

## China Harmony Auto Holding Limited 中國和諧汽車控股有限公司

<u>₹</u>

(Incorporated in the Cayman Islands with limited liability) Stock Code: 3836

INTERIM REPORT

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# **Corporate Information**

### **Board of Directors**

#### **Executive Directors**

Mr. FENG Changge (Chairman) Mr. FENG Shaolun (Deputy Chairman) Mr. LIU Fenglei (President) Ms. MA Lintao (Vice President) Mr. CHENG Junqiang (Vice President) (appointed on January 5, 2022) Mr. HAN Yang (Vice President) (resigned on January 5, 2022)

#### Independent Non-executive Directors

Mr. WANG Nengguang Mr. LAU Kwok Fan Mr. CHAN Ying Lung

### Audit Committee

Mr. WANG Nengguang *(Chairman)* Mr. LAU Kwok Fan Mr. CHAN Ying Lung

### **Remuneration Committee**

Mr. CHAN Ying Lung *(Chairman)* Mr. LIU Fenglei Mr. LAU Kwok Fan

#### **Nomination Committee**

Mr. FENG Changge *(Chairman)* Mr. WANG Nengguang Mr. CHAN Ying Lung

### **Company Secretary**

Ms. WONG Wai Yee, Ella

#### **Authorized Representatives**

Mr. LIU Fenglei Ms. WONG Wai Yee, Ella

### Legal Adviser

Morrison & Foerster 33/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong

#### **Auditors**

ZHONGHUI ANDA CPA Limited 23/F, Tower 2, Enterprise Square Five Kowloon Bay Hong Kong

### **Principal Banks**

Zhongyuan Bank, Zhengzhou Branch Shanghai Pudong Development Bank, Zhengzhou Branch China Everbright Bank, Zhengzhou Branch Industrial Bank, Zhengzhou Branch Industrial Bank, Hong Kong Branch Hang Seng Bank Limited

### **Registered Office**

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

# **Corporate Information**

### Principal Place of Business and Headquarters in the PRC

15A, Tower A, World Trade Center Building Shangwuneihuan Road CBD Zhengdong New District Zhengzhou, Henan Province PRC

### **Principal Place of Business in Hong Kong**

5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong

### **Cayman Islands Share Registrar**

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

### **Hong Kong Share Registrar**

Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong

### **Company's website**

www.hexieauto.com

### Stock Code

3836

## **INDUSTRY OVERVIEW**

In the six months ended June 30, 2022 (the "**Reporting Period**"), China's automobile industry faced triple pressure of supply shock, demand contraction and weakening expectations, and production and operation in the industry encountered great difficulties. According to the China Passenger Cars Association ("**CPCA**"), the generalized passenger car retail market sales in the first half of 2022 were 9.396 million units, representing a year-on-year decrease of 6.8%, mainly due to the severe pandemic prevention and control situation from March to April in the first half of the year. Since May, the CPC Central Committee and the State Council timely launched a series of policy measures to stabilize automobile growth and promote automobile consumption in accordance with the changing situation, and the general recovery of the automobile industry at the end of the second quarter was good.

The market share of luxury brands in the Reporting Period was 13.7%, decreasing by 1 percentage point from 14.8% last year. Among the tier-one luxury brands, BMW (including Mini) ranked first with sales of 378,700 units in the first half of the year, followed by its two main competitors, Benz and Audi. Notably, BMW's sales of pure electric models in China continued their strong momentum, up 74.6% year-on-year. Lexus' sales in the first half of 2022 were less impressive due to supply chain issues, with a 29.5% year-on-year decline from January to June.

While the problem of supply constraint due to structural shortage of chips remains, the weakening demand due to the pandemic and macro economy directly affects retail sales volume and inventory. The China Automobile Dealers Association revealed that the overall inventory level of dealership averaged around 1.68 months in the first half of 2022, slightly higher than the average level of 1.55 months in the first half of 2021. The high level of level of dealers' inventory leads to limited pricing dynamics in the market. As a result, dealers' gross profit margin on new cars sales declined in the Reporting Period.

In the context of recurring pandemics, parts outages and other factors, new energy vehicle sales have increased steadily. Despite the production and sales restrictions in the first half of the year, the major car companies attached great importance to new energy vehicle products, and supply chain resources were prioritized to gravitate toward new energy vehicles, with the overall production and sales performance beating expectations and each new energy vehicle brand maintaining a high growth rate. According to data from the China Association of Automobile Manufacturers, the production and sales of new energy vehicles in the first half of this year were 2.661 million units and 2.6 million units respectively, an increase of 1.2 times year-on-year. Among them, the penetration rate of new energy passenger cars has reached 24%. BYD, which has announced the discontinuation of fuel car production, surpassed Tesla with sales of 633,700 units, becoming the global champion of new energy vehicle sales in the first half of 2022, while the Shanghai Tesla gigafactory was affected by the pandemic. Mainstream new power brands also achieved varying degrees of year-over-year growth. Against the backdrop of reaching carbon peak and neutrality in the long run, China's electric vehicle ("**EV**") consumption is not only supported by policy, but is increasingly gaining popularity among consumers.

#### **Industry Outlook**

Thanks to a series of policies promulgated by national and local governments to promote automobile consumption, including financial subsidies, purchase tax reduction and relaxation of automobile purchase restrictions, the automobile dealership industry is gradually entering the booming zone. From the demand side, car purchasing and replacement will lead the structural growth of China's automobile consumption, and luxury brands will continue to maintain strong momentum. On the other hand, under the impetus of achieving the target of "dual-carbon", the new energy vehicles show a good situation of "double improvement" in market scale and development quality. While traditional high-end automobile manufacturers are looking for new breakthroughs, dealers also need to diversify into new business models. For the industry outlook in the second half of 2022, we see both opportunities and challenges. There is uncertainty in the industry as the pandemic has yet to subside, compounded by chip shortages and continued high raw material prices. However, there is still room for growth and potential in China in terms of car ownership. Some cities have made policy adjustments, such as promoting the accelerated flow of the used car market, gradually removing local restrictive policies, and driving the growth and expansion of the new car market through the revitalization of used cars. Overall, there is more room for growth in China's automobile consumption.

### **BUSINESS OVERVIEW**

Performance of the Company in the first half of 2022 was impacted by the domestic pandemic prevention policies, and some of its stores were in the lockdown zones or had to close temporarily. Due to the high base effect in the same period of the previous year, most brands had different degrees of year-on-year decline, but some ultra-luxury brands had strong growth. Overall, the Company delivered 17,190 units in the first half of 2022, down 23.4% year-on-year.

