A leading luxury BRANDS DEALER Conglomerate

2021 INTERIM REPORT
中期報告

CHINA ZHENGTONG AUTO SERVICES HOLDINGS LIMITED
中國正通汽車服務控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)
（根據開曼群島法律註冊成立的有限公司）

Stock Code 股份代號：1728

US DENOMINATED SENIOR NOTES DUE 2022
於2022年到期之美元計值優先票據

Stock Code 股份代號：40132

CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2021, with the regular prevention and control of the "COVID-19" novel coronavirus epidemic (hereinafter referred to as the "COVID-19"), China's economy continued its stable recovery, with a period-on-period growth of 12.7% in GDP in the first half of the year. In particular, the growth in the first quarter and the second quarter were 18.3% and 7.9%, respectively. The overall economy achieved solid and stable development with an upward trend. Meanwhile, the world economy was gradually recovering, and the recovery of global manufacturing and trade was accelerated. However, the global supply chain was facing challenges due to multiple factors.

According to statistics released by the China Association of Automobile Manufacturers, sales of passenger automobiles in China grew by 27.0% period-on-period to 10,007,000 units in the first half of 2021. In general, the stable recovery of China's economic operations has played a good role in supporting automobile consumption. However, constraints such as chip supply problems and COVID-19 still bring uncertainties to the development of the automobile market. The luxury branded automobile market continued to maintain a sound development momentum. According to the information released by the Passenger Car Information Exchange Association (乘用車市場信息聯席會), in the first half of 2021, the sales of luxury branded automobile market in China was approximately 1,472,000 units, representing a period-on-period growth of 39.7%, showing a strong growth momentum.

As a core dealer of various luxury brands in China, China ZhengTong Auto Services Holdings Limited (the "Company", together with its subsidiaries, collectively, the "Group") continued to collaborate closely with respective luxury branded automobile manufacturers during the reporting period to focus on restoring business scale and optimizing network structure. As a service enterprise focusing on offline business, the Group actively undertakes social responsibility under the new normalization of prevention of COVID-19, puts protection for health of employees and customers as the top priority, and formulates a complete epidemic prevention and control system and emergency response plan, so as to fully cater to the epidemic prevention and control led by the government, and create a safe business and service environment. It actively adjusts business strategies against the market changes, increases dealership stores of superior brands, and implements strategic transformation for stores with poor profitability. It also actively communicates with manufacturers and financial institutions to restore partners' confidence through favorable results performance. In line with its strategic planning, the Group has formulated reasonable business objectives and performance plans to guide the steady improvement of business scale and operational quality. Various measures have been adopted to ensure the rapid recovery and sound development of the Group's business during the reporting period.

The Group had achieved steady recovery of the business and the rapid improvement of its business results in the first half of 2021, which was attributable to the dedication of all employees as well as the trust and support of its business partners and shareholders of the Company ("Shareholders"). The board (the "Board") of directors (the "Directors") of the Company would like to express its sincere gratitude to our Shareholders, business partners and customers for their long-term support and trust to the Group, as well as our loyal staff for their hard work and contributions to the Group over the first half of the year.

BUSINESS REVIEW

In the first half of 2021, the Group was committed to developing luxury and ultra-luxury branded auto sales and after-sales services business, with recovery of various businesses in a rapid and stable manner as its primary goal. The Group formulated scientific and reasonable business strategies, upgraded management concepts, and reduced costs and increased efficiency through refined management. During the reporting period, the Group had a new Benz brand store and a new Porsche brand store, further expanding the network of superior brands. It adjusted the business strategies against market changes to implement targeted optimization of the business network structure. It took advantage of resources and network to enhance the sales scale of superior brands and the recovery of key brand businesses. It actively deployed the new energy vehicle market, tried new business operation models, and accumulated new energy vehicle service experience. It also further improved the sales of new automobiles, after-sales service, pre-owned automobile replacement, pre-owned automobile sales and other automobile full life-cycle business layout.

For the six months ended 30 June 2021, the Group recorded a revenue of approximately RMB9,612 million, representing a period-on-period growth of approximately 8.23%, and gross profit of approximately RMB31 million, representing a period-on-period decline of approximately 97.04%. Loss attributable to equity holders of the Company was approximately RMB1,455 million and basic loss per share was approximately RMB54 cents, representing a period-on-period increase of approximately 6.59% and a decrease of approximately 3.05%, respectively.

The growth in the business results for the first half of 2021 was mainly attributable to the fundamentally improved funding environment, reasonable business planning and efficient execution, as well as the resource support of the agency brand manufacturers.

(I) Review of sales of new automobiles business

In the first half of 2021, the sales of new automobiles business of the Group quickly recovered and developed, and both sales and sales profits of new automobiles achieved significant period-on-period growth.

For the six months ended 30 June 2021, the sales of new automobiles of the Group reached 24,424 units in total, representing a period-on-period growth of approximately 13.2%, including 18,198 units of luxury branded and ultra-luxury branded automobiles with a period-on-period growth of approximately 3.6%. The gross profit margin from the sales of new automobiles was −7.5%, representing a decrease of 11.6 percentage points as compared to the same period of last year.

During the reporting period, the Group formulated a differentiated sales strategy based on the market performance of each brand, focused on expanding the sales scale and profit contribution of strong brands, and also improved the quality of operations to achieve a full recovery and growth of the sales business of the Group. After the liquidity risk of the Group was relieved, the Group actively coordinated with financial institutions to restore credit lines, and expanded the credit limit, ensuring the capital needs for rapid business development. Faced with the shortage of vehicle supply caused by chip problems, while completing the manufacturer's established sales tasks with high quality, the Group actively communicated with automobile manufacturers to secure more high-quality resources. It kept abreast of market changes and flexibly adjusted sales strategies to ensure maximum profit from sales of vehicle. Through focusing on overdue inventory of vehicles, and increasing sales turnover, it reduced occupation of funds and improved operational efficiency. It also established a sales business process indicator monitoring system, used a digital management platform to monitor key sales indicators and optimized the sales funnel. The Group adhered to and deepened the concept of refined management, and even downed to managing the front-line business. Through process optimization, cost control, horizontal management and other methods, the operating quality and efficiency of the sales business were further improved, laying a solid foundation for breakthroughs in sales business in the second half of the year.

(II) Review of after-sales services business

In the first half of 2021, the Group's after-sales services business served 592,551 units of automobiles in aggregate, representing a period-on-period decrease of approximately 3.5%. Revenue from after-sales services amounted to approximately RMB1,613 million, representing a period-on-period decrease of 8.9%. The gross profit was approximately RMB568 million, representing a decrease of 24.4% as compared to the same period of last year, and the gross profit margin was approximately 35.2%. The decline in after-sales business during the reporting period was mainly due to the withdrawal of the manufacturer's dealer authorization for Volvo brand stores.

During the reporting period, the Group was committed to focusing on customer experience and improving service quality to promote the rapid recovery and development of after-sales business. By leveraging on the advanced digital information management system, it provided users' needs through big data analysis, and provided personalized service plans according to customer needs, so as to enhance customer experience. The Group analyzed the after-sales needs of customers in the surrounding areas of stores to improve regional coverage and expand business boundaries. The connections between new automobiles and pre-owned automobile were strengthened to provide customers with "one-stop" services. The Group strengthened cooperation with insurance companies, and launched competitive after-sales service products to retain leaving customers in the early stage, effectively expanded its customer base, and ensured the continuous and steady recovery and growth of the Group's after-sales business.

(III) Operation system of pre-owned automobiles

According to the data published by China Automobile Dealers Association, a total of 8,434,000 units of pre-owned automobiles were traded nationwide in the first half of 2021, representing a significant period-on-period increase of 52.9%, and an increase of 22.9% as compared with the same period in 2019. The domestic pre-owned automobile market rebounded rapidly after the epidemic was effectively controlled.

As an important strategic business segment, the Group has attached great importance to the sound development of the pre-owned automobile business. During the reporting period, the Group took advantage of the rapid increase in sales of new automobiles to further improve the pre-owned automobile business management tools, and strengthen the follow-up of the replacement needs of transacted customers and potential customers. It set a reasonable target for the automobile evaluation rate, and used the performance appraisal program to promote the conversion of pre-owned automobile business. It also connected the information of potential customers of new automobiles, after-sales and pre-owned automobiles to promote mutual conversion among business lines, and strengthen the synergy among sales of pre-owned automobiles and new automobiles and after-sales business, effectively improving the pre-owned automobile business.

(IV) Auto finance technology segment

Shanghai Dongzheng Automotive Finance Co., Ltd. ("Dongzheng AFC"), our subsidiary focusing on the luxury vehicle market, is an automotive finance company regulated by the China Banking and Insurance Regulatory Commission (the "CBIRC"). It is principally engaged in retail loan and dealer loan businesses.

During the first half of 2021, as the domestic market was still being affected by COVID-19 pandemic, and taking into account the market and credit risks, Dongzheng AFC continued to adopt cautious approach to approve loan applications, increase the proportion of joint loans products and reduce the use of its financial resources, resulting in a decline in newly granted loan amounts. As at 30 June 2021, the scale of Dongzheng AFC's loans decreased by 29% from RMB5.75 billion as at 31 December 2020 to RMB4.11 billion. For the six months ended 30 June 2021, net interest income was RMB164 million, representing a decrease of 43% from the same period in 2020. Dongzheng AFC recorded a net loss of RMB260 million for the six months ended 30 June 2021 as compared to a net profit of RMB143 million in the same period of 2020. As at 30 June 2021, Dongzheng AFC's non-performing loan ratio was 10.7%.

In addition, a completely closed-loop auto finance technology ecosystem developed by the Group has taken into shape, aiming to provide customers with one-stop auto finance and related services and offer automobile related financial products covering new automobiles and pre-owned automobiles. The platform involves:

- Dongzheng AFC holding an auto financial license granted by the CBIRC is the only auto finance company with a dealership background in China;
- Shenzhen Zhengyuan Automobile Technology Co., Ltd. specializing in big-data risk control and ABS cloud finance technology;
- Xiamen International Financial Asset Exchange Co., Ltd. providing an online asset transaction platform; and
- Shanghai Zhengtong Dingze Financial Leasing Co., Ltd. ("Dingze Leasing") and Dingze Insurance Agency Co., Ltd. providing financial leasing, insurance brokerage and other derivated services.

Covering National Offline Auto Finance Channels by Licensed Financial Institution

As at 30 June 2021, Dongzheng AFC had a registered capital of RMB2.14 billion, which provided strong financial support for its loan business.

Dongzheng AFC has established a dealer network with a broad geographical coverage in China. The number of dealers within the sales network was 870 as of 30 June 2021 covering over 225 cities in China. The distribution channels of Dongzheng AFC mainly focus on mid-to high-end brands and its target customer base is those with high consumption power. Leveraging the network advantages and reasonable market layout strategies, Dongzheng AFC provides consumers with satisfactory customers' experiences and services.

In terms of product design, the principal businesses of Dongzheng AFC comprise automotive finance business which provides loans, direct leasing products and other financial services to the end customers, major customers, and corporate clients for purchases of vehicles.

In risk control, for the purposes of risk management, Dongzheng AFC has strengthened its risk management and control capacity with focusing on risk policies, big data risk control, risk monitoring and asset preservation. Owing to the severe impact caused by the pandemic, there were circumstances of overdue principals and interests from certain customers. Although Dongzheng AFC had closely communicated with relevant customers to provide additional credit enhancement measures, relevant loans were classified into non-performing loans according to applicable regulations and taking into account the circumstances of the customers. As at 30 June 2021, the Company's non-performing loan ratio was 10.70%.

Financial Leasing and Insurance Brokerage have been further refined

Under the synergy effect of the Group, Dingze Leasing has made substantial progress in its business. In response to the development trend and industry rules of the small B-end of the automotive industry chain, the Company has created and launched the OCF financial concept and new financial service product U-car (U享車) at the same time. It has been recognised by the market dealer groups and 4S stores, and has achieved a great performance.

As regards the insurance brokerage, the Group further consolidated the online new insurance and renewal insurance businesses, the profitability of which is further strengthened. Meanwhile, by pursuing the "customer-oriented" business philosophy, the Group will provide its customers with a diversified product mix to provide various insurance demands at different stages for its vehicle consumers. At the internal level, the Group will scale up the integration of management and optimize the staffing structure to significantly enhance management efficiency.

(V) Supply chain business

In the first half of 2021, through continuous focusing on passenger motor vehicle brands and social resource brands of Dongfeng Group and FAW, Shengze Jietong Supply Chain Co., Ltd. ("Shengze Jietong") carried out vehicle logistics, vehicle warehousing, spare parts warehousing and distribution services. Currently, Shengze Jietong has 21 dealership stores, involving 123 transportation routes, 1 storage and transportation center and 1 spare parts warehousing center. Various businesses have achieved positive growth for three consecutive years. In the first half of 2021, despite the dual impact of the COVID-19 and the shortage of chips, Shengze Jietong actively maintained close communication with original equipment manufacturers (OEMs) to formulated countermeasures for logistics business models and made adjustment in a timely manner. Giving play to the advantage of multimodal transportation of "roads, railways and waterways", the Group rationalized and scientized transportation routes, integrated transportation resources, and avoided risky routes to improve transportation efficiency. Through strategic cooperation among peers, internal fine scheduling and adjustments, and strengthening of logistics networks, the Group was dedicated to ensuring the business needs of customers in the sector of automotive logistics services.

In the first half of 2021, a total of 200,492 vehicles were shipped under major business brands of vehicle transportation, representing an increase of 16.13% as compared to 172,649 vehicles in the first half of 2020. Of which, the shipment volume of Dongfeng Nissan's business (including its Infiniti and Dongfeng Venucia) increased by 40.71% period-on-period to 185,323 vehicles. The shipment volume of Dongfeng Honda's business in Wuhan plant decreased by 72.11% period-on-period to 4,632 vehicles in the first half of the year which was caused by the routes adjustments by plants of Dongfeng Honda and reduction in chip production. The shipment volume of FAW-Volkswagen business increased by 37.66% period-on-period to 18,343 vehicles. The shipment volume of FAW Benteng/Hongqi/Mazda's businesses decreased by 15.81% period-on-period to 5,354 vehicles in the first half of the year. The shipment volume of Tong Fang Global (Toyota)'s business was 4,097 vehicles in the first half of the year, and the shipment volume of other resource brands was 1,391 vehicles.

