect from 4 July 2024, respectively.



There has been no conversion of the Outstanding 2025 Convertible Bonds as at 24 September 2024, being the latest practicable date prior to the printing of this interim report. The Company will redeem each Outstanding 2025 Convertible Bond on the maturity date at its principal amount together with accrued and unpaid interest thereon. Upon full conversion of the Outstanding 2025 Convertible Bonds, the Company may issue 71,194,165 Shares, with an aggregate nominal value of approximately HK\$7,119.42, increasing the total issued Shares to 2,438,188,028 Shares (excluding treasury shares), which represent approximately 3.01% of the then existing share capital of the Company (excluding treasury shares of 18,674,500 Shares in total, calculated as at 24 September 2024, being the latest practicable date prior to the printing of this interim report), and approximately 2.92% of the issued share capital of the Company as enlarged by the issue of the Shares upon full conversion of all the Outstanding 2025 Convertible Bonds (excluding treasury shares). 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 49.27%, 49.27% and 49.27%, respectively, to approximately 47.83%, 47.83% and 47.83%, respectively, of the issued share capital of the Company as enlarged by the issue of the Shares upon the conversion of all the Outstanding 2025 Convertible Bonds (excluding treasury shares), 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 24 September 2024, being the latest practicable date prior to the printing of this interim report. Based on the profit for the six months ended 30 June 2024 attributable to ordinary equity holders of the parent of approximately RMB1,579.6 million, the basic and diluted earnings per Share attributable to the owners of the Company were RMB0.662.

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

Please refer to the announcements of the Company dated 13, 14, 21 and 22 May 2020, 26 April and 19 June 2023 and 21 June 2024, respectively, for further details on the 2025 Convertible Bonds.

During the six months ended 30 June 2024, profit attributable to owners of the parent of the Group is approximately RMB1,579.6 million. As at 30 June 2024, the Group had consolidated reserves of RMB45,520.8 million and net current assets of RMB20,902.3 million. The Company will redeem the Outstanding 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 Outstanding 2025 Convertible Bonds issued by the Company. As the Outstanding 2025 Convertible Bonds bear no interest on the principal amount, it would be equally financially advantageous for the bondholders to convert or redeem the Outstanding 2025 Convertible Bonds (and therefore the bondholders would be indifferent as to whether the Outstanding 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 Outstanding 2025 Convertible Bonds. Conversion price of the Outstanding 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 Outstanding 2025 Convertible Bonds.

As at 30 June 2024, 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 Company agreed to issue, and the 2026 Bond Managers conditionally agreed to subscribe and pay for (or to procure subscribers to subscribe and pay for) the 3.00% bonds due 2026 in an aggregate principal amount of US\$450 million (the “**2026 Bonds**”). The maturity date of the 2026 Bonds is 13 January 2026.

In July 2024, the Company made an offer to purchase for cash the 2026 Bonds at a purchase price of US\$966 per US\$1,000 principal amount of the 2026 Bonds, plus accrued interest, from certain holders of the 2026 Bonds (the “**Offer**”). The aggregate principal amount of the 2026 Bonds validly tendered pursuant to the Offer amounted to US\$292,166,000. All of the validly tendered 2026 Bonds were accepted, purchased and cancelled by the Company on 1 August 2024. Following the settlement of the Offer and cancellation of the 2026 Bonds purchased pursuant to the Offer, the outstanding aggregate principal amount of the 2026 Bonds is US\$157,834,000 as at 1 August 2024 (the “**Outstanding 2026 Bonds**”). The Company is scheduled to redeem each Outstanding 2026 Bond at its principal amount on the maturity date of the Outstanding 2026 Bonds.

Please refer to the announcements of the Company dated 4, 7, 13 and 14 January 2021 and 22 and 30 July and 1 August 2024, respectively, for further details on the 2026 Bonds.

### 2028 BONDS

On 23 July 2024, the Company and Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley & Co. International plc, MUFG Securities Asia Limited, Mizuho Securities Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited and China CITIC Bank International Limited (the “**2028 Bond Managers**”) entered into a bond subscription agreement, according to which the Company agreed to issue, and the 2028 Bond Managers conditionally agreed to subscribe and pay for (or to procure subscribers to subscribe and pay for) the 5.98% bonds due January 2028 in an aggregate principal amount of US\$600 million (the “**2028 Bonds**”). The maturity date of the 2028 Bonds is 30 January 2028, on which the Company is scheduled to redeem each 2028 Bond at its principal amount.

Please refer to the announcements of the Company dated 22, 24, 30 and 31 July 2024, respectively, for further details on the 2028 Bonds.

### PANDA BONDS

On 20 May 2024, the Company made an application (the “**Application**”) to the National Association of Financial Market Institutional Investors (the “**Association**”) for registration of debt financing instruments in the aggregate amount of not more than RMB5 billion (the “**Panda Bonds**”) to be issued in one or multiple tranches as and when appropriate within two years from the date of receipt of the notice of acceptance of the registration of the Panda Bonds from the Association. The Application was approved by the Association on 19 July 2024.

