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中升集團控股有限公司
Zhongsheng Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 881)

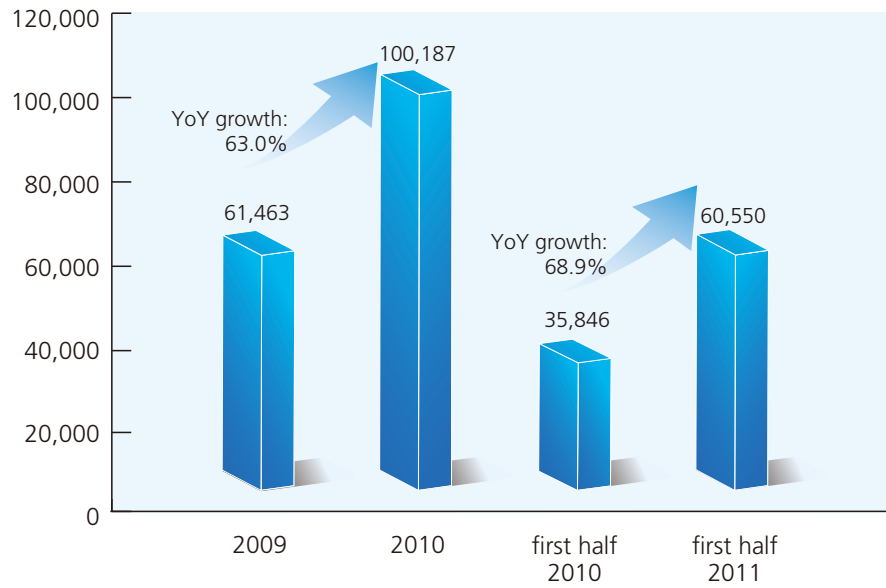
**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

GROUP FINANCIAL HIGHLIGHTS

- Group's revenue for the six months ended 30 June 2011 increased by 86.1% to RMB16,390 million as compared to the corresponding period in 2010
- Profit from operations for the six months ended 30 June 2011 increased by 72.8% to RMB1,040 million as compared to the corresponding period in 2010
- Profit attributable to owners of the parent for the six months ended 30 June 2011 increased by 34.3% to RMB511 million as compared to the corresponding period in 2010
- Basic earnings per share for the six months ended 30 June 2011 were RMB0.27