In the first half of 2021, the spare parts warehousing and distribution business radiated to 187 dealers in Central China, with the number of packages delivered of 1.6399 million pieces, representing a period-on-period increase of 109.31%, and a period-on-period increase of 6% in customers satisfaction appraise. In terms of vehicle warehousing business, it completed the shuttle task of 50,218 vehicles/time, with the number of customer complaints of zero.

The four certificates, namely Real Estate Certificate, Planning Permit for Use of Land, Planning Permit for Engineering and Commencement Permit of Construction, required for the construction of Shengze Jietong's logistics base park in Hannan have all been obtained. Furthermore, the construction of the main body of warehouse No. 1 has been completed, and a relocation plan based on the principle of "relocation without halting production, relocation and tallying shall be conducted at the same time" will be carried out subsequently. It is expected that the overall relocation work will be completed in October 2022.

In the future, Shengze Jietong's logistics base in Hannan will develop a seamless logistics park of "roads, railways and waterways" for strategic customers, and waterways and railways transportation will bring significant cost effect. Also, it will develop a digital platform with strategic customers to establish an integrated online and offline supply chain service platform, so as to provide functions such as warehousing, transportation, circulation processing and information services for upstream and downstream customers in the automotive (vehicles and spare parts), and ultimately realize the sharing of resources and benefits.

In addition, due to the continuing impact of the pandemic and the shortage of global chip resources, OEMs of various brands have made varying levels of adjustments to the production plans formulated at the beginning of the year. In the second half of the year, Shengze Jietong will continue to focus on and make targeted adjustment to its business strategies, and make positive adjustments to the impact of the recurring epidemic.

In the first half of 2020, the revenue from sales of lubricant oil business was RMB116.97 million, and the revenue from sales for the same period in the first half of 2021 was RMB149.50 million, representing a period-on-period increase of 27.81%. During the reporting period, due to containment of the domestic epidemic, various industries basically resumed normal operations, and revenue from sales in the first half of 2021 increased as compared to the same period of last year. However, the continuous and repeated impact of the overseas COVID-19 and the over-issuance of the US bailout currency resulted in a soaring cost of commodities and oil prices, shortage of global chip and the increasingly fierce competition in the terminal market during the same period, bringing a great shock and negative impact on the overall profit in 2021.

(VI) Comprehensive properties business

To fully utilize on the potential value of the land held by it, the Group planned to conduct construction of comprehensive property projects for its existing 4S dealership stores, which are respectively located in Chongqing, Kunming, Dalian, Shantou and other places in China. All of these comprehensive property projects are apartment projects, and projects in Kunming, Dalian and Shantou have obtained the pre-sale permits for sales. The Group believes that the above arrangement is a reasonable arrangement to improve the efficiency of capital utilisation and will bring higher return for the Shareholders.

(VII) Network development

Balanced and reasonable deployment of the nationwide dealership network for luxury brands, complemented by the continuous optimization of brand portfolio and regional distribution

Insistence on deployment of the nationwide dealership network for luxury brands complemented by ongoing optimization of the brand portfolio and regional distribution

As a leading dealership group of luxury brands in China, the Group continues to focus on the dealership of luxury and ultra-luxury branded automobiles, including Porsche, Benz, BMW, Audi, Jaguar and Land Rover, Hongqi, Volvo, Cadillac and Infiniti. The Group also operates dealership stores of mid to high-end market brands, including FAW-Volkswagen, Buick, Nissan, Toyota, Honda and Hyundai.

As of 30 June 2021, the Group owned 121 dealership stores in 40 cities across 17 provinces and municipalities in China. In the first half of 2021, the Group opened two new 4S stores, namely Chengdu Porsche and Wuhan Benz, and re-secured the authorisation of Volvo in Beijing. In addition, based on the actual operation of the dealership stores and comprehensive analysis of the brand and regional profitability of each dealership store, the Group strategically converted the form for part of its dealership stores and closed down 4 self-operated stores. In response to the development trend of the automobile market, the Group paid close attention to the comprehensive recovery of various dealership stores, the continuous optimization of brands and regions in order to explore new growth drivers.

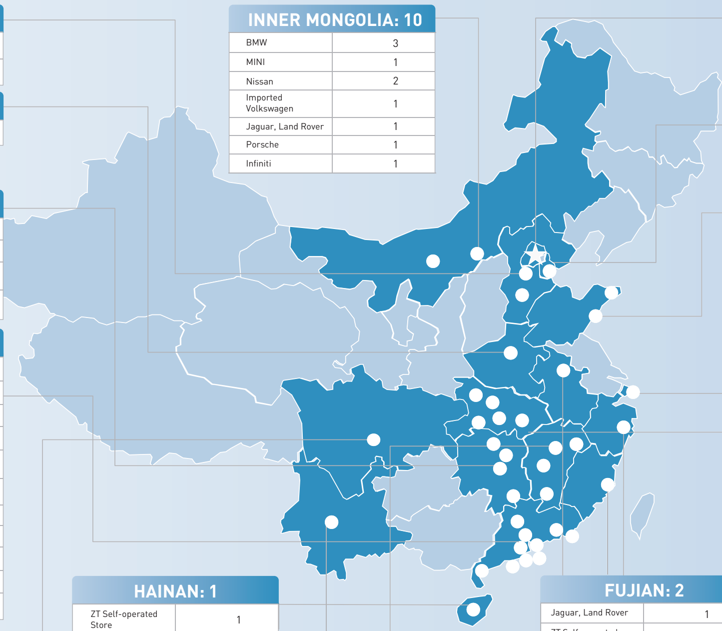
As of 30 June 2021, there were a total of 6 dealership stores under development, which were franchised by 4S stores for core luxury brands, including Porsche, Benz, BMW and Audi, as well as repair centres. The overall new applications for authorisation and project construction have been strategically slowed down, but the Group will make full efforts to promote the superior projects as schedule and open as soon as possible. Furthermore, the Group actively cooperated with OEMs to gradually carry out brand upgrades, strengthened interaction with branded OEMs, and strived to simultaneously improve both quantity and quality, thereby comprehensively improving customer experience and the operating capabilities of each dealership store.

The following table sets forth the details of the Group's dealership stores as of 30 June 2021:

	Dealership stores in operation	Authorized dealership stores to be opened	Total
5S/4S stores for luxury and ultra-luxury brands	75	4	79
4S stores for mid to high-end brands	12	0	12
Urban showrooms for luxury brands	10	0	10
Pre-owned automobile centre	1	0	1
Authorized repair service centres for luxury brands	6	2	8
Self-operated online stores	17	0	17
Total	**121**	**6**	**127**

As a mainstream strategic partner of OEMs of luxury and ultra-luxury brands in the PRC, the Group will continue its network expansion strategies by insisting on the layout of the national luxury brand dealer network and continuously optimize brand structure and regional distribution to achieve a balanced layout of dealership stores for core luxury brands and a refined brand structure in its pursuit of prudent development. In addition, in response to the development trend of the automobile market, the Group paid close attention to new energy vehicle projects and repair centres and other dealership stores in order to actively participate in due course and explore new growth drivers. The Group will also integrate industry resources by seeking appropriate strategic merger and acquisition opportunities as well as innovative strategic operation and cooperation scheme to rapidly enlarge business scale and enhance profitability.

BALANCED AND REASONABLY DISTRIBUTED LUXURY BRAND DEALER NETWORK NATIONWIDE



HEBEI: 2

Jaguar and Land Rover	1
ZT Self-operated Store	1

HENAN: 1

Audi	1

HUNAN: 8

BMW	4
MINI	1
Jaguar and Land Rover	2
ZT Self-operated Store	1

GUANGDONG: 49

Porsche	2
BMW	13
MINI	4
Audi	6
Jaguar and Land Rover	7
Imported Volkswagen	1
Benz	6
Cadillac	1
FAW Toyota	1
FAW Volkswagen	2
ZT Self-operated Store	6

SICHUAN: 3

Porsche	1
BMW	2

INNER MONGOLIA: 10

BMW	3
MINI	1
Nissan	2
Imported Volkswagen	1
Jaguar, Land Rover	1
Porsche	1
Infiniti	1

HAINAN: 1

ZT Self-operated Store	1

JIANGXI: 7

BMW	4
Audi	1
Acura	1
Jaguar, Land Rover	1

YUNNAN: 1

Benz	1

ANHUI: 1

Benz	1

FUJIAN: 2

Jaguar, Land Rover	1
ZT Self-operated Store	1

ZHEJIANG: 3

Jaguar, Land Rover	2
ZT Self-operated Store	1

BEIJING: 5

BMW	2
Jaguar, Land Rover	1
Volvo	1
ZT Self-operated Store	1

TIANJIN: 1

ZT Self-operated Store	1

SHANDONG: 3

Audi	1
Jaguar, Land Rover	1
ZT Self-operated Store	1

SHANGHAI: 5

Nissan	1
Dongfeng Honda	1
BMW	1
Hongqi	1
ZT Self-operated Store	1

HUBEI: 19

BMW	5
MINI	2
Jaguar, Land Rover	1
Buick	2
Audi	1
Nissan	1
Beijing Hyundai	1
Chevrolet	1
Benz	1
FJ Benz	1
Hongqi	1
ZT Self-operated Store	2

Covered Cities   Covered Provinces

(VIII) Innovation of management model and improvement of operational quality

In the first half of 2021, the Group leveraged the business recovery and reshaping by accelerating its "transformation and upgrade" process and applying more new technologies and new models on corporate business management. The Group further introduced innovative concepts on management, implemented refined management measures, and through establishing a learning-oriented organization, the Group strengthened its corporate culture construction, improved its corporate management standard, enhanced its operational efficiency, and further strengthened its core competitiveness.

Strengthening of results review and improvement of operational quality

During the reporting period, the Group continued to optimise the store operation performance-based assessment system, so as to conduct scientific analysis and assessment of the results of its dealership stores through key operation indicators, identify weaknesses in the store business, formulate targeted improvement plans and action plans, and regularly review store results and work of management team, forming a virtuous cycle and effectively promoting the overall improvement of the operational quality of the Group.

Innovative marketing models

Under the regular epidemic prevention and control, the Group's offline business at store was limited due to the reduction in part of customers' willingness to travel. In this end, the Group guided stores to actively explore novel marketing models and maintained interaction and communication with customers through various live broadcasts platform, and broaden marketing channels, with a view to be effectively accessible to potential customers while ensuring hygiene and safety, and effectively improve the efficiency of customer acquisition and business expansion of stores.

Establishment of learning-oriented organization

The Group always recognizes the importance of employee training and development. By establishing a learning-oriented organization, the Group improves employees' professional skills and comprehensive qualities and is able to provide premiere customer services while improving its operational capabilities. In the first half of 2021, Zhengtong Academy, the Group's learning platform, launched 119 online courses, with registered lecturers giving 27 minutes of per capita teaching hours and organization of more than 1,800 special examinations to over 8,000 trainees cumulatively. At the same time, the Group conducted off-line transfer training activities that complemented to online training, put theory into practice and helped trainees to apply new knowledge to actual business situation, thereby effectively improving employees' learning efficiency and business standards.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the Group recorded a revenue of approximately RMB9,612 million, representing an increase of approximately 8.2% as compared to the revenue of approximately RMB8,881 million (restated) in the first half of 2020. The increase in revenue was mainly due to an increase in sales of new automobiles during the period under review.

Revenue of the Group was derived from the sales of new automobiles, after-sales services, financial services and other businesses. In the first half of 2021, revenue from the sales of new automobiles amounted to approximately RMB7,566 million, representing an increase of approximately 12.0% as compared to approximately RMB6,758 million in the first half of 2020, and accounted for approximately 78.7% and 76.1% of the total revenue in the first half of 2021 and 2020, respectively. The revenue from sales of luxury and ultra-luxury branded automobiles increased by approximately 7.9% to approximately RMB6,771 million from approximately RMB6,274 million in the first half of 2020, accounting for approximately 89.5% and 92.8% of revenue from the sales of new automobiles for the first half of 2021 and 2020, respectively.

Revenue from the after-sales services was approximately RMB1,613 million, representing a decline of approximately 8.9% as compared to approximately RMB1,770 million in the first half of 2020. In the first half of 2021, revenue from the after-sales services accounted for approximately 16.8% of the Group's total revenue.

Cost of sales

For the six months ended 30 June 2021, the Group's cost of sales increased by approximately 22.5% to approximately RMB9,581 million as compared to approximately RMB7,820 million (restated) in the first half of 2020. In the first half of 2021, the cost of sales for new automobiles of the Group increased by approximately 25.6% to approximately RMB8,137 million from approximately RMB6,478 million in the first half of 2020. Cost of the after-sales services increased by approximately 2.6% to approximately RMB1,045 million from approximately RMB1,019 million in the first half of 2020.

Gross profit and gross profit margin

For the six months ended 30 June 2021, the Group's gross profit decreased by approximately 97.1% to approximately RMB31 million from approximately RMB1,061 million (restated) in the first half of 2020, and the gross profit margin decreased by approximately 11.6 percentage points to approximately 0.3% from 11.9% in the first half of 2020.

The Group's gross profit was principally derived from after-sales services business, sales of new automobiles business and automobile financing services business. In the first half of 2021, gross profit of sales of new automobiles business decreased by approximately 303.6% to approximately RMB-570 million from approximately RMB280 million in the first half of 2020, mainly due to less vendor rebate had been recognised for the period; Accordingly, gross profit margin of sales of new automobiles was −7.5%, a decrease of 11.6 percentage points as compared to 4.1% in the first half of 2020. Among which, the gross profit of sales of luxury and ultra-luxury branded automobiles declined by approximately 303.5% as compared to the same period of last year to approximately RMB-515 million, and gross profit margin of sales of luxury and ultra-luxury branded automobiles decreased to −7.6% from 4.0% in the first half of 2020. In the first half of 2021, the Group's gross profit of after-sales services business was approximately RMB568 million, representing a decrease of approximately 24.4% as compared to the same period of last year, and gross profit margin of after-sales services business decreased by approximately 7.2 percentage points to approximately 35.2% from approximately 42.4% in the first half of 2020.

Selling and distribution expenses

For the six months ended 30 June 2021, the Group's selling and distribution expenses increased by approximately 26.8% to approximately RMB586 million from approximately RMB462 million in the first half of 2020. The increase in selling and distribution expenses was mainly attributable to the increases in staff cost and publicity costs.