Among the Company's existing brand matrix, ultra-luxury brands have demonstrated strong demand resilience and weak economic cycle attributes, with Ferrari, Bentley and Rolls-Royce showing bright sales results, with sales increasing 365.2%, 10.3% and 2.4% year-on-year in the first half of 2022, respectively. During the Reporting Period, the Company added a new Bentley store to its distribution network in Beijing. By now, the Company has become the largest dealer of the Bentley brand in the central region. In addition, the Company further expanded its market share of the Ferrari brand in the Mainland China, accounting for nearly 25% of its total sales in Mainland China in the first half of 2022. Against the backdrop of dampened consumer confidence in the second quarter, demand for car purchasing and replacement of luxury brands weakened. Overall, the Company delivered 13,090 units of BMW (including Mini) in the first half, down 23.5% year-on-year, and 1,828 units of Lexus, down 23.3% over the same period.

In terms of inventory, some stores in Shanghai, Beijing and Henan Province were intermittently suspended due to the recurring pandemic, and the sales pace was impacted in varying degrees, with inventory turnover days increasing by 5.6 days to 30.6 days compared to the end of last year.

The Company continues to focus on the development of the used car and EV sectors, with 3,064 used cars transacted in the first half of the year. Trade-in and replacement services have been able to effectively balance our costs and revenues on the financial level. In the EV sector, Dangdang New Energy, in which the Company made a strategic investment several years ago, is a comprehensive EV service provider covering sales and after-sales service of EVs. At present, Dangdang New Energy has been authorized by major EV brands such as Li Auto, NIO, XPENG, GAC Aion and VOYAH to provide sales and after-sales services for customers.

#### **Business Outlook**

Looking ahead, the Company will continue to focus on its principal business while also changing to electric intelligence. Luxury and ultra-luxury brand track growth space is still sustainable. In addition to the promotion fee policy, the rhythm of issuance of special bonds in various regions is pre-emptive and continuous efforts are made in the field of new infrastructure, the per capita disposable income of residents and consumer confidence are expected to rebound, and the high-end car market still has strong vitality. In addition to maintaining our current portfolio of dominant brands (BMW, Lexus, Ferrari, Bentley and Rolls-Royce), the Company will implement an acquisition strategy in due course to consolidate and expand our market share. At the same time, we believe the Company is capable of further strengthening its profitability by optimizing all expense ratios and improving operational efficiency. The trend of electric intelligence in the luxury and ultra-luxury market is so clear that the transformation to electric vehicles has become one of the important strategies of the Company in the medium and long term. The Company will continue its efforts to explore the business model of traditional distributors in the new trend.

### **FINANCIAL OVERVIEW**

#### Revenue

The Group recorded a revenue of RMB7,940.1 million in the first half of 2022, representing a decrease of 15.3% compared with that of RMB9,373.9 million for the same period of last year. Among which, the sales revenue of new vehicles recorded a decrease of 16.3%, from RMB8,251.3 million to RMB6,906.3 million, accounting for 87.0% of the total revenue of the first half of 2022. While the after-sales services and brand business recorded a revenue of RMB1,000.7 million, representing a decrease of 8.8% compared with that of RMB1,096.8 million for the same period in 2021 and accounting for 12.6% of the total revenue of the first half of 2022.

In respect of ultra-luxury brands, Ferrari, Bentley and Rolls-Royce respectively recorded an increase of 416.2%, 29.2% and 21.8% in terms of new cars sales revenue. As for luxury car brands, the sales revenue of BMW (including MINI) and Lexus respectively recorded a decrease of 23.4% and 18.1%.

#### **Cost of sales and services**

The cost of sales and services of the Group also recorded a decrease of 14.9% from RMB8,514.7 million in the first half of 2021 to RMB7,248.3 million in the same period of 2022. The cost of new car sales and after-sale services were respectively RMB6,683.6 million and RMB564.7 million, representing a decrease of 15.5% and 7.1%.

#### Gross profit and gross profit margin

The gross profit of the Group decreased by 19.5% from RMB859.2 million in the first half of 2021 to RMB691.8 million in the same period of 2022. The gross profit of selling new vehicles declined by 35.4% from RMB344.6 million in the first half of 2021 to RMB222.6 million in the same period of 2022. The gross profit of after-sale services and brand businesses declined by 10.8% from RMB488.7 million in the first half of 2021 to RMB436.0 million in the same period of 2022.

The Group's gross profit margin in the first half of 2022 stood at 8.7%, among which, the gross profit of selling new vehicles in the first half of 2022 was 3.2%, representing a decrease of 1.0 percentage point compared with that of 2021. The gross profit of after-sale services in the Reporting Period was 43.6%, representing a decrease of 1.0 percentage points compared with that of 2021.

#### Selling and distribution expense

The Group's selling and distribution expense in the Reporting Period was RMB387.9 million, which decreased by 9.1% due to the decline of sales.

#### Other income and (losses)/gains, net

In the Reporting Period, the Group recorded other net income and gains of negative RMB976.3 million, which registered significant fall compared with that of last year. Other income and gains mainly came from the commission (of providing services by being an insurance agent and the agent offering car-related financial services), the gain from trading second-hand vehicles, the advertisement revenue from car manufacturers and interest income, and the fair value changes on investments at fair value through profit or loss. The decrease in the first half of 2022 was mainly due to the fair value changes on the FMC investment which registered a full provision of RMB1,217.0 million. Excluding the FMC influence, the other net income and gains of the Group was RMB240.7 million, a slight decrease of 6.5% compared to the same period of last year.

#### **Finance costs**

The Group's finance costs in the Reporting Period was RMB57.0 million, representing a decrease by 6.8% compared to that of 2021. The decrease was mainly attributed to the decrease of the average balance of borrowings and enhancement of loan management capabilities during the Reporting Period.

### **Operation loss**

To conclude, the operation loss of the Group in the Reporting Period was RMB774.0 million, while the figure of the first half of 2021 was an operation profit of RMB564.9 million. The decrease was mainly due to the full provision of the equity investment of FMC.

#### Loss attributable to the owners of the parent

In the first half of 2022, the loss attributable to the owners of the parent was RMB914.8 million. Excluding the full provision of the equity investment of FMC, the figure would be a profit of RMB302.2 million, while figure in the first half of 2021 was a profit of RMB404.5 million.