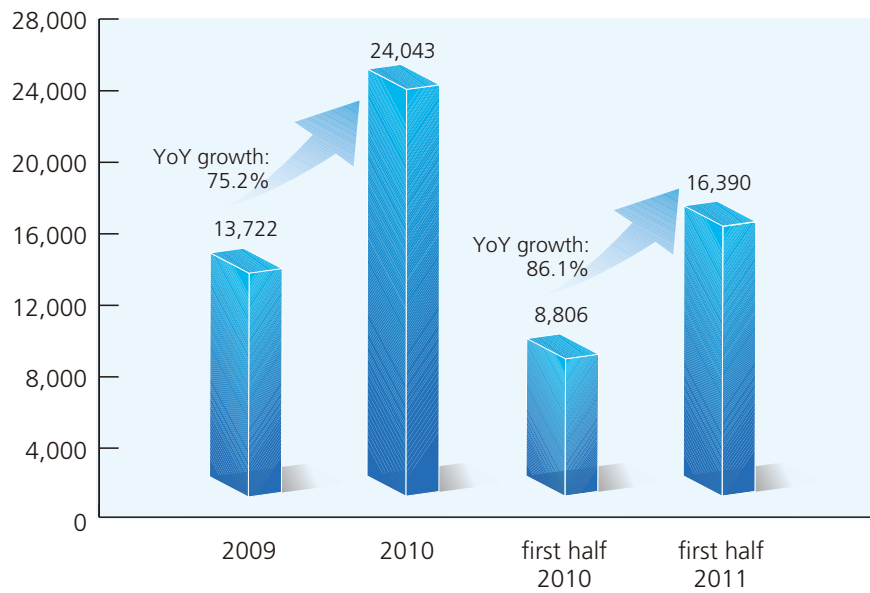
**Sale of motor vehicles
(units)**

New car sales volume



RMB million

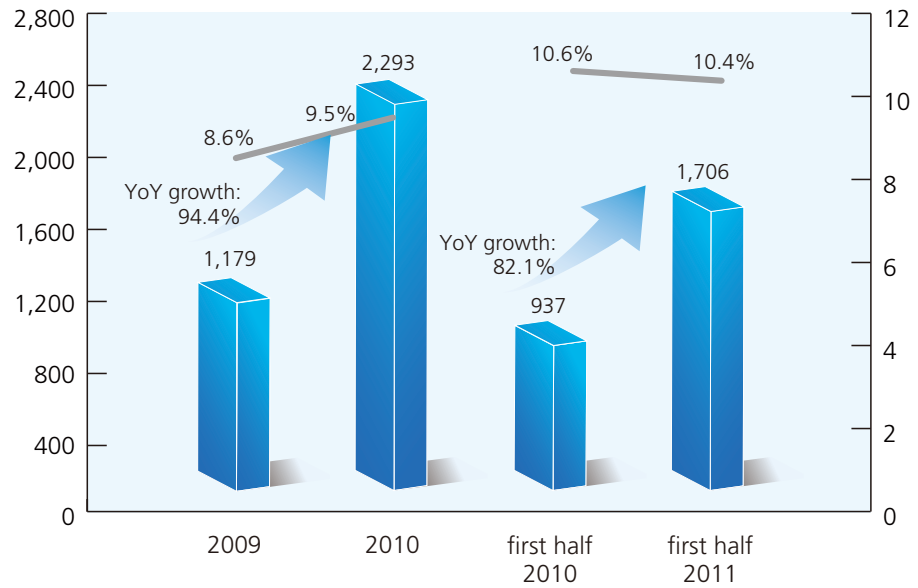
Revenue



RMB million

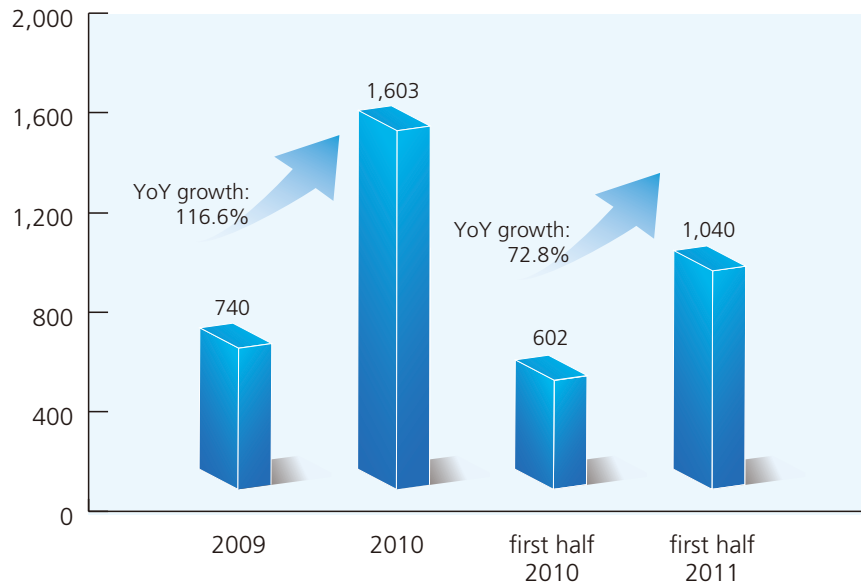
Gross profit and gross profit margin

%



RMB million

Profit from operations



MARKET REVIEW

After several years of high-speed growth, China's passenger vehicle market has entered into a steady growth stage. Due to the termination of the government's favourable policy towards small emission vehicles, the rush purchases during the fourth quarter of last year have released part of the consumption capacity in advance. In addition, the rise of costs such as oil prices and parking fees, as well as the purchase restriction measures implemented in Beijing, have casted noteworthy negative impacts on the sales volume, particularly that of low end small emission vehicles. According to China Association of Automobile Manufacturers, for the six months ended 30 June 2011, the sales volume of passenger vehicles in China amounted to 7.1 million, with a growth of approximately 5.8% compared to the corresponding period in 2010. However, from a structural perspective, the demand for mid-to-high-end and luxury brand vehicles remained strong and rising in China in the first half of 2011. Due to enjoying the benefit of a series of positive factors including China's continued economic growth, per capita disposable income increase as well as the continued expansion of the affluent population and middle class, the sales volume of luxury brand vehicles and some mid-to-high-end brand vehicles maintained a growth rate of double-digit percentage points, which was above the industry average.

In March this year, an earthquake with a Richter scale of 8.9 struck northeastern Japan, which caused a temporary parts supply shortage of certain mid-to-high-end Japanese brand vehicles and in turn affected their production capacity and sales performance in the second quarter of the year. However, with the joint efforts and coordination of manufacturers and parts suppliers, the production of Japanese brand vehicles in China was substantially resumed in June. Therefore, we believe that the Japan earthquake will not cause significant impact on the whole-year sales performance of Japanese brand vehicles in China.

As the measures implemented by the Chinese government against consumer price rises gradually become effective resulting in the inflation to be under control and the level of international oil prices also remained stable, these are all helpful in strengthening the confidence of automobile consumers. In the meantime, the impact caused by the Japan earthquake on the production capacity of Japanese brand vehicles is gradually eliminated, which will help to increase the sales volume of Japanese brand vehicles in China in the second half of the year. Therefore, we are fully confident towards the sales performance of mid-to-high-end Japanese brand and luxury brand vehicles in China in the second half of the year.