Administrative expenses

For the six months ended 30 June 2021, the Group's administrative expenses amounted to approximately RMB528 million, representing a decrease of approximately 9.4% over approximately RMB583 million in the first half of 2020.

Impairment losses on goodwill and intangible assets

Due to the under-performance of certain 4S dealership stores during the six months ended 30 June 2021, comparing with 2020 financial budgets approved by managements, the Group engaged an external valuer to assist with an impairment test to determine the recoverable amount of the related cash-generating units (the "CGUs") as at 30 June 2021, with the result of recognition of impairment losses of intangible assets of approximately RMB161 million (30 June 2020: RMB549 million). No impairment loss of goodwill was recognised (30 June 2020: RMB916 million), as the goodwill allocated to these CGUs has been fully written off as of 31 December 2020.

Loss from operations

For the six months ended 30 June 2021, the Group's operating loss was approximately RMB762 million. The loss in the first half of 2020 was approximately RMB991 million (restated).

Income tax credit

For the six months ended 30 June 2021, the Group's income tax credit was approximately RMB25 million, the income tax credit amounted to approximately RMB79 million (restated) in the first half of 2020.

Loss for the period

For the six months ended 30 June 2021, the Group's loss for the period was approximately RMB1,519 million, and the loss was approximately RMB1,323 million (restated) in the first half of 2020.

Current assets and current liabilities

As at 30 June 2021, the Group's current assets amounted to approximately RMB12,384 million, representing a decrease of approximately RMB1,571 million as compared to the current assets of approximately RMB13,955 million as at 31 December 2020.

As at 30 June 2021, the Group's current liabilities amounted to approximately RMB17,371 million, representing a decrease of approximately RMB69 million as compared to the current liabilities of approximately RMB17,440 million as at 31 December 2020, which was mainly due to the decrease in loans and borrowings.

Cash flow

As at 30 June 2021, the Group had cash and cash equivalents amounting to approximately RMB545 million, representing an increase of approximately RMB54 million from approximately RMB491 million as at 31 December 2020. The Group's transactions and monetary assets were principally denominated in Renminbi. The Group's primary uses of funds were to pay for purchases of new automobiles, spare parts and automobile accessories and automobile lubricant oil, to repay the Group's loans, borrowings and other indebtedness, to finance the Group's working capital and daily operating expenses and to establish new dealership stores or to acquire dealership stores or other businesses. The Group finances its liquidity requirements through a combination of cash flows generated from the operating activities, bank loans and other financings. For the six months ended 30 June 2021, the Group had net cash outflow of approximately RMB60 million used in its operating activities (six months ended 30 June 2020: cash inflow of approximately RMB569 million), which was primarily due to the increase in purchase of inventory.

Capital expenditure and investment

For the six months ended 30 June 2021, the Group's capital expenditure and investment were approximately RMB412 million.

Inventory

The Group's inventories included vehicles, automobile spare parts and properties under development for sale. In general, each of the Group's dealership stores individually manages the quotas and orders for new automobiles, automobile spare parts and other inventories. In addition, the Group utilizes its information technology systems to manage its inventories, and also monitors the inventories within its whole dealership network and may transfer automobiles from one dealership store to another to rebalance inventory levels. The inventories of the Group amounted to approximately RMB2,090 million as at 30 June 2021, increased by approximately RMB288 million when compared with approximately RMB1,802 million as at 31 December 2020. Such change was mainly due to the increase of inventory of motor vehicle. The Group's average inventory turnover days (excluding the impact of properties under development for sale) in the first half of 2021 decreased by 44.9 days to 27.5 days from 72.4 days in the first half of 2020. The following table sets forth our average inventory turnover days for the period indicated:

	For the six months ended 30 June (day)	
	2021	2020 (Restated)
Average inventory turnover days (excluding the impact of properties under development for sale)	**27.5**	72.4

Foreign exchange risk

The Group conducts its business primarily in Renminbi. Certain bank deposits and bank loans were denominated in foreign currencies. However, the Group's operating cash flow and liquidity have not been subject to significant influence from fluctuations in exchange rate. The Group used cross currency swap to hedge its US-dollar and HKD future loans repayment. As at 30 June 2021, a gross financial liability of approximately RMB0 million measured at fair value was recognised by the Group on the cross currency swap, and gross financial assets of approximately RMB0 million (excluding wealth management products) measured at fair value were recognised (31 December 2020: a gross financial liability of approximately RMB32 million measured at fair value was recognised by the Group on the cross currency swap, and gross financial assets of approximately RMB35 million (excluding wealth management products) measured at fair value).

Liquidity and capital resources

Working capital and capital expenditures of the Group were primarily funded through cash generated from internal operation and borrowings provided by principal banks. As at 30 June 2021, the Group's cash and bank deposits were approximately RMB1,818 million (including: pledged bank deposits of approximately RMB1,046 million, time deposits of approximately RMB453 million and cash and cash equivalents of approximately RMB319 million), representing a decrease of approximately RMB10 million, from approximately RMB1,828 million as at 31 December 2020. As at 30 June 2021, loans and borrowings, lease liabilities and bonds payable of the Group amounted to approximately RMB15,844 million (31 December 2020: loans and borrowings, lease liabilities, and bonds payable of the Group amounted to approximately RMB14,664 million). Save as loans and borrowings, lease liabilities, and bonds payable of approximately RMB12,142 million that bear fixed interest rates, other loans and borrowings bear floating interest rates. As at 30 June 2021, net gearing ratio of the Group was approximately 368.1%, (31 December 2020: approximately 241.6%). Net gearing ratio was calculated as loans and borrowings, lease liabilities, and bonds payable less cash and bank deposits divided by total equity. The Group will actively consider various financing methods to improve its existing financial position and reduce the degree of leverage of the Group.

Pledged assets of the Group

The Group has pledged its assets as security for loans and borrowings as well as bank financings to be used as working capital for daily operations. As at 30 June 2021, the pledged assets of the Group amounted to approximately RMB7,146 million (31 December 2020: approximately RMB11,128 million).

Material acquisition and disposal of subsidiary and associate

On 20 October 2020, the Company received from Shanghai Office of CBIRC an administrative decision against the Company (the "CBIRC Decision"), alleging that (i) the Company obtained administrative licenses and permits for the establishment of Dongzheng AFC, a subsidiary of the Company, by improper means and the Company and its related parties engaged in non-compliant related-party transactions with Dongzheng AFC; and (ii) Dongzheng AFC's dealer auto loan business was carried out in serious violation of the principle of prudent operation. CBIRC required that the Company shall withdraw its interests in Dongzheng AFC within 3 months from the date of the CBIRC Decision.

In response to the CBIRC Decision, the Company had committed to sell its entire interests in Dongzheng AFC. The Company had been actively identifying potential purchasers and had engaged a financial adviser to assist on the possible disposal of its interests in Dongzheng AFC (the "Potential Disposal") with an objective of achieving a completed sale within 2021. Accordingly, the interests in Dongzheng AFC have been presented as a disposal group held for sale as at 30 June 2021 and as discontinued operations for the period under review.

As of 30 June 2021, no binding sales and purchase agreements have been entered into by the Company with any potential purchasers and no valuation of Dongzheng AFC has been performed in respect of the Potential Disposal, and the discussion and negotiation are still in progress although the three-month period as requested by CBIRC has expired.

Save as the abovesaid Potential Disposal, there is no material acquisition and disposal of subsidiary and associate as of the date of this report.

Investments held in foreign currency and hedging

For the six months ended 30 June 2021, the Group did not hold any investments denominated in foreign currencies. Furthermore, the Group's working capital or liquidity did not encounter any material difficulties or material impacts as a result of the movement in exchange rate.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 7,740 employees in China (31 December 2020: 7,997 employees). The total staff costs incurred for the six months ended 30 June 2021 was approximately RMB385 million (for the six months ended 30 June 2020: approximately RMB311 million). The Group offers competitive remuneration packages and welfare benefits, including pension, work-related compensation benefits, maternity insurance, medical and unemployment benefit plans. The Group also provides the employees with good working environment and diversified training program.

FUTURE OUTLOOK AND STRATEGIES

As the prevention and control of COVID-19 has become normalized, China's economy has further demonstrated its development vigour, the macro-economy has developed steadily, the household consumption has continued to rise, the automobile consumption upgrading trend will continue and the development prospects of the luxury branded automobiles market will be promising.

Based on the outlook of the future market, the Group has formulated short-term, medium-term and long-term and targeted development strategies based on the operational status. In the short term, the Group will introduce strategic investment partners, eliminate its liquidity risks, improve operating environment, enhance operating efficiency, and accelerate business recovery to its due level. In the medium term, leveraging on a diversified portfolio of luxury brands and personalized finance, insurance and other high value-added services, the Group will adhere to the development strategy rooted in the luxury vehicle market, continue to improve the network layout of luxury brands so as to create a leading consumer experience for customers and continue to enhance the competitiveness of the market. In the long term, based on the luxury vehicle market, the Group will integrate superior resources, enhance external cooperation and form a business loop centring on the whole car ownership cycle, aiming to build a world-class automobile service brand. During this period, the Group will accelerate the process of transformation and upgrading, continue to optimize internal management, improve operational efficiency and continue to create greater value for Shareholders, staff and society.

OTHER INFORMATION

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

As at 30 June 2021, the interests and/or short positions of the Directors and chief executive of the Company and their respective associates in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(i) Long positions in the shares ("Shares") and underlying Shares of the Company:

Name of Director	Capacity/nature of interest	Number of Shares/ underlying Shares Long position	Approximate percentage of shareholding
Wang Muqing	Founder of discretionary trust	1,383,516,820 (Note 2)	50.41%
Wang Kunpeng	Beneficial owner	5,630,000 (Note 3)	0.21%
Li Zhubo	Beneficial owner	5,550,000 (Note 4)	0.20%
Wan To	Beneficial owner	3,000,000 (Note 5)	0.11%

Notes:

1. As at 30 June 2021, the total number of Shares in issue was 2,744,542,420.

2. These Shares were directly held by Joy Capital Holdings Limited ("Joy Capital"), the entire voting share capital of which was held by Bright Brilliant Holdings Limited ("Bright Brilliant"), which in turn was wholly-owned by Credit Suisse Trust Limited in Guernsey as trustee of a new family discretionary trust of which Wang Muqing is one of the founders (the other founder being Wang Boheng who is the grandson of Wang Muqing).

   On 19 October 2020, Joy Capital (as seller) and Mr. Wang Muqing entered into a sale and purchase agreement (the "SPA") with Xiamen Xindeco Ltd. (廈門信達股份有限公司) (as purchaser) ("Xiamen Xindeco"), pursuant to which Joy Capital conditionally agreed to sell 806,535,284 Shares to Xiamen Xindeco, completion of which will be subject to fulfilment or waiver (as the case may be) of the conditions set out in the SPA.

   On 30 July 2021, the Group was informed by Joy Capital that Xiamen Xindeco had withdrawn from the original transaction and Joy Capital entered into the supplemental agreement (the "Supplemental Agreement" with the original parties and Xiamen ITG Holding Group Co., Ltd. (廈門國貿控股集團有限公司) ("ITG Holding"). Pursuant to the Supplemental Agreement, ITG Holding shall enjoy all such rights and assume all such obligations of Xiamen Xindeco under the SPA, and the number of Shares to be transferred under the SPA has been adjusted to 820,618,184 (representing 29.9% of the entire issued share capital of the Company as at the date of the Supplemental Agreement), at a total consideration of HK$1,427,875,640.16, representing HK$1.74 per Share which remains unchanged (subject to adjustment in accordance with the terms of the SPA).

   On 31 August 2021, the Company was informed by Joy Capital that all of the conditions precedent as set out in the SPA (as amended by the Supplemental Agreement) have been fulfilled or waived and completion of the SPA took place in accordance with the terms and conditions of the SPA (as amended by the Supplemental Agreement) on that date. Upon completion of the SPA (as amended by the Supplemental Agreement), the New Purchaser holds 820,618,184 Shares, representing approximately 29.90% of the Company's share capital in issue and becomes the single largest Shareholder, Joy Capital holds 562,898,636 Shares, representing approximately 20.51% of the Company's share capital in issue, and is no longer a controlling shareholder of the Company.

3. Among those Shares, 4,400,000 Shares granted to Wang Kunpeng and issued to BOCI-Prudential Trustee Limited ("Trustee") on 22 April 2021 on trust for him under and pursuant to the terms and conditions of the Share Award Scheme (as defined below) were vested in Mr. Wang on 15 June 2021.

4. Among those Shares, 4,000,000 Shares granted to Li Zhubo and issued to the Trustee on 22 April 2021 on trust for him under and pursuant to the terms and conditions of the Share Award Scheme were vested in Mr. Li on 15 June 2021.

5. The 3,000,000 Shares granted to Wan To and issued to the Trustee on 22 April 2021 on trust for him under and pursuant to the terms and conditions of the Share Award Scheme were vested in Mr. Wan on 15 June 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executive of the Company or any of their respective associates had or was deemed to have any interest or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2021, the interests and/or short positions of the substantial shareholders (other than the Directors or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO were as follows:

Name of Shareholders	Capacity/nature of interest	Number of Shares Held Long Position (L) Short Position (S) Lending Pool (P)	Approximate percentage of shareholding
Joy Capital	Beneficial owner	1,383,516,820 (Note 2)	50.41%
Bright Brilliant	Interest of a controlled corporation	1,383,516,820 (Note 2)	50.41%
Credit Suisse Trust Limited	Trustee	1,383,516,820 (Note 2)	50.41%
Wang Boheng	Founder of a discretionary trust	1,383,516,820 (Note 2)	50.41%
Xiamen Xindeco	Other (Note 3)	806,535,284	29.39%

Notes:

1. As at 30 June 2021, the total number of Shares in issue was 2,744,542,420.

2. Please refer to note 2 on P.16 of this report for interests of Joy Capital, Bright Brilliant, Credit Suisse Trust Limited and Wang Boheng in Shares.

3. On 19 October 2020, Xiamen Xindeco (as purchaser) entered into the SPA with Joy Capital (as seller) and Mr. Wang Muqing pursuant to which Xiamen Xindeco conditionally agreed to purchase 806,535,284 Shares from Joy Capital, completion of which will be subject to fulfilment or waiver (as the case may be) of the conditions set out in the SPA. Please refer to Note 2 on P.16 of this report for further details regarding Xiamen Xindeco's interests in Shares.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

(a) Share Option Scheme

The Company has adopted a share option scheme ("Share Option Scheme") pursuant to a resolution in writing passed by the Shareholders on 17 November 2010, which enables the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. The Share Option Scheme became effective on 10 December 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption.