## LIQUIDITY AND CAPITAL RESOURCES

#### **Cash flow**

The Group mainly uses cash to purchase passenger cars and supporting components, set up and acquire new distribution outlets and support their daily operation. Short-term bank loans and the cash generated from operating activities are the cash sources of the Group. In the future, the Group will also, if it has opportunities, raise funds in the capital market to provide liquidity for potential major acquisitions.

As of June 30, 2022, the total cash and deposits of the Group is RMB1,622.4 million (USD5.8 million, HKD1.3 million and RMB1,582.6 million). In the first half of 2022, the net cash generated from operating activities of the Group is RMB618.1 million; the net cash used in investing activities is RMB58.6 million; the net cash used in financing activities is RMB595.6 million.

#### **Net current assets**

As at June 30, 2022, the net current assets of the Group was RMB3,028.2 million, representing an increase of 10.5% from RMB2,741.3 million as at December 31, 2021.

### **Capital expenditure**

The Group's capital expenditure comprises of its expenses on plant, property, equipment and the assets with using rights. In the Reporting Period, the Group's capital expenditure (mainly used as the expenses and prepayments to purchase the property, plant and equipment for setting up new outlets) stood at RMB77.5 million (the same period of 2021: RMB170.1 million). The reason of the decrease was that the Group slow down its expansion due to the strict epidemic prevention policies.

#### Inventory

The inventories of the Group are mainly passenger cars and supporting components. During the period, the inventories increased slightly by RMB168.1 million from RMB1,129.6 million as of December 31, 2021 to RMB1,297.7 million as of June 30, 2022. The Group recorded a slight increase of inventories and the Group's average turnover days for inventories in the first half of 2022 is 30.6 days, while the figure in the first half of 2021 is 23.7 days. The Group's turnover days increased by 6.9 days. The increase in inventories and inventory turnover days was mainly due to the strict epidemic prevention policies against COVID-19 in Mainland China, such as lock-down, in the second quarter of this year.

#### **Bank loans and other borrowings**

As of June 30, 2022, the total bank loans and other borrowings of the Group is RMB2,197.7 million (USD10 million, HKD330 million and RMB1,849.6 million), representing a decrease of 16.4% compared to the figure on December 31, 2021, RMB2,630.0 million.

	June 30, 2022 <i>RMB'000</i>	December 31, 2021 <i>RMB'000</i>
Bank loans should be repaid within one year	1,465,476	1,622,591
Other borrowings: should be repaid within one year	732,208	1,007,387
Total	2,197,684	2,629,978

At the end of the Reporting Period, except for certain bank loans of RMB 1,117,250,000 (December 31, 2021: RMB1,412,835,000) with fixed interest rates, all of the Group's bank loans and other borrowings bear interest at floating interest rates.

As of June 30, 2022, the gearing ratio of the Group (the result of total liabilities divided by total assets) is 41.4%, representing an increase of 2.1 percentage point than that on December 31, 2021.

### **Contingent liabilities**

As of June 30, 2022, the Company has no material contingent liabilities or guarantees (December 31, 2021: Nil).

#### Interest rate risk and foreign exchange risk

The Group is exposed to the risks arising from the fluctuation of loan rates. The rising of loan rates may incur additional borrowing costs of the Group. If this is the case, then it may cause adverse effects upon the Group's finance costs, profit and financial position. The loan rates and overdraft rates of domestic banks are determined by the benchmark lending rates published by the People's Bank of China. Until now, the Group has not used any financial derivatives to hedge the Company's interest rate risks.

All of the Group's revenue, cost of sales and expenses are denominated in Renminbi which is also the currency the Group uses to keep its accounting records. Considering its operating businesses, the Group does not think that it is exposed to any major direct foreign exchange risks, and it has not adopted any financial derivative instruments to hedge such risks. Part of the Group's cash deposits and bank borrowings are denominated in Hong Kong dollars or US dollars, which makes it subject to potential conversion differences as a result of the fluctuation of foreign exchange rates on financial statements.

#### **Employees and remuneration policies**

As of June 30, 2022, the Group has 3,901 employees (December 31, 2021: 4,551 employees). The salary package of employees is determined by their working experiences, duties and performances. The management will conduct annual review on the salary plan while taking into account employees' general performance and market. The Group also makes contributions to employees' social security plans in mainland China and to the mandatory provident fund scheme in the Hong Kong Special Administrative Region of the People's Republic of China.

In addition, eligible employees are also entitled to share awards under the share award scheme and to the share options under the share option scheme. During the Reporting Period, to safeguard the benefits of all shareholders, the Group has not granted shares awards in accordance with any share award scheme. As at June 30, 2022, the Group has 42,191,000 outstanding share options under share option scheme, accounting for approximately 2.7% of the shares the Company issued on that date. For more information about the share option scheme, please refer to the 2022 interim report which the Company will publish in due course. The Group will review its remuneration policies and employees' benefits by referring to the market practices and individual employee's performance.

#### Material acquisitions, disposals and significant investments

Save as disclosed in this interim report, during the six months ended June 30, 2022, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies. Save as disclosed in this interim report, as at June 30, 2022, the Group did not hold any other significant investments.

## **EVENTS AFTER THE REPORTING PERIOD**

As from the Reporting Period to the date of this report, there was no significant event that would have any material impact on the Group.

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

As at June 30, 2022, the interests and short positions of the directors (the "**Directors**") or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as 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**") were as follows:

			Ordinary Shares city/Nature of Int	oract	Underlying Shares under Share Options		
		Personal	Family	Other	Personal	Total	Approximate % of Shareholding
Name	Position	Interests <sup>(6)</sup>	Interests <sup>(7)</sup>	interests	Interests	Interests	Interest
Mr. FENG Changge Mr. FENG Shaolun	Director Director	_	-	708,364,660 (L)(1) 708,364,660 (L)(3)	2,500,000(4)(5)	710,864,660 (L) 708,364,660 (L)	45.95% 45.78%
Ms. MA Lintao	Director	_	710,864,660 (L)(2)		_	710,864,660 (L)	45.95%
Mr. LIU Fenglei	Director	778,587 (L)	_	_	2,500,000(4)(5)	3,278,587 (L)	0.21%
Mr. WANG Nengguang	Director	40,000(L)	_	_	_	40,000 (L)	0.00%

Notes:

- (1) These 708,364,660 shares in the Company are held by Eagle Seeker Company Limited ("Eagle Seeker"). Mr. FENG Changge is deemed to be interested in the said 708,364,660 shares by virtue of Eagle Seeker being held indirectly by Cititrust Private Trust (Cayman) Limited through Eagle Pioneer Company Limited, whereas Mr. Feng Changge is the founder of the trust.
- (2) Ms. MA Lintao is Mr. FENG Changge's spouse and is therefore deemed to be interested in all the shares of the Company in which Mr. FENG Changge is interested in.
- (3) These 708,364,660 shares in the Company are held by Eagle Seeker. Mr. FENG Shaolun is deemed to be interested in the said 708,364,660 shares by virtue of Eagle Seeker being held indirectly by Cititrust Private Trust (Cayman) Limited through Eagle Pioneer Company Limited, whereas Mr. Feng Shaolun is one of the beneficiaries.
- (4) These interests represent options to subscribe for Shares in accordance with the Share Option Scheme granted to the relevant Directors. For further details, please refer to the section headed "Share Option Scheme".
- (5) These options were granted by the Company in May 2017 and accepted by the relevant grantees in May 2017.

- (6) "Personal Interests" represents interests directly beneficially owned.
- (7) "Family Interests" represents interests of spouse or child under 18.
- (8) The letter "L" denotes the long position in the shares of the Company.

Save as disclosed above, as at June 30, 2022, none of the Directors nor the chief executive of the Company had any interests or short positions in any of 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 required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

### **SHARE OPTION SCHEME**

The Company has adopted a share option scheme on June 26, 2015 ("**Share Option Scheme**"), which is made pursuant to Chapter 17 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange, in relation to grant of share options to certain employees of the Company or its subsidiaries to subscribe for shares (the "**Shares**") of HK\$0.01 each of the Company, for the purpose of attracting, retaining and motivating talented employees to strive towards long-term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group.

On May 9, 2017, the Board resolved to grant up to 70,000,000 new share options to the then existing grantees and certain new grantees (collectively, the "**Grantees**", each a "**Grantee**") to replace the outstanding options granted on June 29, 2015 and July 2, 2015 respectively ("**Outstanding Options**"), subject to the acceptance of each of the then existing grantees. No compensation shall be payable to them for cancellation of the Outstanding Options. New grantees are mainly senior management of the subsidiaries of the Company and general managers of its outlets.

On December 17, 2019, the Company offered to grant share options (the "**2019 Share Options**") to certain eligible employees of the Group (the "**2019 Grantees**") under the Share Option Scheme, entitling them to subscribe for a total of 20,000,000 ordinary shares of HK\$0.01 each of the Company. The grant of the 2019 Share Options will be subject to the acceptance of the 2019 Grantees. Each 2019 Grantees is not a Director, chief executive or substantial shareholder of the Company or an associate (as defined under the Listing Rules) of any of them.

Summary of the Share Option Scheme has been set out in note 16 to the financial statement.

Details of the movements of the share options granted to subscribe for ordinary shares by the Directors, former directors and other eligible employees of the Company pursuant to the Share Option Scheme during the six months ended June 30, 2022 were as follows:

			Number of Share Options						
Name of Grantees	Date granted	Exercise price per Share	Outstanding as at January 1, 2022	Exercised during the period	Cancelled during the period	Outstanding as at June 30, 2022			
Directors Mr. FENG Changge — Executive Director and Chairman of the Board	May 9, 2017	HK\$3.00	2,500,000	_	_	2,500,000(1)			
Mr. LIU Fenglei — Executive Director and President	May 9, 2017	HK\$3.00	2,500,000	_	_	2,500,000(1)			
Former Director Ms. FENG Guo — Former Executive Director and Vice President	May 9, 2017	HK\$3.00	400,000	_	_	400,000(1)			
Former Director Mr. HAN Yang — Former Executive Director and Vice President	May 9, 2017	HK\$3.00	800,000	_	_	800,000(1)			
Former Director Mr. YANG Lei — Former Executive Director, Chief Operating Officer and Vice President	May 9, 2017	HK\$3.00	1,125,000	_	_	1,125,000(1)			
Other eligible employees	May 9, 2017 December 17, 2019	HK\$3.00 HK\$4.00	16,191,000 20,000,000		1,325,000 <sup>(3)</sup> —	14,866,000 <sup>(1)</sup> 20,000,000 <sup>(2)</sup>			
Total			43,516,000	_	1,325,000	42,191,000			

#### Notes:

- (1) The validity period of the 70,000,000 share options is from May 9, 2017 (i.e., date of grant) till the earlier of (i) the day on which the relevant Grantee ceases to be an employee or a director of the Company and its subsidiaries on one or more of the grounds of termination of employment, appointment or directorship specified in paragraph 8(vi) of the Share Option Scheme, and (ii) June 28, 2025. All share options granted on May 9, 2017 vested and became fully exercisable on July 1, 2017. The cessation of directorship of the former Director Mr. Yang Lei and Mr. Han Yang did not involve the grounds of termination as specified in the above (i), and his share options remained valid as at June 30, 2022.
- (2) The validity period of the 20,000,000 share options is from December 17, 2019 (i.e., date of grant) till the earlier of (i) the day on which the relevant 2019 Grantee ceases to be an employee of the Group, and (ii) December 17, 2025. 50% of these share options were vested on February 16, 2020 and 50% were vested on February 16, 2021.
- (3) A total of 525,000 and 800,000 share options at the exercise price of HK\$3.00 were cancelled on April 14, 2022 and April 19, 2022, respectively.

Details of the options exercised and cancelled are set out above. No options were granted or lapsed during the period.

### **SHARE AWARD PLAN**

On February 28, 2019, the Company adopted a share award plan (the "**Share Award Plan**"), pursuant to which the Company may grant existing Shares to selected participants (namely all employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors) and officers of the Group, but excluding Mr. Feng Changge). The reason for adopting the Share Award Plan is to (i) incentivize, recognize and reward employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors) and officers of the Group for their contribution to the Group; (ii) attract and retain personnel to promote the long-term growth and development of the Group; and (iii) align the interests of the Award Holders with that of the Shareholders to promote the long-term financial performance of the Company. No new Shares will be granted under the Share Award Plan. Details of the Share Award Plan are set out in the Company's announcement dated April 2, 2019.

As at June 30, 2022, the trustee appointed by the Company for the purpose of the Share Award Plan has purchased 59,987,500 Shares according to the Share Award Plan since its adoption. 30,000,000 Shares has been granted under the Share Award Plan.

For the six months ended June 30, 2022, none of Shares has been granted under the Share Award Plan.