BUSINESS REVIEW

Continued to Expand Our Dealership Network Strategically

We continued to expand our existing dealership network proactively through both organic growth and acquisitions and devoted to seize the opportunities arising in the market. As a leading national automobile dealership group in China, we have an established strategic dealership network nationwide. Our dealerships are primarily located in cities with relatively affluent populations in the northeastern, eastern and southern coastal regions of China as well as selected inland regions, covering 14 provincial regions and nearly 50 cities including Liaoning, Shandong, Yunnan, Guangdong, Zhejiang and Fujian, etc. This strategic network enables us to strengthen our leading position in where our dealerships locate, thus enjoying regional competitive advantage. Since the beginning of the year, we have set up 8 new dealerships in Liaoning, Zhejiang, Fujian and Guangdong, including 6 luxury brand dealerships such as Mercedes-Benz, Lexus, Audi and imported Volkswagen. We successfully acquired 8 dealerships in Yunnan, Guangdong and Shandong, including 1 Audi dealership and 7 mid-to-high-end brand dealerships. As at the date of this announcement, our nationwide network has reached 114 dealerships, consisting of 34 luxury brand dealerships and 80 mid-to-high-end brand dealerships.

Further Improved Brand Portfolio

We have a diversified brand portfolio to meet demands from different customers in the market. We have been devoted to implement a multi-brands strategy. This allowed us to satisfy different customer needs with a comprehensive range of products, thus to enjoy further increase in our profit as well as our market share in the passenger vehicle market in China. Our brand portfolio now covers international luxury and mid-to-high-end automobile brands, including luxury automobile brands such as Mercedes-Benz, Lexus, Porsche, Audi, Lamborghini and imported Volkswagen, as well as mid-to-high-end automobile brands such as Toyota, Nissan, Honda, etc. For the six months ended 30 June 2011, in terms of new car sales revenue, Toyota and Mercedes-Benz are our top sales brands which represented approximately 29% and 21% of our total new car sales revenue respectively (corresponding period in 2010: 45% and 7% respectively). Revenue from sales of luxury brand automobile represented 50.7% (corresponding period in 2010: 34.5%) of our revenue from new automobile sales.

Huge Potential in After-sales Services

We continued to expand our dealership network, our new car sales have notched record highs every year resulting in our customer base expanding rapidly, which in turn increased the demands for after-sales services. After-sales services have become an important integral part under the dealerships business model and one of the important contributors to the Group's profits. As a "one-stop automobile service provider", we provide after-sales services to our customers including services and products comprising of repair, maintenance, detailing services and automobile accessories apart from our new automobile sales business. Along with the continuing stable growth of the passenger vehicle market in China and the ongoing increase in the penetration rate, the possessing capacity of the passenger vehicles is also increasing, which creates huge potential in the development of our after-sales services. We believe high-quality after-sales services are important criteria for customers when selecting dealerships. Therefore, we adhere to our motto "Zhongsheng – Lifetime Partner" and place much emphasis to the service quality of each dealerships, which is aimed at bringing quality-focused service satisfaction for our customers.

Future Prospects and Strategies

The current ownership of mid-to-high-end and luxury vehicles in China remains low. In addition, the rapid growth of passenger vehicle market in the past few years has triggered extensive growth in the demand for after-sales services. Facing such enormous market potentials, we will continue to expand our business scale through organic growth as well as strategic acquisitions, and will proactively seek new automobile brands with growth potentials to further enrich our brand portfolio so as to meet the demand of our customers.

In terms of dealership network expansion, we plan to increase 40 new dealerships this year through organic growth and acquisitions. In particular, we aim to continue accelerating the growth rate of our luxury automobile brands in order to optimize our brand portfolio and increase our overall profitability. In the meantime, we will endeavour to increase the sales capacity and profitability of our existing dealerships and continue to improve their service quality. For the newly acquired dealerships, we will improve their profitability and fully realize their potentials with our management experience and excellent operating standards, as well as by injecting Zhongsheng's management philosophy and business model, so as to create more profit and return for the Group.

The rapid growth in the sales of new automobiles also brings enormous business opportunities to our after-sales services. Due to the enormous demand and its high profitability, the after-sales services will be an important development aspect for automobile dealers and hence a growth highlight for our future business. Therefore, we will capitalise the current resource and customer base in new automobile sales to further expand our after-sales services growth, and with our “Zhongsheng — Lifetime Partner” philosophy, provide high-quality and reliable after-sales services, such as diversified automobile accessories, automobile repair and maintenance, used car sales, automobile insurance agency, automobile financing agency, etc, in order to continue to expand our services and increase our overall profitability.