Eligible participants of the Share Option Scheme include the following:

(i) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of the Company's subsidiaries or any entity (the "Invested Entity") in which the Group holds an equity interest;

(ii) any non-executive directors (including independent non-executive directors) of the Company, any of the Company's subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the growth of the Group, and for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

As of the date of this report, the total number of Shares available for issue under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, i.e. 200,000,000 Shares, representing approximately 7.29% of the issued share capital of the Company as at the date of this report.

The maximum number of Shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant (other than a substantial Shareholder, chief executive or Director as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of share options in excess of the Individual Limit is subject to Shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding any independent non-executive director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, in the 12-month period up to and including the date of grant, are subject to Shareholders' approval in general meeting.

The offer of a grant of share options may be accepted by a participant within 21 days from the date of offer upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the options subject to the provisions for early termination under the Share Option Scheme.

The subscription price for shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of (i) the closing price of Shares as stated in the daily quotation sheets of the Stock Exchange on the date of the offer of the grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Shares.

No options have been granted under the Share Option Scheme since its adoption.

The Share Option Scheme expired on 16 November 2020.

(b) Pre-IPO Share Option Scheme

The Company has, based on a framework plan formulated on 9 August 2010, formally adopted a pre-initial public offering share option scheme ("Pre-IPO Share Option Scheme") pursuant to a resolution in writing passed by the Shareholders on 17 November 2010, which enables the Company to recognise and reward the contribution of certain Directors, senior management and employees of the Group to the growth and development of the Group and the listing of Shares on the Stock Exchange.

The share options in the Pre-IPO Share Option Scheme were fully exercised/lapsed during the year ended 31 December 2017, there was no share options outstanding as at 30 June 2021.

(c) Restricted Share Award Scheme

Adoption of the Share Award Scheme

The Company adopted a restricted share award scheme ("Share Award Scheme") on 12 June 2020 ("Adoption Date"), which enables the Company to, among other things, provide selected participants with an opportunity to acquire a proprietary interest in the Company; to encourage and retain participants to work with the Group; to provide additional incentive for selected participants to achieve performance goals; and to attract personnel to join the Group, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the selected participants directly to the Shareholders through ownership of Shares. The Share Award Scheme shall initially be valid and effective for a period of ten years from the Adoption Date subject to early termination as stipulated under the rules related to the Share Award Scheme ("Scheme Rules").

Any employees or directors of the Company or any of its subsidiaries whom the Board considers, in its sole discretion, to have contributed or will contribute to the Group and who are nominated and selected by the Board and approved by the remuneration committee of the Board ("Remuneration Committee") (as to identities of the selected participants and determination of the number of Shares subject to the grant ("Grant Shares")) in accordance with the terms of the Scheme Rules may be qualified as a selected participants under the Share Award Scheme.

Subject to the Scheme Rules, the Grant Shares shall be new Shares to be issued and allotted by the Company for nil consideration. The Grant Shares are subject to acceptance of the selected participants. For the purpose of implementing and administering the Share Award Scheme, the Company has appointed BOCI-Prudential Trustee Limited as the Trustee. Shares granted and/or to be granted under the Share Award Scheme shall be issued and allotted to the Trustee who shall hold such Shares upon trust for the benefit of the selected participants and shall vest and transfer to the relevant selected participants after fulfilment of all vesting conditions as set out in the Scheme Rules and subject to the vesting schedule ranging from the first to the fourth anniversary of the date on which the Grant Shares is granted ("Grant Date"), as determined and applicable to relevant selected participants according to their respective tenure of office with and/or level of position in the Group.

The aggregate number of Shares administered under the Share Award Scheme and underlying all grants of Shares (excluding Shares where the rights to acquire them has been released or lapsed in accordance with the Share Award Scheme) made pursuant to the Share Award Scheme shall not exceed in total 5% of the Company's issued Shares as at the Adoption Date. The maximum number of Shares which may be granted to an individual selected participant shall not exceed 1% of the issued Shares as at the Adoption Date.

Where any grant is proposed to be made to any selected participant who is a connected person (including a Director), such grant must first be approved by all the independent non-executive Directors and in each case excluding any independent non-executive Director who is the proposed selected participant and shall be separately approved by the Shareholders in general meeting with such connected person and his associates abstaining from voting and shall comply with all other requirements of Chapter 14A of the Listing Rules applicable to such grant.

The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No Shareholders' approval is required to adopt the Share Award Scheme.

On 12 June 2020, based on the recommendation of the Remuneration Committee, the Board considered and approved the grant of a total of 47,100,000 Grant Shares to 40 selected participants in accordance with the terms of the Share Award Scheme. On 22 April 2021, the Trustee were issued and allotted with a total of 47,100,000 new Shares which shall be held by the Trustee on trust for those selected participants and will be transferred to such selected participants at no cost upon satisfaction of the vesting conditions as set out in the Scheme Rules.

Out of the 47,100,000 Grant Shares, (i) 35,700,000 Grant Shares were granted to 37 non-connected selected participants, all being independent employees of the Group who are not connected persons of the Company, which shall be satisfied by the allotment and issue of new Shares, fully paid or credited as fully paid to the Trustee pursuant to the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 12 June 2020; and (ii) 11,400,000 Grant Shares were granted to 3 executive Directors of the Company, namely, Mr. Wang Kunpeng, Mr. Li Zhubo and Mr. Wan To, which shall be satisfied by the allotment and issue of new Shares, fully paid or credited as fully paid to the Trustee pursuant to the specific mandate granted by the independent Shareholders to the Directors at the extraordinary general meeting of the Company held on 17 September 2020.

The nominal value of the 47,100,000 Grant Shares is HK$4,710,000. The issue price of the Grant Shares is based on the average five-day closing price of the Shares immediately preceding but excluding the Grant Date (i.e. 12 June 2020) of approximately HK$1.178 per Share and the market value of such 47,100,000 Grant Shares is HK$55,483,800.

During the reporting period, details of the interests of the selected participants under the Share Award Scheme are set out below:

		Number of Grant Shares					
	Grant Date	As at the Grant Date	Granted during the period from the Grant Date up to 30 June 2021	Vested during the period from the Grant Date up to 30 June 2021	Lapsed during the period from the Grant Date up to 30 June 2021	Outstanding as at 30 June 2021	Vesting date/ period (Note 1)
WANG Kunpeng	12 June 2020	4,400,000	—	4,400,000	—	—	15 June 2021
LI Zhubo	12 June 2020	4,000,000	—	4,000,000	—	—	15 June 2021
WAN To	12 June 2020	3,000,000	—	3,000,000	—	—	15 June 2021
37 selected participants who are independent employees of the Group	12 June 2020	35,700,000	—	8,080,000	8,340,000	19,280,000	15 June 2021 to 12 June 2024 (Note 2)
		47,100,000		**19,480,000**		**19,280,000**	

Notes:

1. The allotment and issue of the Grant Shares and the vesting thereof to the selected participants shall be subject to the satisfaction of the annual performance review of the relevant selected participants and other vesting conditions applicable to them as set out in the Scheme Rules.

2. During the period from the Grant Date up to 30 June 2021, 7 selected participants tendered their resignation and ceased to be participants under the Share Award Scheme, hence their 8,340,000 Grant Shares became immediately forfeited, as such grant automatically lapsed forthwith. The Trustee shall hold such 8,340,000 Grant Shares for the time being which shall be applied towards future grants. Among the 19,280,000 Grant Shares, subject to the satisfaction of the annual performance review of the relevant selected participants and other vesting conditions applicable to them, (i) 8,120,000 Grant Shares will vest on 12 June 2022 (i.e. the second anniversary of the Grant Date); (ii) 8,120,000 Grant Shares will vest on 12 June 2023 (i.e. the third anniversary of the Grant Date) and (iii) 3,040,000 Grant Shares will vest on 12 June 2024 (i.e. the fourth anniversary of the Grant Date).

The said 47,100,000 Grant Shares represent approximately 1.92% of the total number of issued Shares as at the Grant Date and approximately 1.72% of the total number of issued Shares as at the date of this report.

For details of the summary of the major terms of the Share Award Scheme, please refer to the announcements of the Company dated 12 June 2020 and 18 June 2020 and the circular of the Company dated 31 August 2020.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

On 16 January 2018, the Company (as borrower) entered into a facility agreement with nineteen financial institutions (as lenders) for a syndicated term loan facility for an initial aggregate amount of US$380 million (with a green shoe option of an amount up to US$600 million (inclusive of the said initial amount)). As at 30 June 2021, the loan amounted to US$225 million. The final repayment date of the loan facility shall be the date falling 54 months after the first utilization date. Pursuant to the facility agreement, at any time before completion of the Transaction (as defined below), Mr. Wang Muqing (王木清先生), and his close relatives or any trust of which Mr. Wang and his close relatives are beneficiaries, are required to hold (whether directly or indirectly) no less than 50% of the total issued share capital of the Company. For details, please refer to the announcement of the Company dated 23 January 2018.

On 30 November 2018, the Company (as borrower) entered into a facility agreement with six financial institutions (as lenders) for a syndicated term loan facility for an aggregate amount of US$150 million. As at 30 June 2021, the loan amounted to US$102 million. The final repayment date of the loan facility shall be the date falling 36 months after the first utilization date. Pursuant to the facility agreement, at any time before completion of the Transaction (as defined below), Mr. Wang Muqing (王木清先生), and his close relatives or any trust of which Mr. Wang and his close relatives are beneficiaries, are required to hold (whether directly or indirectly) no less than 50% of the total issued share capital of the Company. For details, please refer to the announcement of the Company dated 24 December 2018.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

PROPOSED INTERIM DIVIDEND

Given the severity of the COVID-19 epidemic development across the world and its unfathomable impact on the local and global economy in the foreseeable future, the Board has decided that no interim dividends shall be paid out for the six months ended 30 June 2021 after thorough consideration. The Board considers such consideration a reasonable move under current situation and feels optimistic with the economic recovery from COVID-19 and resumption of our dividends policy.

EVENTS AFTER REPORTING PERIOD

On 19 October 2020, Joy Capital (as seller) and Mr. Wang Muqing entered into the SPA with Xiamen Xindeco (as purchaser) pursuant to which Joy Capital conditionally agreed to sell 806,535,284 Shares to Xiamen Xindeco, completion of which will be subject to fulfilment or waiver (as the case may be) of the conditions set out in the SPA.

On 30 July 2021, the Company was informed by Joy Capital that upon negotiations between the parties, Xiamen Xindeco had withdrawn from the purchase of 806,535,284 Shares pursuant to the SPA. On the same date, Joy Capital entered into the Supplemental Agreement with the original parties and ITG Holding (the "New Purchaser") to amend certain major terms of the SPA.

The parties to the Supplemental Agreement agreed (among other things) that (i) the New Purchaser shall enjoy all such rights and assume all such obligations of Xiamen Xindeco under the SPA; (ii) the number of Shares to be transferred under the SPA has been adjusted to 820,618,184 (representing 29.9% of the entire issued share capital of the Company as at the date of the Supplemental Agreement), at a total consideration of HK$1,427,875,640.16, representing HK$1.74 per Share which remains unchanged (subject to adjustment in accordance with the terms of the SPA) (the "Transaction"); and (iii) subject to the relevant candidates satisfying the relevant requirements regarding directors of listed companies under the Listing Rules, Joy Capital shall procure that three candidates nominated by the New Purchaser shall be appointed as Directors, with the appointment of two of which to be effective on the date of completion of the Transaction and the remaining one to be effective on 9 October 2021. Joy Capital shall procure the resignation of two existing executive Directors which shall take effect on the date of completion of the Transaction and of one existing executive Director which shall take effect on 9 October 2021. Joy Capital has agreed to support the Director(s) so nominated by the New Purchaser to be the Chairman of the Board, the chief executive officer of the Company and the chairman of the nomination committee of the Board ("Nomination Committee"). The Supplemental Agreement also stipulates consequential changes to conditions precedent to the Transaction and the Transaction is now subject to, among other things, approval by the shareholder of the New Purchaser.

On 31 August 2021, the Company was informed by Joy Capital that all of the conditions precedent as set out in the SPA (as amended by the Supplemental Agreement) have been fulfilled or waived and completion of the SPA took place in accordance with the terms and conditions of the SPA (as amended by the Supplemental Agreement) on that date. Upon completion of the SPA (as amended by the Supplemental Agreement), the New Purchaser holds 820,618,184 Shares, representing approximately 29.90% of the Company's share capital in issue and becomes the single largest Shareholder, Joy Capital holds 562,898,636 Shares, representing approximately 20.51% of the Company's share capital in issue, and is no longer a controlling shareholder of the Company.

The New Purchaser is a Fortune Global 500 Company with operations in commodity trading, circulation automobile trading, logistics business, commodity retail business and others. Following completion of the Transaction, the Company would expect such relationship with the New Purchaser as the single largest shareholder to provide synergies and significant opportunities for the Group to further develop and strengthen the development of the Group's businesses by leveraging on the scale, network and financial strength of the New Purchaser.

For further details of the Transaction, please refer to the announcements of the Company dated 20 October 2020, 30 July 2021 and 31 August 2021.