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

As at June 30, 2022, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares Directly or Indirectly Held <sup>(4)</sup>	Approximate % of Shareholding Interest		
Eagle Seeker <sup>(1)</sup>	Beneficial owner	708,364,660 (L)	45.78%		
Eagle Pioneer Company Limited <sup>(1)</sup>	Interest of controlled corporation	708,364,660 (L)	45.78%		
Cititrust Private Trust (Cayman) Limited <sup>(2)</sup>	Trustee	708,364,660 (L)	45.78%		
Foxconn (Far East) Limited(3)	Beneficial owner	128,734,000 (L)	8.32%		
Hon Hai Precision Industry Co. Ltd <sup>(3)</sup>	Interest of controlled corporation	128,734,000 (L)	8.32%		

Notes:

- (1) Eagle Seeker is wholly owned by Eagle Pioneer Company Limited. Accordingly, Eagle Pioneer Company Limited is deemed to have interest in the 708,364,660 Shares held by Eagle Seeker.
- (2) Eagle Pioneer Company Limited is wholly owned by Cititrust Private Trust (Cayman) Limited. Accordingly, Cititrust Private Trust (Cayman) Limited is deemed to have interest in the 708,364,660 Shares held by Eagle Seeker (the controlling shareholder of the Company), indirectly via Eagle Pioneer Company Limited. Mr. Feng Changge, Executive Director and Chairman of the Company, is the founder of the trust of Cititrust Private Trust (Cayman) Limited.
- (3) Foxconn (Far East) Limited ("Foxconn") is wholly owned by Hon Hai Precision Industry Co. Ltd. ("Hon Hai"), a company listed on the Taiwan Stock Exchange. Accordingly, Hon Hai is deemed to have interest in the 128,734,000 Shares held by Foxconn.
- (4) The letter "L" denotes long position in such Shares.

Save as disclosed above, as at June 30, 2022, no persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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

During the Reporting Period, the Company repurchased a total of 19,003,000 ordinary shares of HK\$0.01 each on the Stock Exchange for a total consideration of approximately HK\$74,908,767.90 (excluding transaction cost). The 15,974,000 repurchased shares were subsequently cancelled on June 10, 2022. Details of the shares repurchased during the Reporting Period are set out as follows:

		Repurchas per sh	-	Aggregate consideration (excluding transaction
Month of repurchase	Number of shares	Highest (HK\$)	Lowest (HK\$)	<b>cost)</b> (HK\$)
January 2022	5,638,500	4.91	4.12	26,325,433.25
February 2022	3,847,000	4.33	3.87	15,469,714.30
March 2022	460,000	3.99	3.67	1,729,902.35
April 2022	3,100,000	3.90	3.40	11,185,787.75
May 2022	3,008,500	3.71	3.34	10,480,918.30
June 2022	2,949,000	3.53	3.00	9,717,011.95
Total	19,003,000			74,908,767.90

The Directors believe that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would benefit shareholders as a whole by enhancing the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they had complied with the Model Code during the six months ended June 30, 2022.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

For the six months ended June 30, 2022, the Company has complied with the applicable principles and code provisions of the Corporate Governance Code (the "**CG Code**") as set out in the Listing Rules.

The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

## **UPDATE ON DIRECTORS' INFORMATION**

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in Directors' biographical details is as follow:

Mr. Wang Nengguang was appointed as an independent director of Digital China Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 000034)) since February 2022.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2022.

## **AUDIT COMMITTEE**

The Company established the Audit Committee with written terms of reference in compliance with the requirements of the Listing Rules and the Corporate Governance Code. As at the date of this interim report, the Audit Committee consists of three members, namely Mr. Wang Nengguang, Mr. Lau Kwok Fan and Mr. Chan Ying Lung, all of whom are independent non-executive Directors of the Company. Mr. Wang Nengguang is the Chairman of the Audit Committee.

The Audit Committee had reviewed this report (including the interim results and the unaudited condensed consolidated financial statements) for the six months ended June 30, 2022.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2022

	Notes	Six months ender 2022 <i>RMB'000</i> (Unaudited)	ed June 30, 2021 <i>RMB'000</i> (Unaudited)
REVENUE	5	7,940,132	9,373,909
Cost of sales and services		(7,248,317)	(8,514,740)
GROSS PROFIT		691,815	859,169
Other income and (losses)/gains, net	6	(976,286)	243,680
Selling and distribution expenses		(387,905)	(426,794)
Administrative expenses		(101,637)	(111,112)
(LOSS)/PROFIT FROM OPERATIONS		(774,013)	564,943
Finance costs	7	(57,030)	(61,207)
Share of profits/(losses) of joint ventures	1	4	(5)
Share of (losses)/profits of associates		(617)	554
(LOSS)/PROFIT BEFORE TAX		(921 656)	504 295
Income tax expense	8	(831,656) (76,704)	504,285 (103,699)
	0	(70,704)	(100,000)
(LOSS)/PROFIT FOR THE PERIOD	9	(908,360)	400,586
Other comprehensive income/(loss) after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		28,627	(25,756)
Other comprehensive income/(loss)			
for the period, net of tax		28,627	(25,756)
Total computerative (loca)/income			
Total comprehensive (loss)/income for the period		(879,733)	374,830
(Loss)/profit for the period attributable to:			000.000
Owners of the Company		(914,838)	390,836
Non-controlling interests		6,478	9,750
		(908,360)	400,586

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2022

	_	Six months ended June 30,			
	Notes	2022	2021		
		RMB'000	RMB'000		
		(Unaudited)	(Unaudited)		
Total comprehensive (loss)/income					
for the period attributable to:					
Owners of the Company		(886,211)	365,080		
Non-controlling interests		6,478	9,750		
		(879,733)	374,830		
(Loss)/earnings per share attributable					
to owners of the Company	11				
Basic (RMB)		(0.604)	0.254		
Diluted (RMB)		(0.602)	0.253		