The issue of the first tranche of the Panda Bonds was completed on 1 August 2024. Based on the bookbuilding and placement results, the total issue size of the first tranche of the Panda Bonds was RMB1 billion, with a coupon rate of 3.5% and a maturity of three years.

Please refer to the announcements of the Company dated 20 May, 24 July and 1 August 2024, respectively, for further details on the Panda 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. Under the Share Option Scheme, the Board could grant options to any individual who is an employee of the Group (including executive Directors) or any entity in which the Company holds any equity interest and such other persons who has or will contribute to the Company as approved by the Board from time to time on the basis of their contribution to the development and growth of the Group. The amount payable by a participant upon a grant of option was HK\$1.00. The amount payable for each share to be subscribed for under an option upon exercise would be determined by the Board and notified to a proposed beneficiary at the time of offer of the option and shall be not less than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of the Shares. The Share Option Scheme did not contain any minimum period(s) for which an option must be held before it can be exercised. However, at the time of grant of the options, the Company could specify any such minimum period(s). 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 Shares pursuant to the Share Option Scheme and the movement during the six months ended 30 June 2024 are set out below:

Name of Grantee	Date of grant	Exercise price per share	Number of Share Options				Outstanding as at 30 June 2024
			Outstanding as at 1 January 2024	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 <sup>(1)</sup>	–	–	–	5,500,000
Total							5,500,000

Note:

- On 26 April 2018, the Company offered to grant share options (the "Share Options") to Mr. Zhang Zhicheng under the Share Option Scheme, which will entitle him to subscribe for 5,500,000 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 2024, no options had been granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme. As at 30 June 2024, the total number of Shares which may be issued under the Share Option Scheme was 5,500,000 Shares, representing approximately 0.23% of the issued share capital of the Company (excluding treasury shares) as at 24 September 2024, being the latest practicable date prior to the printing of this interim report, and approximately 0.23% of the weighted average number of Shares in issue during the six months ended 30 June 2024.

## CONNECTED TRANSACTIONS

There was no connected transaction entered into by the Group during the six months ended 30 June 2024 that is required to be disclosed under the Listing Rules.

## EVENTS AFTER THE REPORTING PERIOD

Save for the purchase and cancellation of certain 2026 Bonds and the issue of the 2028 Bonds and the first tranche of the Panda Bonds as disclosed in this interim report, there have not been any significant events affecting the Group after 30 June 2024.

## 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.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Directors shall disclose details of their positions in other groups/companies to the Company and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

## 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.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to 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

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 C1 to the Listing Rules. Throughout the six months ended 30 June 2024 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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 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 2024 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 2024. Save for the Outstanding 2025 Convertible Bonds and the Share Option Scheme, no equity-linked agreements existed during the six months ended 30 June 2024.

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

During the six months ended 30 June 2024, the Company bought back a total of 5,883,000 Shares at prices ranging from HK\$12.40 to HK\$11.04 per Share on the Stock Exchange for holding as treasury shares, with an aggregate consideration of approximately HK\$68.4 million (excluding commissions and other expenses).

Details of the share buy-backs by the Company on the Stock Exchange during the six months ended 30 June 2024 are as follows:

Month of repurchase	No. of Shares repurchased	Price per Share		Total paid HK\$
		Highest HK\$	Lowest HK\$	
June	5,883,000	12.40	11.04	68,373,830

After 30 June 2024 and up to 24 September 2024, being the latest practicable date prior to the printing of this interim report, the details of Share repurchased by the Company on the Stock Exchange are as follows:

Month of repurchase	No. of Shares repurchased	Price per Share		Total paid HK\$
		Highest HK\$	Lowest HK\$	
July	10,545,000	12.94	10.54	123,476,470
September (up to 24 September 2024, being the latest practicable date prior to the printing of this interim report)	2,246,500	9.32	8.80	20,307,730
	12,791,500			143,784,200

As at 24 September 2024, being the latest practicable date prior to the printing of this interim report, such Shares were held by the Company as treasury shares, and none of such treasury shares had been sold by the Company. The Board believes that the share repurchases could reflect the Board's confidence in the Company's long-term business prospects. Subject to compliance with the Listing Rules, the Company may consider using the treasury shares for future resales, transfers or cancellation.

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 2024 and up to 24 September 2024, being the latest practicable date prior to the printing of this interim report.

## AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, including 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 interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024. The Audit Committee considers that the interim financial results for the six months ended 30 June 2024 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been made.

During the six months ended 30 June 2024, 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 2024.

## CORPORATE SOCIAL RESPONSIBILITY

### ENVIRONMENTAL POLICY

With a view to ensuring continuous compliance with applicable environmental laws and other rules and regulatory requirements in China, 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 2024, 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 Group uses new energy vehicles for routine business trips and business receptions, and the employees of the Group are 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 of  
**Zhongsheng Group Holdings Limited**  
**Huang Yi**  
*Chairman*

Hong Kong  
30 August 2024