CORPORATE GOVERNANCE

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its Shareholders.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules. The Company had complied with the code provisions set out in the CG Code throughout the six months ended 30 June 2021.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a securities dealing code ("Securities Dealing Code") regarding securities transactions of the Directors with standards no less exacting than that of the Model Code. In response to a specific enquiry by the Company, each of the Directors confirmed that they had complied with the Securities Dealing Code and the Model Code throughout the six months ended 30 June 2021.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules during the reporting period, the changes in information of Directors of the Company are set out below:

Director	**Details of Changes**
Dr. WONG Tin Yau, Kelvin	• Ceased to be an independent non-executive director of I.T Limited, a company which had withdrawn from listing on the Stock Exchange • Retired as an independent non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company listed on the Stock Exchange and the Shanghai Stock Exchange

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "Audit Committee") comprises three members, all of whom are independent non-executive directors of the Company, namely Dr. Wong Tin Yau, Kelvin (the chairman of the Audit Committee), Dr. Cao Tong and Ms. Wong Tan Tan.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for six months ended 30 June 2021. KPMG, the Group's external auditor, has carried out a review of the unaudited interim consolidated financial statements for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

For and on behalf of the board of Directors of
China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司
Wang Muqing
Chairman

31 August 2021

INDEPENDENT REVIEW REPORT

Review Report to the Board of Directors of
China ZhengTong Auto Services Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 28 to 62 which comprises the consolidated statement of financial position of China ZhengTong Auto Services Holdings Limited (the "Company") as of 30 June 2021, and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months then ended, and notes to the interim financial report. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2021 — unaudited

(Expressed in RMB'000)

	Note	Six months ended 30 June **2021**	2020 (Restated) (Note)
Continuing operations			
Revenue	4	**9,612,130**	8,881,114
Cost of sales		**(9,580,777)**	(7,820,190)
Gross profit		**31,353**	1,060,924
Other income	5	**481,826**	458,874
Selling and distribution expenses		**(585,652)**	(462,169)
Administrative expenses		**(528,409)**	(583,371)
Impairment losses on goodwill and intangible assets	12	**(161,308)**	(1,465,413)
Loss from operations		**(762,190)**	(991,155)
Finance costs	6(a)	**(599,888)**	(518,537)
Share of profit of a joint venture and associates		**19,435**	7,427
Loss before taxation	6	**(1,342,643)**	(1,502,265)
Income tax credit	7	**25,304**	79,446
Loss for the period from continuing Operations		**(1,317,339)**	(1,422,819)
Discontinued operations			
(Loss)/profit for the period from discontinued operations, net of tax	23(i)	**(201,356)**	99,464
Loss for the period		**(1,518,695)**	(1,323,355)
(Loss)/profit for the period attributable to:			
Equity shareholders of the Company			
— from continuing operations		**(1,312,432)**	(1,436,161)
— from discontinued operations		**(143,042)**	70,658
		(1,455,474)	(1,365,503)
Non-controlling interests			
— from continuing operations		**(4,907)**	13,343
— from discontinued operations		**(58,314)**	28,805
		(63,221)	42,148
Loss for the period		**(1,518,695)**	(1,323,355)
Basic and diluted (loss)/earning per share			
— from continuing operations (RMB cents)	8	**(48.7)**	(58.6)
— from discontinued operations (RMB cents)	8	**(5.3)**	2.9
		(54.0)	(55.7)

Note: The presentation of certain comparative information in respect of the six months ended 30 June 2020 has been restated to show the discontinued operations separately from continuing operations.

The notes on pages 35 to 62 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021 — unaudited

(Expressed in RMB'000)

	Six months ended 30 June	
	2021	2020 (Restated) (Note)
Loss for the period	**(1,518,695)**	(1,323,355)
Other comprehensive income for the period (after tax):		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of:		
— financial statements of entities outside of the Mainland China	**2,589**	(4,797)
Other comprehensive income for the period	**2,589**	(4,797)
Total comprehensive income for the period	**(1,516,106)**	(1,328,152)
Attributable to:		
Equity shareholders of the Company		
— from continuing operations	**(1,309,843)**	(1,440,958)
— from discontinued operations	**(143,042)**	70,658
	(1,452,885)	(1,370,300)
Non-controlling interests		
— from continuing operations	**(4,907)**	13,343
— from discontinued operations	**(58,314)**	28,805
	(63,221)	42,148
Total comprehensive income for the period	**(1,516,106)**	(1,328,152)

Note: The presentation of certain comparative information in respect of the six months ended 30 June 2020 has been restated to show the discontinued operations separately from continuing operations.

The notes on pages 35 to 62 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 — unaudited

(Expressed in RMB'000)

	Note	At 30 June 2021	At 31 December 2020
Non-current assets			
Property, plant and equipment	10	**6,151,468**	6,098,398
Right-of-use assets	11	**2,845,924**	3,036,412
Intangible assets	12	**2,737,757**	2,979,596
Goodwill	12	**693,791**	693,791
Interest in associates		**536,321**	516,887
Deferred tax assets		**483,963**	442,782
Long-term receivables		**249,932**	237,924
Other financial assets	13	**—**	35,000
		13,699,156	14,040,790
Current assets			
Inventories	14	**2,090,021**	1,801,768
Trade and bills receivables	15	**1,097,501**	1,054,337
Prepayments, deposits and other receivables	16	**3,699,442**	4,373,866
Other financial assets	13	**265,000**	250,000
Pledged bank deposits	17	**1,045,948**	989,711
Time deposits		**452,530**	443,180
Cash and cash equivalents	18	**319,390**	395,119
Assets held for sale	23	**3,414,663**	4,647,182
		12,384,495	13,955,163
Current liabilities			
Loans and borrowings	19	**11,870,618**	10,122,239
Lease liabilities		**271,638**	529,620
Trade and other payables	20	**3,830,045**	4,197,308
Income tax payables		**331,672**	387,750
Liabilities held for sale	23	**1,066,792**	2,203,270
		17,370,765	17,440,187
Net current liabilities		**(4,986,270)**	(3,485,024)
Total assets less current liabilities		**8,712,886**	10,555,766

The notes on pages 35 to 62 form part of this interim financial report.

at 30 June 2021 — unaudited

(Expressed in RMB'000)

	Note	At 30 June 2021	At 31 December 2020
Non-current liabilities			
Loans and borrowings	19	**1,213,874**	1,433,964
Bonds payable		**1,411,613**	1,417,105
Lease liabilities		**1,074,757**	1,161,212
Deferred tax liabilities		**964,605**	946,546
Trade and other payables	20	**237,634**	251,656
Other financial liabilities		**—**	32,383
		4,902,483	5,242,866
NET ASSETS		**3,810,403**	5,312,900
CAPITAL AND RESERVES	22		
Share capital		**235,203**	231,265
Reserves		**2,433,615**	3,876,829
Total equity attributable to equity shareholders of the Company		**2,668,818**	4,108,094
Non-controlling interests		**1,141,585**	1,204,806
TOTAL EQUITY		**3,810,403**	5,312,900

Approved and authorised for issue by the board of directors on 31 August 2021.

Wang Kunpeng
Director, CEO

Li Zhubo
Director, CFO

The notes on pages 35 to 62 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021 — unaudited

(Expressed in RMB'000)

	Attributable to shareholders of the Company										
	Share capital	Share premium	Capital reserve	PRC statutory reserve	Exchange reserve	Discretionary surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2020	209,150	6,112,674	607,161	777,763	(17,952)	4,459	156,047	4,568,966	12,418,268	1,222,029	13,640,297
Changes in equity for the six months ended 30 June 2020:											
(Loss)/profit for the period	–	–	–	–	–	–	–	(1,365,503)	(1,365,503)	42,148	(1,323,355)
Other comprehensive income	–	–	–	–	(4,797)	–	–	–	(4,797)	–	(4,797)
Total comprehensive income for the period	–	–	–	–	(4,797)	–	–	(1,365,503)	(1,370,300)	42,148	(1,328,152)
Equity settled share-based transactions	–	–	1,705	–	–	–	–	–	1,705	–	1,705
Dividends (note 22(a))	–	–	–	–	–	–	–	–	–	(7,725)	(7,725)
Balance at 30 June 2020 and 1 July 2020	209,150	6,112,674	608,866	777,763	(22,749)	4,459	156,047	3,203,463	11,049,673	1,256,452	12,306,125
Changes in equity for the six months ended 31 December 2020:											
Loss for the period	–	–	–	–	–	–	–	(7,213,603)	(7,213,603)	(51,646)	(7,265,249)
Other comprehensive income	–	–	–	–	19,569	–	–	–	19,569	–	19,569
Total comprehensive income for the period	–	–	–	–	19,569	–	–	(7,213,603)	(7,194,034)	(51,646)	(7,245,680)
Issue of ordinary shares by placement (note 22(b))	22,115	214,735	–	–	–	–	–	–	236,850	–	236,850
Equity settled share-based transactions	–	–	15,605	–	–	–	–	–	15,605	–	15,605
Appropriation to reserves	–	–	–	19,465	–	–	–	(19,465)	–	–	–
Balance at 31 December 2020	231,265	6,327,409	624,471	797,228	(3,180)	4,459	156,047	(4,029,605)	4,108,094	1,204,806	5,312,900

The notes on pages 35 to 62 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021 — unaudited

(Expressed in RMB'000)

	Attributable to shareholders of the Company											
	Share capital	Share premium	Treasury shares held for the share award scheme	Capital reserve	PRC statutory reserve	Exchange reserve	Discretionary surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2021	231,265	6,327,409	—	624,471	797,228	(3,180)	4,459	156,047	(4,029,605)	4,108,094	1,204,806	5,312,900
Changes in equity for the six months ended 30 June 2021:												
Loss for the period	—	—	—	—	—	—	—	—	(1,455,474)	(1,455,474)	(63,221)	(1,518,695)
Other comprehensive income	—	—	—	—	—	2,589	—	—	—	2,589	—	2,589
Total comprehensive income for the period	—	—	—	—	—	2,589	—	—	(1,455,474)	(1,452,885)	(63,221)	(1,516,106)
Equity settled share-based transactions (note 21(b), 22(b))	3,938	—	(3,938)	13,609	—	—	—	—	—	13,609	—	13,609
Appropriation to reserves	—	—	—	—	4,843	—	—	—	(4,843)	—	—	—
Balance at 30 June 2021	235,203	6,327,409	(3,938)	638,080	802,071	(591)	4,459	156,047	(5,489,922)	2,668,818	1,141,585	3,810,403

The notes on pages 35 to 62 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2021 — unaudited

(Expressed in RMB'000)

	Note	Six months ended 30 June 2021	2020
Operating activities			
Cash generated from operations		**37,223**	679,672
Tax paid		**(97,292)**	(110,467)
Net cash (used in)/generated from operating activities		**(60,069)**	569,205
Investing activities			
Payment for the purchase of property, plant and equipment		**(452,619)**	(550,819)
Payment for right-of-use assets		**—**	(13,733)
Payment for purchase of intangible assets		**(1,767)**	(2,116)
Net cash used in acquisition of business		**(35,500)**	(35,500)
Dividend received from joint venture		**—**	24,061
Proceeds from disposal of financial assets		**20,000**	—
Proceeds from disposal of property, plant and equipment		**465,556**	198,135
Other cash generated from/(used in) investing activities		**352**	(12,177)
Net cash used in investing activities		**(3,978)**	(392,149)
Financing activities			
Dividends paid to non-controlling interests		**—**	(7,725)
Proceeds from loans and borrowings		**5,355,948**	10,175,980
Repayment of loans and borrowings		**(4,156,098)**	(10,209,220)
Capital element of lease rentals paid		**(348,612)**	(147,893)
Interest element of lease rentals paid		**(47,053)**	(54,797)
Interest paid		**(604,952)**	(528,401)
Other cash used in financing activities		**(80,325)**	(116,551)
Net cash generated from/(used in) financing activities		**118,908**	(888,607)
Net increase/(decrease) in cash and cash equivalents		**54,861**	(711,551)
Cash and cash equivalents at 1 January		**490,540**	1,497,400
Effect of foreign exchange rate changes		**(510)**	5,322
Cash and cash equivalents at 30 June	18	**544,891**	791,171

The notes on pages 35 to 62 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1 GENERAL INFORMATION

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

The Company and its subsidiaries (collectively, the "Group") are principally engaged in 4S dealership business, supply chain business, financial services business and comprehensive properties business in the People's Republic of China (the "PRC").

2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issue on 31 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report is unaudited, but has been reviewed by the Company's auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA. KPMG's independent review report to the board of directors is included on page 26.

2 BASIS OF PREPARATION (Continued)

The outbreak of COVID-19 had a severe and direct impact on the financial performance of the Group in 2020, which led to continual decline in the Group's financial performance and increased strain over the Group's liquidity position.

As such, the Group had carried out various measures such as the reduction of new car purchases from automakers in 2020. These measures, while necessary, resulted in failure to achieve certain agreed purchase volume, failure to meet certain sales targets agreed with automakers, and failure to satisfy with certain standards on dealership operation as stipulated in dealer agreements with automakers, such as customer satisfaction ratings. As a result, the Group was alleged by automakers to have damaged their brands, and some dealership agreements have then been terminated or suspended as at 31 December 2020.

In the first half of 2021, the Group has been making improvements such as achieving the purchases and sales targets assigned by automakers for the six months ended 30 June 2021 and improving customer satisfaction ratings, and has been in active negotiation with the automakers to ease the relationship and to re-build trust. As a result, certain of the aforementioned suspended dealership agreements had been gradually resumed, although some dealerships were subsequently terminated or still remained suspended due to the continual underperformance compared with the targets set by the automakers.

Notwithstanding the above situation, the Group's purchases and sales were gradually resuming. Besides, the Group has repositioned some of its underperforming 4S stores and plans new car purchase volume strategically to maximize its financial resources.

On 19 October 2020, the controlling shareholder of the Company, i.e. Joy Capital Holdings Limited ("Joy Capital") and Mr. Wang Muqing (the "Seller") entered into a sale and purchase agreement (the "SPA") with Xiamen Xindeco Ltd. ("Xiamen Xindeco", the "Buyer"). Pursuant to the SPA, Joy Capital conditionally agreed to sell and Xiamen Xindeco conditionally agreed to purchase shares carrying 29.9% of the voting rights of the total issued shares of the Company (the "Target Shares") at a consideration of HK$1,403,371,394 (the "Original Transaction").

On 30 July 2021, upon negotiations between the parties of the SPA, the Buyer had withdrawn from the Original Transaction, and Joy Capital entered into a supplemental sale and purchase agreement (the "Supplemental Agreement") with the original parties and Xiamen ITG Holding Group Co., Ltd. (the "ITG Holding", the "New Buyer") a state-owned enterprise in the People's Republic of China, to amend certain major terms of the SPA. The parties to the Supplemental Agreement agreed (among other things) that: (i) the New Buyer shall enjoy all such rights and assume all such obligations of the Buyer under the SPA, (ii) the number of Target Shares to be transferred under the SPA has been adjusted to 820,618,184 (representing 29.9% of the entire issued share capital of the Company as at the date of the Supplemental Agreement), at a total consideration of HK$1,427,875,640.16, representing HK$1.74 per Share which remains unchanged (subject to adjustment in accordance with the terms of the SPA) (the "Transaction").