# **Condensed Consolidated Statement of Financial Position**

As at June 30, 2022

	Notes	June 30, 2022 <i>RMB'000</i> (Unaudited)	December 31, 2021 <i>RMB'000</i> (Audited
NON-CURRENT ASSETS			
Property, plant and equipment		3,052,401	3,054,559
Right-of-use assets		854,949	823,118
Intangible assets		148,656	149,665
Goodwill		141,791	141,791
Prepayments and other assets		421,205	421,189
Finance lease receivables		246,398	246,026
Investment in joint ventures		7,777	7,773
Investment in associates		6,157	6,774
Financial assets at fair value through profit or loss		_	1,217,011
Financial assets at fair value through other			
comprehensive income		8,604	8,604
Deferred tax assets		84,004	75,514
Total non-current assets		4,971,942	6,152,024
CURRENT ASSETS			
Finance lease receivables		239,555	232,465
Inventories		1,297,704	1,129,635
Trade receivables	13	158,876	148,149
Prepayments, other receivables and other assets		3,484,485	3,760,416
Investments at fair value through profit or loss		81,504	81,504
Pledged and restricted bank deposits		210,680	87,752
Cash in transit		34,145	27,454
Cash and bank balances		1,622,352	1,629,199
Total current assets		7,129,301	7,096,574
CURRENT LIABILITIES			
Bank loans and other borrowings		2,197,684	2,629,978
Trade and bills payables	14	433,448	2,020,070
Other payables and accruals		1,181,450	1,175,087
Lease liabilities		78,851	109,357
Income tax payable		209,632	223,632

# **Condensed Consolidated Statement of Financial Position**

As at June 30, 2022

	Notes	June 30, 2022 <i>RMB'000</i>	December 31, 2021 <i>RMB'000</i> (Audited)
		(Unaudited)	(Audited)
NET CURRENT ASSETS		3,028,236	2,741,255
TOTAL ASSETS LESS CURRENT LIABILITIES		8,000,178	8,893,279
NON-CURRENT LIABILITIES			
Lease liabilities		848,257	792,058
Deferred Tax Liabilities		57,994	58,659
Total non-current liabilities		906,251	850,717
NET ASSETS		7,093,927	8,042,562
ΕΟυΙΤΥ			
Equity attributable to owners of the parent			
Share capital	15	12,291	12,480
Reserves		7,001,976	7,954,900
		7,014,267	7,967,380
Non-controlling interests		79,660	75,182
TOTAL EQUITY		7,093,927	8,042,562

# **Condensed Consolidated Statement of** Changes in Equity For the six months ended June 30, 2022

					Attributable	to owners of	the parent						
		Shares held					Fair value	Share	Exchange			Non-	
	Share	under share	Share	Capital	Statutory	Merger	change	option	fluctuation	Retained		controlling	Tota
	capital RMB'000	award plan RMB'000	premium <i>RMB'000</i>	reserve RMB'000	reserve RMB'000	reserve RMB'000	reserve RMB'000	reserve RMB'000	reserve RMB'000	earnings RMB'000	Total <i>RMB'000</i>	interests RMB'000	equit <i>RMB'00</i>
t January 1, 2021	12,536	(101,664)	3,056,416	1,635	297,060	371,200	(77,245)	98,558	88,766	3,740,778	7,488,040	59,447	7,547,48
Profit for the period	_	_	_	_	_	_	_	_	_	390,836	390,836	9,750	400,58
ther comprehensive income for the period													
ixchange differences on													
translating foreign operations	-	-	-	_	-	-	-	-	(25,756)	-	(25,756)	-	(25,75
otal comprehensive income													
for the period, net of tax	-	_	-	_	_	-	-	-	(25,756)	390,836	365,080	9,750	374,83
Shares repurchased Dividend paid to non-controlling	-	(17,499)	-	-	-	-	-	-	-	-	(17,499)	-	(17,49
shareholders	_	_	_	_	_	_	_	_	_	_	_	(2,381)	(2,38
encise of share options	4	_	1,537	_	_	_	_	(290)	_	_	1,251		1,25
quity-settled-share option													, ,
arrangement	_	_	_	_	_	_	_	(1,349)	_	_	(1,349)	_	(1,34
Fransfer from retained profits	-	-	_	_	507	-	_	-	-	(507)	-	-	-
At June 30, 2021 (unaudited)	12,540	(119,163)	3,057,953	1,635	297,567	371,200	(77,245)	96,919	63,010	4,131,107	7,835,523	66,816	7,902,33
At January 1, 2022	12,480	(123,243)	2,936,541	1,635	303,905	371,200	(100,441)	99,573	58,641	4,407,089	7,967,380	75,182	8,042,56
Profit for the period	_	_	_	_	_	_	-	-	_	(914,838)	(914,838)	6,478	(908,36
Other comprehensive income										(01.1000)	(01.1000)	0,0	(000)00
for the period													
xchange differences on													
translating foreign operations	-	-	-	-	-	-	-	-	28,627	-	28,627	-	28,62
otal comprehensive income													
for the period, net of tax	-	-	-	-	-	-	-	-	28,627	(914,838)	(886,211)	6,478	(879,73
hares repurchased and cancelled	(189)	78,969	(78,780)	-	-	-	-	-	-	-	-	-	
hares repurchased	-	(66,902)	-	-	-	-	-	-	-	-	(66,902)	-	(66,90
Dividend paid to non-controlling													
shareholders	-	-	-	-	-	-	-	-	-	-	-	(2,000)	(2,00
ransfer from retained profits	-	-	-	-	11,176	-	-	-	-	(11,176)	-	-	
	12,291	(111,176)	2,857,761	1,635	315,081	371,200	(100,441)	99,573	87,268	3,481,075	7,014,267	79,660	7,093,92

# Condensed Consolidated Statement of Cash Flow

For the six months ended June 30, 2022

	Six months ended June 3 2022 2		
	RMB'000	2021 <i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Cash flows from operating activities			
Cash generated from operations	717,940	599,384	
Income taxes paid	(99,859)	(136,843)	
Net cash generated from operating activities	618,081	462,541	
Cash flows from investing activities			
Interest received	30,176	25,650	
Purchases of property, plant and equipment	(271,040)	(274,254)	
Proceeds from disposal of property, plant and equipment	183,941	68,986	
Purchase of intangible assets	(1,629)	(2,826)	
Payments for right-of-use assets	-	(3,528)	
Loan repayment from a third party	-	670	
Repayment from a related party	_	30,000	
Net cash used in investing activities	(58,552)	(155,302)	
Cash flows from financing activities			
Proceeds from exercise of share options	_	1,541	
Repurchase of shares	(66,902)	(24,191)	
Bank loans and other borrowings raised	5,852,567	5,217,489	
Repayment of bank loans and other borrowings	(6,284,861)	(5,225,572)	
Dividends paid to a non-controlling shareholder	(2,000)	(2,381)	
Repayment of lease liabilities	(60,921)	(42,152)	
Interest paid	(33,436)	(45,552)	
Net cash (used in)/generated from financing activities	(595,553)	(120,818)	
Net increase/(decrease) in cash and cash equivalents	(36,024)	186,421	
Effect of foreign exchange rate changes, net	29,177	25,837	
Cash and cash equivalents at January 1,	1,629,199	1,714,316	
Cash and cash equivalents at June 30,	1,622,352	1,926,574	

For the six months ended June 30, 2022

## **1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

These condensed consolidated financial statements should be read in conjunction with the 2021 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2021.