2 BASIS OF PREPARATION (Continued)

The Company has been subsequently informed by Joy Capital that all of the conditions precedent as set out in the SPA have been fulfilled or waived. Completion of the SPA (as amended by the Supplemental Agreement) took place on 31 August 2021 in accordance with the terms and conditions of the SPA (as amended by the Supplemental Agreement). Upon completion of the SPA (as amended by the Supplemental Agreement), ITG Holding holds 820,618,184 shares, representing approximately 29.9% of the Company's share capital in issue and then becomes the single largest shareholder of the Company, and Joy Capital holds 562,898,636 shares, representing approximately 20.51% of the Company's share capital in issue, and is no longer a controlling shareholder of the Company. On 31 August 2021, two candidates were nominated by ITG Holding as directors of the Company.

The Group incurred a net loss of RMB1,519 million for the six months ended 30 June 2021. The Group had net current liabilities of RMB4,986 million as at 30 June 2021. Included in the current liabilities were loans and borrowings of RMB11,871 million and trade and other payables of RMB3,830 million, lease liabilities of RMB272 million, income tax payables of RMB332 million, and the Group also had capital commitment of RMB1,466 million. The Group had cash and cash equivalents, time deposits and pledged bank deposits amounting to RMB319 million, RMB453 million and RMB1,046 million, respectively, as at 30 June 2021. Notwithstanding these conditions, the Group's condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared on a going concern basis and the directors consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. This is because ITG Holding, the single largest shareholder of the Group after the Transaction, has informed the Group that, on the basis that in compliance with regulatory regime applicable to state owned enterprises and after obtaining internal resolutions and approvals, it will provide financial support to the Group as may be necessary to enable the Group to continue operation as a going concern for the next twelve months.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendment to HKFRS 16, *COVID-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

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

4 REVENUE

The Group is mainly engaged in sales of passenger motor vehicles, provision of after-sales services, provision of logistics services, sales of lubricant oil and financial services. Revenue represents the sales of goods, services income rendered to customers and interest income.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
		(Restated)
		(Note)
Revenue from contracts with customers within the scope of HKFRS 15		
Continuing operations		
— Sales of passenger motor vehicles	**7,566,395**	6,757,976
— Provision of after-sales services	**1,613,169**	1,769,919
— Provision of logistics services	**290,679**	228,902
— Sales of lubricant oil	**135,882**	117,483
	9,606,125	8,874,280
Discontinued operations		
— Service income from financial services	**19,565**	39,873
Revenue from other sources		
Continuing operations		
— Others	**6,005**	6,834
Discontinued operations		
— Interest income from financial services	**158,820**	320,123
	9,790,515	9,241,110
Revenue from continuing operations	**9,612,130**	8,881,114
Revenue from discontinued operations	**178,385**	359,996

Revenue from logistics services and service income from financial services — joint loan services are recognised over-time upon fulfilment of services obligation, whereas revenue from sales of passenger motor vehicles, after-sales services, sales of lubricant oil and service income from financial services — consulting services are recognised at a point in time.

Note: The presentation of certain comparative information in respect of the six months ended 30 June 2020 has been restated to show the discontinued operations separately from continuing operations.

5 OTHER INCOME

	Note	Six months ended 30 June 2021 RMB'000	2020 RMB'000 (Restated) (Note)
Continuing operations:			
Service income		**166,533**	288,572
Interest income from bank deposits		**9,702**	18,742
Net gain on disposal of property, plant and equipment		**257,362**	19,981
Realised and unrealised net gain/(loss) on derivative financial instruments		**19,889**	(12,559)
Government grants	(i)	**3,320**	—
Gain on disposal of interest in a joint venture		**—**	133,403
Others		**25,020**	10,735
		481,826	458,874
Discontinued operations:			
Government grants		**—**	12,148
Others		**772**	238
		772	12,386
		482,598	471,260

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

Note: The presentation of certain comparative information in respect of the six months ended 30 June 2020 has been restated to show the discontinued operations separately from continuing operations.

6 LOSS BEFORE TAXATION

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

		Note	Six months ended 30 June 2021 RMB'000	 2020 RMB'000 (Restated) (Note)
(a)	**Finance costs:**			
	Continuing operations:			
	Interest on loans and borrowings and bonds payable		**576,294**	477,122
	Interest on lease liabilities		**47,003**	60,135
	Finance cost for consideration of business combination	(i)	**8,843**	11,835
	Other finance costs	(ii)	**11,679**	19,897
	Less: interest capitalised		**(43,931)**	(50,452)
			599,888	518,537
	Discontinued operations:			
	Interest on lease liabilities		**719**	1,025
			600,607	519,562
(b)	**Staff costs:**			
	Continuing operations:			
	Salaries, wages and other benefits		**433,640**	330,982
	Contributions to defined contribution retirement plans	(iii)	**25,860**	9,577
	Equity settled share-based payment expenses (note 21(b))		**13,609**	1,705
			473,109	342,264
	Discontinued operations:			
	Salaries, wages and other benefits		**26,653**	31,615
	Contributions to defined contribution retirement plans		**2,991**	1,149
			29,644	32,764
			502,753	375,028

Note: The presentation of certain comparative information in respect of the six months ended 30 June 2020 has been restated to show the discontinued operations separately from continuing operations.

(i) It represents the unwinding of interest element of business combination consideration.

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

6 LOSS BEFORE TAXATION (Continued)

(iii) Employees of the Group's PRC subsidiaries are required to participate in defined contribution retirement schemes administered and operated by the local municipal governments where the subsidiaries are registered. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the respective local municipal government to the schemes to fund the retirement benefits of the employees.

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

Due to the impact of an outbreak of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which contributed to the relief of certain defined contribution plans during the year 2020.

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

		Six months ended 30 June	
		2021 RMB'000	2020 RMB'000 (Restated) (Note)
(c)	**Other items:**		
	Continuing operations:		
	Cost of inventories (note 14(b))	**9,597,426**	7,495,057
	Depreciation		
	— Owned property, plant and equipment	**168,545**	191,320
	— Right-of-use assets	**194,994**	201,407
	Amortisation of intangible assets	**82,049**	95,309
	Operating lease charges	**2,887**	2,841
	Impairment losses		
	— Goodwill (note 12)	**—**	915,916
	— Intangible assets (note 12)	**161,308**	549,497
	Net foreign exchange (gain)/loss	**(43,347)**	89,734
		10,163,862	9,541,081
	Discontinued operations:		
	Cost of interests*	**80,098**	111,652
	Depreciation		
	— Owned property, plant and equipment	**—**	1,613
	— Right-of-use assets	**—**	4,658
	Amortisation of intangible assets	**—**	3,222
	Operating lease charges	**50**	69
	Impairment losses		
	— Receivables from financial services	**375,416**	83,953
	Net foreign exchange (gain)/loss	**(425)**	2,558
		455,139	207,725

* The cost of interests is the borrowing costs for financial services, and is recognised in the cost of sales.

Note: The presentation of certain comparative information in respect of the six months ended 30 June 2020 has been restated to show the discontinued operations separately from continuing operations.

7 INCOME TAX

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
		(Restated)
		(Note)
Continuing operations		
Current tax:		
(Credit)/provision for PRC income tax for the period	**(2,182)**	91,412
Deferred tax:		
Origination of temporary differences	**(23,122)**	(170,858)
	(25,304)	(79,446)
Discontinued operations		
Current tax:		
Provision for PRC income tax for the period	**27,593**	29,582
Deferred tax:		
(Origination)/reversal of temporary differences	**(97,555)**	3,700
	(69,962)	33,282

Note: The presentation of certain comparative information in respect of the six months ended 30 June 2020 has been restated to show the discontinued operations separately from continuing operations.

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(ii) No provision for Hong Kong Profits Tax was made for the Group's subsidiaries located in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the period. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(iii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax rate of 25%.

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

8 (LOSS)/EARNINGS PER SHARE

The calculation of basic loss/earnings per share for the six months ended 30 June 2021 was based on the loss attributable to equity shareholders of the Company of RMB1,312,432,000 from continuing operations and loss attributable to equity shareholders of the Company of RMB143,042,000 from discontinued operations (six months ended 30 June 2020: loss of RMB1,436,161,000 and profit of RMB70,658,000 from continuing and discontinued operations, respectively) and the weighted average number of ordinary shares in issue during the six months ended 30 June 2021 of 2,697,442,420 (six months ended 30 June 2020: 2,452,220,420).

The potential ordinary shares in respect of vesting of restricted shares on 12 June 2021 pursuant to the share award scheme was anti-dilutive, as they would lead to a decline for the loss per share.

9 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following four major operating segments:

1 4S dealership business

4S dealership business mainly includes sales of motor vehicles, and after-sales services through the Group's network of 4S dealership in the PRC.

2 Supply chain business

Supply chain business mainly includes provision of motor-related logistics services and trading of lubricant oil.

3 Financial services business

Financial services business mainly includes providing financial services to auto customers and dealers.

4 Comprehensive properties business

Comprehensive properties business mainly includes development and sales of properties in the PRC.

(a) Information about profit or loss, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

- The measure used for reporting segment profit is profit before taxation. To arrive at profit before taxation, the Group's earnings are adjusted for items not specifically attributed to individual segments, such as head office and corporate administration costs, other income and finance costs.

- Segment assets include all current and non-current assets with the exception of intangible assets, goodwill, deferred tax assets and unallocated head office assets. Segment liabilities include all current and non-current liabilities with the exception of income tax payables, deferred tax liabilities and unallocated head office liabilities.

- In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter-segment sales), loans and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

9 SEGMENT REPORTING (Continued)

(a) Information about profit or loss, assets and liabilities (Continued)

	Continuing operations 4S dealership business		Continuing operations Supply chain business		Discontinued operation Financial services business		Continuing operations Comprehensive properties business		Total	
For the six months ended 30 June	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Revenue from external customers	9,185,569	8,534,728	426,561	346,386	178,385	359,996	—	—	9,790,515	9,241,110
Inter-segment revenue	—	—	—	—	52,756	118,803	—	—	52,756	118,803
Reportable segment revenue	9,185,569	8,534,728	426,561	346,386	231,141	478,799	—	—	9,843,271	9,359,913
Reportable segment (loss)/profit	(1,089,775)	116,703	(10,954)	(17,769)	(13,938)	244,631	—	—	(1,441,579)	343,565
Impairment of goodwill	—	(915,916)	—	—	—	—	—	—	—	(915,916)
Impairment of intangible assets	(161,308)	(549,497)	—	—	—	—	—	—	(161,308)	(549,497)
Depreciation and amortisation for the period	431,370	473,878	14,218	14,158	—	9,493	—	—	445,588	497,529
Reportable segment assets as at 30 June 2021/31 December 2020	12,538,585	12,203,265	515,048	538,804	4,637,220	6,144,922	560,746	561,770	18,251,599	19,448,761
Additions to non-current segment assets during the period	498,012	598,755	4,061	8,081	344	35,139	—	—	502,417	641,975
Reportable segment liabilities as at 30 June 2021/31 December 2020	(18,079,556)	(16,693,537)	(238,040)	(225,710)	(1,060,102)	(2,185,823)	(560,746)	(561,770)	(19,938,444)	(19,666,840)
Investment in associates as at 30 June 2021/31 December 2020	—	—	535,349	500,949	972	15,938	—	—	536,321	516,887

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Reportable segment (loss)/profit	(1,441,579)	343,565
Elimination of inter-segment loss/(profits)	66,794	(63,364)
Unallocated head office income/(expense)	40,141	(136,005)
Other income	482,598	471,260
Finance costs	(600,607)	(519,562)
Impairment of goodwill	—	(915,916)
Impairment of intangible assets	(161,308)	(549,497)
Consolidated loss before taxation	(1,613,961)	(1,369,519)

(c) Geographic information

As the Group solely operates in the PRC, no geographical segment information has been presented.

9 SEGMENT REPORTING (Continued)

(d) Reconciliations of reportable segment assets and liabilities

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Assets:		
Reportable segment assets	**18,251,599**	19,448,761
Intangible assets	**2,749,344**	2,990,933
Goodwill	**693,791**	693,791
Deferred tax assets	**669,066**	530,330
Unallocated head office assets	**5,375,188**	5,954,650
Elimination of inter-segment receivables	**(1,655,337)**	(1,622,512)
Consolidated total assets	**26,083,651**	27,995,953
Liabilities:		
Reportable segment liabilities	**(19,938,444)**	(19,666,840)
Income tax payables	**(338,363)**	(406,129)
Deferred tax liabilities	**(964,605)**	(946,546)
Unallocated head office liabilities	**(2,687,173)**	(3,286,050)
Elimination of inter-segment payables	**1,655,337**	1,622,512
Consolidated total liabilities	**(22,273,248)**	(22,683,053)

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with original costs of RMB412,320,000 in aggregate (six months ended 30 June 2020: RMB566,251,000). Items of property, plant and equipment with a net book value of RMB259,221,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB257,084,000), resulting in net gain on disposal of RMB257,362,000 (six months ended 30 June 2020: RMB19,981,000).

11 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group entered into a number of lease agreements for use of buildings, and therefore recognised the additions to right-of-use assets of RMB88,235,000 (six months ended 30 June 2020: RMB73,611,000). The Group also early terminated several lease contracts due to the termination of dealership rights and therefore recognised the disposals of right-of-use assets of RMB118,673,000 (six months ended 30 June 2020: Nil).

The leases of 4S dealership business contain variable lease payment terms that are based on sales generated from the 4S dealership business and minimum annual lease payment terms that are fixed. These payment terms are common in 4S dealership business in PRC where the Group operates. During the six months ended 30 June 2021, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments for the interim reporting period is summarised below:

	Six months ended 30 June 2021			
	Fixed payments RMB'000	**Variable payments RMB'000**	**COVID-19 rent concessions RMB'000**	**Total payments RMB'000**
4S dealership business	**3,893**	**—**	**(140)**	**3,753**

	Six months ended 30 June 2020			
	Fixed payments RMB'000	Variable payments RMB'000	COVID-19 rent concessions RMB'000	Total payments RMB'000
4S dealership business	45,581	—	(7,187)	38,394

12 INTANGIBLE ASSETS AND GOODWILL

Intangible assets — car dealerships and goodwill

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

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

The amortisation charge for the period ended 30 June 2021 is included in administrative expenses in the consolidated statement of profit or loss.

As disclosed in note 2, to improve the relationships with automakers that have been strained with the outbreak of COIVD-19, the Group has been taking various measures and has been in active negotiation with the automakers. During the six months ended 30 June 2021, some dealership rights have been resumed; however, some other dealership agreements were newly terminated or remained suspended due to the continual underperformance compared with the targets set by certain automakers, which was mainly caused by the unexpected delay for certain 4S dealership stores in obtaining or extending their bank facilities.

12 INTANGIBLE ASSETS AND GOODWILL (Continued)

Intangible assets — car dealerships and goodwill (Continued)

In addition, the imposition of purchase quotas by automakers due to the supply shortage of car chips was not fully anticipated as of 31 December 2020, which directly led to an underperformance of new car sales volume and revenue for certain 4S dealership stores during the six months ended 30 June 2021, comparing with 2020 financial budgets approved by management.

As such, the directors of the Group consider that there are impairment indicators for certain 4S dealership stores for the period ended 30 June 2021, which were independent cash-generating units ("CGUs").

Therefore, management engaged an external valuer to assist with an impairment test to determine the recoverable amount of the related CGUs as at 30 June 2021, with the result of recognition of impairment losses of intangible assets — car dealerships of approximately RMB133 million (30 June 2020: RMB549 million). No impairment loss of goodwill was recognised (30 June 2020: RMB916 million), as the goodwill allocated to these CGUs has been fully written off as of 31 December 2020.

Impairment testing of intangible assets — car dealerships and goodwill

The recoverable amounts of CGUs have been determined based on the higher of their fair values less costs to sell and value-in-use calculations in accordance with the requirements of Hong Kong Accounting Standard 36 *Impairment of Assets*, and the fair values less costs to sell of the CGUs are estimated to be not materially different from their respective value-in-use amounts. The value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated by using an estimated growth rate of 3% (2020: 3%) which is consistent with the forecasts included in industry reports. The pre-tax discount rates applied to the cash flow projections beyond the one year period is 16% (2020: 16%). The carrying amount of a CGU has been reduced to its recoverable amount, with the impairment being first applied to reduce any remaining carrying amount of goodwill that has been allocated to the CGU, and then any remaining amount of the impairment loss was allocated pro rata to other assets in the CGU on the basis of the carrying amount of each asset in the CGU (including intangible assets), such that no asset would be carried at an amount that is less than the higher of its recoverable amount (if it is determinable) and zero.

Key assumptions used in the value-in-use calculation

Key assumptions used in the value-in-use calculations include: (i) annual revenue growth rates during the forecast period, (ii) gross profit margin, (iii) working capital as a percentage of revenue and (iv) discount rates.

The key inputs and assumptions used in the impairment test for the year of 2020 and the six months ended 30 June 2021 are listed as follows:

As at 30 June 2021

<table>
<tr><th>Inputs</th><th>2021</th><th>2022</th><th>2023–2025</th></tr>
<tr><td>Annual Revenue Growth Rate</td><td>–45.5%~54.3%</td><td>3.0%~78.8%</td><td>3.0%~12.2%</td></tr>
<tr><td>Gross Profit Margin</td><td>4.0%~15.5%</td><td colspan="2">4.0%~15.5%</td></tr>
<tr><td>Working Capital as % of Revenue</td><td>–24.3%~7.4%</td><td colspan="2">–24.3%~7.1%</td></tr>
</table>

12 INTANGIBLE ASSETS AND GOODWILL (Continued)

Key assumptions used in the value-in-use calculation (Continued)
As at 31 December 2020

Inputs	2021	2022	2023–2025
Annual Revenue Growth Rate	−97.0%~194.9%	3.0%~70.2%	3.0%~12.2%
Gross Profit Margin	5.2%~46.5%	5.2%~46.5%	
Working Capital as % of Revenue	−40.3%~17.7%	−40.3%~17.7%	

The key assumptions are estimated by the management with reference to the actual and historical financial performance, expected market growth trend for different brands based on open market data and the trend estimation for repositioned stores:

— For annual revenue growth rate:

a) For certain dealership stores whose dealership agreements had been newly terminated and would be focus only on after-sale services or self-operation, a significant reduction in estimated revenue in 2021 was expected, while for 2022 through 2025 reverting back to a single digit growth rate;

b) For other dealership stores, the estimated revenue for 2021 has been adjusted to a lower level being commensurate with the actual revenue achieved in the first half of 2021 for reasons as aforementioned, and for 2022 through 2025, as the growth was from an relatively low base, a more steady growth rate is expected on the basis that operations will revert back to a level comparable to the periods before COVID-19.

— Gross profit margin was mainly estimated based on the historical performance of each stores (before COVID-19 and liquidity strain) and take into consideration of mix for different revenue categories like new car sales and after-sale services and of the actual performance for the first half of 2021.

— Working capital as percentage of revenue was estimated by calculation based on historical trend (before COVID-19 and liquidity strain) of turnover days of different balance sheet items or expense to revenue ratios of different profit or loss items, which is generally in line with years comparable to the periods before COVID-19.

The pre-tax discount rate applied to the impairment test had not been adjusted compared to 31 December 2020 as the overall market risk has not been increased significantly during the six months ended 30 June 2021.

Among the above inputs and assumptions, the main changes compared to 31 December 2020 were the changes in revenue growth. As mentioned above, for those dealership stores whose dealership rights were newly terminated or suspended, their focuses will be on after-sale services only or self-operation, and therefore a reduction in revenue growth was forecasted for the full year of 2021; and for other stores, a rebound in revenue growth for the full year of 2021 was forecasted. Consequently, the low base will lead to continuous increase in growth rate in future years as well. Such impacts were not reflected in the inputs and assumptions used in the 2020 year end assessment, as the new termination or suspension of dealership occurred in first half of 2021 were non-adjusting subsequent events for the year ended 31 December 2020. There have been no subsequent changes in the valuation methods used compared with those adopted in the year of 2020.

12 INTANGIBLE ASSETS AND GOODWILL (Continued)

Intangible assets — trademark

The trademark, arising from the acquisition of Top Globe Limited, has an indefinite useful life because it is expected to contribute net cash inflows to the Group indefinitely. The fair value of the trademark as at the acquisition date was determined by using the relief from royalty method.

During the six months ended 30 June 2021, the operating results of several 4S dealership stores under Top Globe Limited had not achieved the year-to-date 2021 financial budgets approved by management, as those dealership agreements within this group were newly terminated or remained suspended. Management has re-adjusted the five-year financial budgets of these stores to incorporate the actual revenue performance in the first half of 2021, and the fair value of trademark was therefore reduced by RMB29,963,000 as at 30 June 2021 (30 June 2020: RMB90,102,000).

13 OTHER FINANCIAL ASSETS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Current		
Financial assets carried at FVPL	**265,000**	250,000
Non-Current		
Financial assets carried at FVPL	**—**	35,000
	265,000	285,000

Other financial assets mainly included investments in wealth management products purchased from Western Trust Co., Ltd.

14 INVENTORIES

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
4S dealership business		
— Motor vehicles	**1,291,994**	967,392
— Automobile spare parts	**219,438**	256,610
— Others	**42,282**	41,459
	1,553,714	1,265,461
Comprehensive properties business		
— Properties under development for sale	**536,307**	536,307
	2,090,021	1,801,768

14 INVENTORIES (Continued)

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

	Note	Six months ended 30 June **2021** **RMB'000**	 2020 RMB'000
Carrying amount of inventories sold		**9,520,777**	7,492,170
Write-down of inventories		**37,331**	4,020
Reversal of write-down of inventories	(i)	**(2,791)**	(1,133)
Re-assessment of rebate receivables	(ii)	**42,109**	—
		9,597,426	7,495,057

(i) The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain motor vehicles as a result of a change in consumer preferences.

(ii) Rebate receivables in prior years were accrued based the terms of the underlying vendor rebate policies and relevant inputs, including sales and purchase volume data, rebate rates and other specific criteria such as customer satisfactory results, store demonstration requirements, etc., as set out in the respective vendor rebate policies.

As disclosed in note 2, certain dealership agreements were newly terminated or remained suspended during the six months ended 30 June 2021 due to the continual underperformance compared with the targets set by automakers. Accordingly, these automakers have alleged that the Group failed to make improvement against the damage the Group brought to their brands and clawed back the Group's prior years' rebate entitlements. The Group has therefore reassessed the recoverability of the rebate receivables, and a reduction of rebate receivable by RMB42,109,000 was recognised for the six months ended 30 June 2021.

15 TRADE AND BILLS RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 3 months	**1,071,320**	1,013,109
Over 3 months but within 1 year	**14,108**	21,962
Over 1 year	**12,073**	19,266
	1,097,501	1,054,337
Trade receivables	**1,096,218**	1,053,682
Bills receivables	**1,283**	655
Trade and bills receivables	**1,097,501**	1,054,337

All of the trade and bills receivables are expected to be recovered within one year. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Credit risk in respect of trade and bills receivables is limited since credit sales to individuals are offered in rare cases subject to management's approval. The counterparties are mainly banks and financial institutions that will release mortgage loans to the Group. The Group considers such counterparties to have low credit risk.

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Prepayments	**571,792**	763,067
Deposits	**473,359**	510,213
Other receivables	**2,654,291**	3,100,586
Prepayments, deposits and other receivables	**3,699,442**	4,373,866

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

17 PLEDGED BANK DEPOSITS

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Restricted guarantee deposits in respect of:			
Bank loans	(i)	**506,333**	448,014
Bills payable	(i)	**533,270**	523,728
Others		**6,345**	17,969
		1,045,948	989,711

(i) The bank deposits pledged for banks loans and bills payables will be released upon the settlement of relevant bank loans and bills payable.

18 CASH AND CASH EQUIVALENTS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Deposit with banks within 3 months of maturity	**—**	163,415
Cash at banks and on hand	**319,390**	231,704
Cash and cash equivalents in the consolidated statement of financial position	**319,390**	395,119
Cash and cash equivalents included in a disposal group classified as held-for-sale (note 23)	**225,501**	95,421
Cash and cash equivalents in the consolidated statement of cash flows	**544,891**	490,540

19 LOANS AND BORROWINGS

The analysis of the carrying amount of loans and borrowings is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Current		
Unsecured bank loans	691,822	982,838
Current portion of unsecured long-term bank loans	2,581,525	2,603,060
Unsecured short-term commercial paper	—	150,000
Secured bank loans	2,849,809	1,987,343
Current portion of secured long-term bank loans	107,670	234,437
Secured borrowings from other financial institutions	5,639,792	4,164,561
Sub-total	11,870,618	10,122,239
Non-current		
Unsecured bank loans	742,228	1,041,574
Secured bank loans	471,646	392,390
Sub-total	1,213,874	1,433,964
Total	13,084,492	11,556,203

20 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Current		
Within 3 months	1,918,374	1,530,030
Over 3 months but within 6 months	162,599	190,570
Over 6 months but within 12 months	2,853	8,521
Total creditors and bills payable	2,083,826	1,729,121
Contract liabilities	977,341	916,287
Other payables and accruals	768,878	1,551,900
	3,830,045	4,197,308
Non-current		
Long-term payables	237,634	251,656
Total	4,067,679	4,448,964

21 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to a restricted share award scheme ("Share Award Scheme") launched on 12 June 2020 (the "Grant date"), 47,100,000 restricted shares of the Company ("Restricted Shares") were approved for granting to certain core employees of the Group. The subscription price is nil, and the fair value of the Restricted Shares granted under the respective grant dates is RMB1.13 per share, as determined based on the average market price at the Grant date.

The Restricted Shares are subject to various lock-up period (the "Lock-Up period") of 1 year, 2 years, 3 years and 4 years, respectively, immediately from the Grant date. During the Lock-Up period, these shares are not transferrable, nor subject to any guarantee or indemnity.

Subject to fulfilment of all service and performance conditions under the Share Award Scheme which include Participants' individual performance appraisal (referred to as "vesting conditions"), the restriction over the Restricted Shares will be removed after the expiry of the corresponding Lock-Up period for each tranche and the Participants will be fully entitled to these incentive shares. If the vesting conditions are not fulfilled and hence the Restricted Shares cannot be unlocked, all the unvested or outstanding Restricted Shares not yet vested shall be immediately forfeited.

(a) The terms and conditions of the grants are as follows:

	Number of restricted shares	Vesting conditions subject to annual performance review of individual grantee
Restricted shares granted to employee work less than 5 years		
— on 12 June 2020	5,580,000	Two years from the date of grant
— on 12 June 2020	5,580,000	Three years from the date of grant
— on 12 June 2020	5,580,000	Four years from the date of grant
Restricted shares granted to employee work more than 5 years, within 10 years		
— on 12 June 2020	5,320,000	One year from the date of grant
— on 12 June 2020	5,320,000	Two years from the date of grant
— on 12 June 2020	5,320,000	Three years from the date of grant
Restricted shares granted to employee work more than 10 years		
— on 12 June 2020	14,400,000	One year from the date of grant
Total restricted shares granted	47,100,000	

(b) Total expenses of RMB13,609,000 (six months ended 30 June 2020: RMB1,705,000) were recognised as personnel expenses during the six months ended 30 June 2021.

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) No interim dividend was proposed after the end of reporting periods of six months ended 30 June 2021 and 30 June 2020.

(ii) No final dividend was proposed in respect of the previous financial year, approved and paid during the interim periods of six months ended 30 June 2021 and 30 June 2020.

(iii) Other dividends

During the period ended 30 June 2021, none of the subsidiaries of the Group has declared or paid any dividends in cash to non-controlling shareholders (for the six months ended 30 June 2020: RMB7,725,000).

(b) Share capital

The share capital of the Group represents the issued capital of the Company at the end of the respective reporting periods.

Movements in the authorised share capital of the Company during the period are as follows:

	At 30 June 2021		At 31 December 2020	
	Number of shares (thousand)	**Amount HK$('000)**	Number of shares (thousand)	Amount HK$('000)
Ordinary shares, authorised:				
Ordinary shares of HK$0.10 each	**20,000,000**	**2,000,000**	20,000,000	2,000,000
Ordinary shares, issued and fully paid:				
At 1 January	**2,697,442**	**269,744**	2,452,220	245,222
Issue of ordinary shares by placement (i)	**—**	**—**	245,222	24,522
Issue of ordinary shares for equity settled share-based transactions (ii)	**47,100**	**4,710**	—	—
At 30 June/31 December	**2,744,542**	**274,454**	2,697,442	269,744
RMB equivalent ('000)		**235,203**		231,265

22 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital (Continued)

(i) Pursuant to a share placing agreement dated 15 July 2020, the Company completed a share placing by issuing 245,222,000 ordinary shares at a price of HK$1.09 per share on 27 July 2020. Consequently, HKD24,522,200 (equivalent to RMB22,115,000) and HKD238,105,000 (equivalent to RMB214,735,000) were recorded in share capital and share premium, respectively.