# 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on January 1, 2022. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's condensed consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

## 3. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

For the six months ended June 30, 2022

# 3. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

#### (a) Disclosures of level in fair value hierarchy at June 30, 2022:

Description	Fair value Level 1 <i>RMB′000</i>	measurements Level 2 <i>RMB'000</i>	using: Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Recurring fair value</b> <b>measurements:</b> Equity investment at fair value through other				
comprehensive income Unlisted equity investment Investments at fair value through profit or loss Unlisted private fund in	-	-	8,604	8,604
the PRC	_	81,504	_	81,504
Total recurring fair value measurements	_	81,504	8,604	90,108

#### Disclosures of level in fair value hierarchy at December 31, 2021:

Description	Fair value Level 1 <i>RMB'000</i>	measurements us Level 2 <i>RMB'000</i>	sing: Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Recurring fair value measurements:				
Equity investment at fair value through other comprehensive income				
Unlisted equity investment Investments at fair value	—		8,604	8,604
through profit or loss Unlisted equity investment Unlisted private fund in	_	_	1,217,011	1,217,011
the PRC	_	81,504	_	81,504
Total recurring fair value measurements	_	81,504	1,225,615	1,307,119

For the six months ended June 30, 2022

# 3. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Equity investments at fair value through other comprehensive income <i>RMB'000</i>	Investments at fair value through profit or loss equity investments <i>RMB'000</i>	Total <i>RMB'000</i>
At December 31, 2021 (Audited) Addition Total gains or losses recognised	8,604 —	1,217,011	1,225,615 —
in profit or loss* At June 30, 2022 (Unaudited)		(1,217,011)	(1,217,011) 8,604
<ul> <li>Include gains or losses for assets held at end of reporting period</li> </ul>	_	(1,217,011)	(1,217,011)
Description	Equity investments at fair value through other comprehensive income <i>RMB'000</i>	Investments at fair value through profit or loss equity investments <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2021 (Audited) Addition Total gains or losses recognised in profit or loss*	31,800 —	1,273,077 — (56,066)	1,304,877 — (56,066)
in other comprehensive income At December 31, 2021 (Audited)	(23,196) 8,604	1,217,011	(23,196)
<ul> <li>Include gains or losses for assets held at end of reporting period</li> </ul>	_	(56,066)	(56,066)

For the six months ended June 30, 2022

# 3. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

# (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of reporting period:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Description	Valuation technique	Key input	Fair value June 30, 2022 <i>RMB'000</i> (Unaudited)
Unlisted private fund in the PRC	Market approach	Market price of private fund	81,504
Description	Valuation technique	Key input	Fair value December 31, 2021 <i>RMB'000</i> (Audited)
Unlisted private fund in the PRC	Market approach	Market price of private fund	81,504

#### Level 2 fair value measurements

For the six months ended June 30, 2022

# 3. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of reporting period: (Continued)

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value June 30, 2022 <i>RMB'000</i> (Unaudited)
Private equity investments classified as investments at fair value through profit or loss	Back-solve Method	Probability of IPO Probability of liquidation Discount for lack of marketability	6.32% 93.68% 47.80%	Increase Decrease Decrease	_
Equity investment at fair value through other comprehensive income	Market approach	Discounts for lack of marketability	15.8%	Decrease	8,604
Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value December 31, 2021 <i>RMB'000</i> (Audited)
Private equity investments classified as investments at fair value through profit or loss	Market approach	Probability of IPO Probability of liquidation Discount for lack of marketability	6.32% 93.68% 47.80%	Increase Decrease Decrease	1,217,011
Equity investment at fair value through other comprehensive income	Market approach	Discounts for lack of marketability	15.8%	Decrease	8,604

#### Level 3 fair value measurements

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For the six months ended June 30, 2022

## 4. OPERATING SEGMENT INFORMATION

The Group's principal business is the sale of automobiles and provision of after-sales services. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the sale of motor vehicles and the provision of related services.

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

#### Information about geographical area

Since all of the Group's revenue was generated from the sale of automobiles and provision of after-sales services in Mainland China and over 90% of the Group's identifiable non-current assets and liabilities were located in Mainland China, no geographical segment information is presented.

#### Information about major customers

Since no sales to a single customer amounted to 10% or more of the Group's revenue during the period, no major customer information is presented.

### 5. **REVENUE**

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
— Revenue from the sale of automobiles and others	6,906,252	8,251,280
— Provision of after-sales services	1,000,734	1,096,767
Revenue from other sources		
— Finance leasing services	33,146	25,862
	7,940,132	9,373,909

For the six months ended June 30, 2022

## 5. **REVENUE (CONTINUED)**

Disaggregation of revenue from contracts with customers:

	Six months end	ed June 30,
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Type of goods or services		
Sale of automobiles and others	6,906,252	8,251,280
Provision of after-sales services	1,000,734	1,096,767
Total revenue from contracts with customers	7,906,986	9,348,047
	Six months end	ed June 30 <i>.</i>
	2022	2021

	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Timing of revenue recognition		
Goods received by the customer at a point in time	6,906,252	8,251,280
Services rendered at a point in time	1,000,734	1,096,767
Total revenue from contracts with customers	7,906,986	9,348,047

## 6. OTHER INCOME AND (LOSSES)/GAINS, NET

	Six months ended June 30	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Commission income	192,181	226,402
Interest income from loans and advances to a third party	21,405	18,602
Bank interest income	8,771	7,048
Fair value loss on financial asset at fair value through		
profit or loss	(1,217,011)	(13,665)
Fair value loss on investment at fair value through		
profit or loss	-	(1,041)
Others	18,368	6,334
	(976,286)	243,680

For the six months ended June 30, 2022

## 7. FINANCE COSTS

	Six months ende	ed June 30,
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	33,436	40,250
Leases interests	23,594	20,957
	57,030	61,207

## 8. INCOME TAX EXPENSE

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current Mainland China corporate income tax Provision for the year	84,529	115,265
Deferred tax credit	(7,825)	(11,566)
	76,704	103,699

Pursuant to Section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

The subsidiaries incorporated in the British Virgin Islands ("**BVI**") are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. There are no assessable profits arising in Hong Kong during the period.