(ii) Subject to the Share Award Scheme as disclosed in note 21, the Company has appointed a trustee for administration of the Share Award Scheme (the "Trustee"). The principal activity of the Trustee is administrating and holding the Company's shares for the Share Award Scheme for the benefit of the Company's eligible employees. Pursuant to the Share Award Scheme, the Company's shares will be held in the Trustee for relevant employees until such shares are vested in the relevant beneficiary in accordance with the provisions of the Share Award Scheme at no cost.

During the six months ended 30 June 2021, the Company issued a total number of 47,100,000 new ordinary shares to the Trustee under the Share Award Scheme. Consequently, HKD4,710,000 (equivalent to RMB3,938,000) and HKD4,710,000 (equivalent to RMB3,938,000) were recorded in share capital and treasury shares held for the Share Award Scheme, respectively.

23 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

On 20 October 2020, the Company received from Shanghai Office of the China Banking and Insurance Regulatory Commission (the "CBIRC") an administrative decision against the Company (the "CBIRC Decision"), alleging that (i) the Company obtained administrative licenses and permits for the establishment of Shanghai Dongzheng Automotive Finance Co., Ltd. ("Dongzheng"), a subsidiary of the Company, by improper means and the Company and its related parties engaged in non-compliant related-party transactions with Dongzheng; and (ii) Dongzheng's dealer auto loan business was carried out in serious violation of the principle of prudent operation. CBIRC required that the Company shall withdraw the Company's interest in Dongzheng within 3 months from the date of the CBIRC Decision.

In response to the CBIRC Decision, the Company had committed to sell its entire interests in Dongzheng which constituted the Group's financial services segment, had engaged a financial adviser to assist in the probable disposal of its interests in Dongzheng (the "Potential Disposal") and had been actively identifying potential purchasers with an objective of achieving a completed sale within 2021. Accordingly, the interests in Dongzheng have been presented as a disposal group held for sale as at 31 December 2020 and 30 June 2021 and as discontinued operations for the period.

23 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

As of 30 June 2021, no binding sales and purchase agreements have been entered into by the Company with any potential purchasers and the discussion and negotiation are still in progress.

The presentation of certain comparative information in respect of the period ended 30 June 2020 has been restated to show the discontinued operations separately from continuing operations.

(i) The results of the discontinued operations of Dongzheng for the period are as follows:

	Six months ended 30 June	
	2021 **RMB'000**	2020 RMB'000
Revenue	**231,141**	478,799
Elimination of inter-segment revenue	**(52,756)**	(118,803)
External revenue	**178,385**	359,996
Cost	**(523,788)**	(246,353)
Other revenue	**772**	12,386
Administrative expenses	**(45,101)**	(53,386)
Finance cost (note 6(a))	**(719)**	(1,025)
Elimination on consolidation	**119,133**	61,128
Results from operating activities	**(271,318)**	132,746
Income tax	**69,962**	(33,282)
Results from operating activities, net of tax	**(201,356)**	99,464

The loss from the discontinued operation for the six months ended 30 June 2021 attributable to the owners of the Company amounted to RMB143,042,000 (six months ended 30 June 2020: profit of RMB70,658,000).

(ii) Cash flows generated from/(used in) discontinued operations for the period are summarised as follows:

	Six months ended 30 June	
	2021 **RMB'000**	2020 RMB'000
Cash flows generated from operating activities	**135,477**	65,521
Cash flows used in investing activities	**(1,409)**	(8,494)
Cash flows used in financing activities	**(5,397)**	(5,538)
Net cash inflow	**128,671**	51,489

23 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

(Continued)

(iii) The major classes of assets and liabilities of Dongzheng as at 30 June 2021 are as follow:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Property, plant and equipment	**7,866**	7,598
Right-of-use assets	**20,636**	20,636
Intangible assets	**11,587**	11,337
Receivables from financial services	**2,841,908**	4,389,884
Deferred tax assets	**185,103**	87,548
Prepayments, deposits and other receivables	**122,062**	34,758
Cash and cash equivalents	**225,501**	95,421
Assets reclassified as held-for-sale	**3,414,663**	4,647,182
Add: inter-segment receivables	**1,560,287**	1,621,580
Dongzheng reportable assets as at the reporting date	**4,974,950**	6,268,762
Loans and borrowings	**(932,015)**	(2,033,911)
Trade and other payables	**(109,392)**	(127,608)
Lease liabilities	**(18,694)**	(23,372)
Income tax payables	**(6,691)**	(18,379)
Liabilities reclassified as held-for-sale	**(1,066,792)**	(2,203,270)
Add: inter-segment payables	**(95,050)**	(932)
Dongzheng reportable liabilities	**(1,161,842)**	(2,204,202)

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The fair value of the Group's financial instruments is categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value measurement*. The level, into which a fair value measurement is classified, is determined with the reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The following table presents the Group's assets/(liabilities) that are measured at fair value.

		Fair value measurement as at 30 June 2021 categorised into				Fair value measurement as at 31 December 2020 categorised into		
	Fair value at 30 June 2021 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value at 31 December 2020 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements								
Financial assets/(liabilities):								
Derivative financial instruments:								
Capped cross currency swap (note (i))	–	–	–	–	(32,383)	–	(32,383)	–
Wealth management products (note (ii))	265,000	–	–	265,000	285,000	–	–	285,000

Notes:

(i) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the capped cross currency swap is determined by discounted-cash flow method and Black-Scholes model. The discount rate used is the rate of market yield for financial instruments with substantially identical contract terms and characteristics.

(ii) Information about Level 3 fair value measurements

The fair value of wealth management products has been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The directors believe that the estimated fair values resulting from the valuation technique are reasonable, and that they were the most appropriate values at the end of reporting period.

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

Below is a summary of significant unobservable inputs to the valuation of the wealth management products together with a quantitative sensitivity analysis at the end of reporting period:

30 June 2021

	Valuation techniques	Significant unobservable inputs	Range
Wealth management products	Discounted cash flow method	Interest return rate	6.5% to 6.9% (2020: 6.5% to 6.9%)

The movements during the period in the balance of these Level 3 fair value measurements was as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Wealth management products:		
At 1 January	285,000	285,000
Payment for purchases	—	—
Redemption of investment	(20,000)	—
At 30 June/31 December	265,000	285,000
Total gains for the period/year included in profit or loss	8,818	17,750

Any gain or loss arising from the remeasurement of the wealth management products are presented in the "Other income" line item in the consolidated statement of profit or loss and other comprehensive income.

25 COMMITMENTS

Capital commitments

Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Contracted for	1,465,648	1,172,305

26 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2021, the directors are of the view that the following individual/companies are related parties of the Group:

Name of party	Relationship
Wang Muqing and Wang Muqing's family member 王木清及王木清家屬	Controlling Shareholder
Beijing Guangze Real Estate Development Co., Ltd. ("Beijing Guangze") 北京廣澤房地產開發有限公司	Controlled by Wang Muqing's family members
Hubei Xike Industry Co., Ltd. ("Hubei Xike") 湖北熙可實業有限公司	Controlled by Wang Muqing's family members
Beijing Baoze Automobile Technology Development Co., Ltd. ("Beijing Development") 北京寶澤汽車科技發展有限公司	Controlled by Beijing Guangze
Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd. ("Inner Mongolia Dingjie Automobile Trading") 內蒙古聖澤鼎傑汽車貿易有限公司	Controlled by Beijing Guangze
Changsha Shengze Ruibao Electronics Trading Co., Ltd. ("Changsha Shengze") 長沙聖澤瑞寶電子產品貿易有限公司	Controlled by Beijing Guangze
Wuhan Shengze Jieyun Trading Co., Ltd. ("Wuhan Shengze Jieyun") 武漢聖澤捷運貿易有限公司	Controlled by Beijing Guangze
Wuhan Shengze Jiezhong Logistics Co., Ltd. ("Wuhan Shengze Jiezhong") 武漢聖澤捷眾物流有限公司	Controlled by Beijing Guangze
Wuhan Jiangrong Investment Co., Ltd. ("Wuhan Investment") 武漢江融投資有限公司	Controlled by Beijing Guangze

Note: The English translation of the Company names is for reference only. The official names of the companies established in the PRC are in Chinese.

26 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Recurring transactions

	Six months ended 30 June	
	2021 **RMB'000**	2020 RMB'000
Property development related services:		
Receipt and payment on behalf of the Group:		
Beijing Guangze	—	335,834
Management services:		
Beijing Guangze	—	16,792
	—	352,626
Property management expense:		
Beijing Development	**3,158**	3,158

(b) Rental services

Based on HKFRS 16, the minimum amount of rent payable by the Group to related parties under the terms of the arrangement in connection with its use of land use rights and buildings had resulted in recognition of a lease liability with the balance of nil (as at 31 December 2020: RMB135,513,000) and a right of use asset with the balance of RMB57,082,000 as at 30 June 2021 (as at 31 December 2020: RMB114,163,000). In addition, the Group recorded depreciation of right-of-use asset of RMB57,082,000 (for the six months ended 30 June 2020: RMB57,082,000) and interest expense of RMB2,165,000 (for the six months ended 30 June 2020: RMB5,436,000) in its consolidated statement of comprehensive income for the six months ended 30 June 2021.

The total amounts of lease payments incurred by the Group under the lease arrangement with related parties for the six months ended 30 June 2021 were RMB56,028,000 (for the six months ended 30 June 2020: RMB56,028,000). The related prepayments to related parties as at 30 June 2021 amounted to RMB134,731,000 (as at 31 December 2020: The related payable to related parties: RMB4,051,000).

(c) Balances with related parties

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Due to related parties:		
Beijing Guangze	—	23,343

27 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Completion of disposal of shares by the controlling shareholder and change of directors

As disclosed in note 2, on 30 July 2021, the Company has announced that it was informed by Joy Capital that Xiamen Xindeco had withdrawn from the Original Transaction and Joy Capital entered into the Supplemental Agreement with the original parties and ITG Holding. Pursuant to the Supplemental Agreement, ITG Holding shall enjoy all such rights and assume all such obligations of the Xiamen Xindeco under the SPA, and the number of Target Shares to be transferred under the SPA has been adjusted to 820,618,184 (representing 29.9% of the entire issued share capital of the Company as at the date of the Supplemental Agreement), at a total consideration of HK$1,427,875,640.16, representing HK$1.74 per Share which remains unchanged (subject to adjustment in accordance with the terms of the SPA).

The Company has been subsequently informed by Joy Capital that all of the conditions precedent as set out in the SPA have been fulfilled or waived. Completion of the SPA (as amended by the Supplemental Agreement) took place on 31 August 2021 in accordance with the terms and conditions of the SPA (as amended by the Supplemental Agreement). Upon completion of the SPA (as amended by the Supplemental Agreement), ITG Holding holds 820,618,184 shares, representing approximately 29.9% of the Company's share capital in issue and then becomes the single largest shareholder of the Company, and Joy Capital holds 562,898,636 shares, representing approximately 20.51% of the Company's share capital in issue, and is no longer a controlling shareholder of the Company. On 31 August 2021, two candidates were nominated by ITG Holding as directors of the Company.

(b) Potential disposal of a subsidiary

As disclosed in note 23, the Company had committed to sell its entire interests in Dongzheng which constituted the Group's financial services segment. The Company had been actively identifying potential purchasers and had engaged a financial adviser to assist in the Potential Disposal with an objective of achieving a completed sale within 2021.

As of the date of this report, no binding sales and purchase agreements have been entered into by the Company with any potential purchasers and no valuation of Dongzheng has been performed in respect of the Potential Disposal, and the discussion and negotiation are still in progress.

28 COMPARATIVE FIGURES

The presentation of certain comparative information in respect of six months ended 30 June 2020 has been restated to show the discontinued operations separately from continuing operations.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Muqing *(Chairman)*
Mr. Wang Kunpeng *(Chief Executive Officer and Vice Chairman)*
Mr. Li Zhubo
Mr. Wan To

Independent Non-executive Directors

Dr. Wong Tin Yau, Kelvin
Dr. Cao Tong
Ms. Wong Tan Tan

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS

Baoze Plaza
No. 59 West Third-Ring South Road
Beijing, PRC

PLACE OF BUSINESS IN HONG KONG

Unit 5905, 59/F
The Center
99 Queen's Road Central
Hong Kong

WEBSITE ADDRESS

www.zhengtongauto.com

COMPANY SECRETARY

Ms. Yeung Wing Yee (resigned on 5 July 2021)
Ms. Ng Sau Mei (appointed on 5 July 2021)

AUTHORIZED REPRESENTATIVES

Mr. Li Zhubo
Mr. Wan To

AUDIT COMMITTEE

Dr. Wong Tin Yau, Kelvin *(Chairman)*
Dr. Cao Tong
Ms. Wong Tan Tan

NOMINATION COMMITTEE

Mr. Wang Muqing *(Chairman)*
Dr. Cao Tong
Ms. Wong Tan Tan

REMUNERATION COMMITTEE

Dr. Cao Tong *(Chairman)*
Mr. Wang Muqing
Dr. Wong Tin Yau, Kelvin

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL BANKERS

China Construction Bank Corporation, Hubei Branch
Industrial and Commercial Bank of China, Wuhan Branch
Bank of China, Hubei Branch
Industrial Bank Co., Ltd., Wuhan Branch
China Merchants Bank, Wuhan Branch
China Minsheng Banking Corp., Ltd., Communications Finance Business Department
China Guangfa Bank, Shanghai Branch
Shanghai Pudong Development Bank Co., Ltd.
DBS Bank (China) Limited
Standard Chartered Bank (China) Limited
The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia (China) Limited
Ping An Bank Company Limited, Shanghai Branch
China Citic Bank Corporation Limited, Headquarter General Banking

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

HONG KONG LEGAL COUNSELS

Chiu & Partners

正通

CHINA ZHENGTONG
AUTO SERVICES HOLDINGS LIMITED
中國正通汽車服務控股有限公司

WWW.ZHENGTONGAUTO.COM