According to the Corporate Income Tax Law of the People's Republic of China, the income tax rate for Mainland China subsidiaries is 25% (2021: 25%).

For the six months ended June 30, 2022

## 9. (LOSS)/PROFIT FOR THE PERIOD

The Group's (loss)/profit for the period is stated after charging/(crediting) the following:

	Six months ende	ed June 30,
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' remuneration	3,553	3,654
Fair value loss on financial asset at fair value through		
profit or loss	1,217,011	13,665
Fair value loss on investment at fair value through		
profit or loss	_	1,041
Gain on disposal of property, plant and equipment	(2,907)	(8,381)
Employee benefit expense (including directors' and		
chief executive's remuneration)		
Wages and salaries	172,423	173,508
Equity-settled share option expenses	_	1,349
Other welfare	30,361	33,347
Cost of sales and services:		00,017
Cost of sales of automobiles	6,683,635	7,906,659
Cost of aftersales services		
	564,682	608,081
	7,248,317	8,514,740

### **10. DIVIDENDS**

At the annual general meeting held on June 16, 2022, a final dividend of HK\$0.21 (equivalent to approximately RMB0.17) in respect of the year ended December 31, 2021 per ordinary share was approved, for a total of approximately HK\$324,869,000 (equivalent to approximately RMB277,346,000). The dividend was paid on August 16, 2022 (2021: a final dividend of RMB0.079 in respect of the year ended December 31, 2020 per ordinary share with aggregate amount of approximately RMB104,077,000).

The Board of Directors recommends not to declare any interim dividend for the six months ended June 30, 2022.

For the six months ended June 30, 2022

## **11. EARNINGS PER SHARE**

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Earnings:</b> (Loss)/profit for the period attributable to owners of the Company used in the basic earnings per share		
calculation	(914,838)	390,836
Number of shares: Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<i>'000</i> 1,515,615	<i>'000</i> 1,539,416
Effect of dilution <i>weighted average number of ordinary shares:</i> — Share options	4,741	4,272
	1,520,356	1,543,688

## **12. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended June 30, 2022, the Group additional property, plant and equipment of approximately RMB271,040,000.

## **13. TRADE RECEIVABLES**

The aging analysis of trade receivables as at the balance sheet date, based on the date of recognition of the service income or goods sold, is as follows:

	At June 30,	At December 31,
	2022	2021
	<i>RMB'000</i>	RMB'000
	(Unaudited)	(Audited)
Within 3 months	141,184	128,297
3 months to within 1 year	17,692	19,852
	158,876	148,149

For the six months ended June 30, 2022

## **14. TRADE AND BILLS PAYABLES**

The aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of consumables or goods purchased, is as follows:

	At June 30,	At December 31,
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	391,584	212,083
3 to 6 months	37,189	2,762
6 to 12 months	2,771	636
Over 12 months	1,904	1,784
	433,448	217,265

## **15. SHARE CAPITAL**

	Number of issued and fully paid shares	Amount <i>RMB'000</i>
At December 31, 2021 (Audited) Shares repurchased and cancelled	1,569,758,677 (22,762,000)	12,480 (189)
At June 30, 2022 (Unaudited)	1,546,996,677	12,291

All shares issued in prior years rank pari passu with the then existing shares in issue in all respects.

For the six months ended June 30, 2022

## **16. SHARE OPTION SCHEME**

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include employees of the Company and its subsidiaries. The Scheme became effective on 26 June 2015, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on 26 June 2015. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this 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 associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12- month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, an amount of HK\$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period and ends on the expiry date of the Scheme.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average of the closing prices of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

For the six months ended June 30, 2022

## **16. SHARE OPTION SCHEME (CONTINUED)**

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

	At 30 Jur (Unauc		At 31 Decer (Audi	
	Weighted		Weighted	
	average	Number of	average	Number of
	exercise price	options	exercise price	options
	HK\$ per share	'000	HK\$ per share	'000
At 1 January	3.46	43,516	3.45	44,691
Exercised during the period	—	—	3.00	(575)
Forfeited during the period	3.00	(1,325)	3.00	(600)
At the end of the period	3.47	42,191	3.46	43,516

On 17 December 2019, the Group granted 20,000,000 share options to its employees.

The weighted average share price at the date of exercise for share options exercised during the year was HK\$nil (2021: HK\$3.50) per share.

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

### 30 June 2022 (Unaudited)

Number of options ′000	Exercise price* <i>HK\$ per share</i>	Exercise period
22,191 20,000	3.00 4.00	1/7/2017 to 28/6/2025 16/2/2020 to 17/12/2025
42,191		
30 June 2021 (Unaudited)		
Number of options '000	Exercise price* <i>HK\$ per share</i>	Exercise period
23,891 20,000	3.00 4.00	1/7/2017 to 28/6/2025 16/2/2020 to 17/12/2025
43,891		

For the six months ended June 30, 2022

## **16. SHARE OPTION SCHEME (CONTINUED)**

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted on 17 December 2019 was RMB24,400,000 (RMB1.22 each).

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

	17 December 2019
Weighted average share price (HK\$)	3.86
Weighted average exercise price (HK\$)	4.0
Expected volatility (%)	49.61%
Expected life	6 years
Risk free rate (%)	1.72%
Expected dividend yield (%)	3.59%

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 42,191,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 42,191,000 additional ordinary shares of the Company and additional share capital of HK\$42,200 (equivalent to RMB36,027) (before issue expenses).

At the date of approval of these consolidated financial statements, the Company had 42,191,000 share options outstanding under the Scheme, which represented approximately 2.72% of the Company's shares in issue as at that date.

For the six months ended June 30, 2022

## **17. RELATED PARTY TRANSACTIONS**

Mr. Feng Changge is the Chairman, the Director and the Controlling Shareholder of the Company and is considered a related party of the Group.

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the period:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Transactions with a related party		
Repayment from made to Yongda Hexie		1,624

### **18. CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities at June 30, 2022 and December 31, 2021.

## **19. CAPITAL COMMITMENTS**

	At June 30, 2022 <i>RMB'000</i> (Unaudited)	
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	82,948	89,461

### **20. EVENTS AFTER THE REPORTING PERIOD**

As from the end of the Reporting Period to the date of this announcement, there was no significant event that would have any material impact on the Group.

# 21. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on August 26, 2022.