Looking forward, Zhongsheng Group will continue to strengthen its development advantages while striving to maintain its position as a leading national automobile dealership group in China, and endeavor to achieve better performances.

INTERIM RESULTS

The board of directors (the “**Board**”) of Zhongsheng Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**we**”) for the six months ended 30 June 2011, as follows:

Consolidated Interim Income Statement

		Unaudited	
		For the six months ended 30 June 2011	For the six months ended 30 June 2010
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	4(a)	16,389,831	8,806,325
Cost of sales and services provided	5(b)	(14,683,946)	(7,869,743)
Gross profit		1,705,885	936,582
Other income and gains, net	4(b)	134,446	46,931
Selling and distribution costs		(517,531)	(268,450)
Administrative expenses		(283,039)	(113,295)
Profit from operations		1,039,761	601,768
Finance costs	6	(224,151)	(80,774)
Share of profits of jointly-controlled entities		5,779	4,123
Profit before tax	5	821,389	525,117
Tax	7	(203,972)	(135,858)
Profit for the period		617,417	389,259
Attributable to:			
Owners of the parent		510,611	380,268
Non-controlling interests		106,806	8,991
		617,417	389,259
Earnings per share attributable to equity holders of the parent			
Basic			
– For profit for the period (RMB)	9	0.27	0.22
Diluted			
– For profit for the period (RMB)	9	0.27	0.22

The notes on pages 13 to 27 form an integral part of these interim consolidated financial statements.

Consolidated Interim Statement of Comprehensive Income

	Unaudited	
	For the six months ended 30 June 2011 RMB'000	For the six months ended 30 June 2010 RMB'000
Profit for the period	<u>617,417</u>	<u>389,259</u>
Other comprehensive income		
Available-for-sale investments:		
Changes in fair value	(1,491)	–
Income tax effect	246	–
Exchange differences on translation of foreign operations	<u>(13,091)</u>	<u>(16,096)</u>
Other comprehensive income for the period, net of tax	<u>(14,336)</u>	<u>(16,096)</u>
Total comprehensive income for the period	<u>603,081</u>	<u>373,163</u>
Attributable to:		
Owners of the parent	496,275	364,172
Non-controlling interests	<u>106,806</u>	<u>8,991</u>
	<u>603,081</u>	<u>373,163</u>

The notes on pages 13 to 27 form an integral part of these interim consolidated financial statements.

Consolidated Interim Statement of Financial Position

		Unaudited 30 June 2011 <i>RMB'000</i>	Audited 31 December 2010 <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		2,586,024	1,788,709
Land use rights		845,477	700,650
Prepayments		854,928	703,785
Intangible assets		1,654,229	1,382,349
Goodwill		1,024,778	790,947
Interests in jointly-controlled entities		40,753	46,894
Available-for-sale investments		140,135	178,294
Deferred tax assets		22,134	8,785
		<hr/>	<hr/>
Total non-current assets		7,168,458	5,600,413
CURRENT ASSETS			
Inventories	10	4,018,329	3,453,046
Trade receivables	11	306,680	284,951
Prepayments, deposits and other receivables		2,900,178	2,615,120
Amounts due from related parties	19(b)(i)	746	2,229
Financial assets at fair value through profit or loss		69,220	83,369
Pledged bank deposits		692,838	1,029,932
Cash in transit		121,988	140,852
Cash and cash equivalents		4,369,837	2,989,718
		<hr/>	<hr/>
Total current assets		12,479,816	10,599,217
CURRENT LIABILITIES			
Bank loans and other borrowings	12	6,147,122	4,924,455
Trade and bills payables	13	3,076,922	2,984,507
Other payables and accruals		1,005,777	954,396
Amounts due to related parties	19(b)(ii)	8,321	10,026
Income tax payable		208,401	188,161
Dividends payable		191,426	919
		<hr/>	<hr/>
Total current liabilities		10,637,969	9,062,464
		<hr/>	<hr/>
Net current assets		1,841,847	1,536,753
		<hr/>	<hr/>
Total assets less current liabilities		9,010,305	7,137,166

		Unaudited	Audited
		30 June	31 December
		2011	2010
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	<i>12</i>	20,727	–
Senior notes	<i>14</i>	1,240,548	–
Deferred tax liabilities		503,641	422,597
		<hr/>	<hr/>
Total non-current liabilities		1,764,916	422,597
		<hr/>	<hr/>
Net assets		7,245,389	6,714,569
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>15</i>	168	168
Reserves		6,238,935	5,742,660
Proposed final dividends		–	192,765
		<hr/>	<hr/>
		6,239,103	5,935,593
		<hr/>	<hr/>
Non-controlling interests		1,006,286	778,976
		<hr/>	<hr/>
Total equity		7,245,389	6,714,569
		<hr/>	<hr/>

The notes on pages 13 to 27 form an integral part of these interim consolidated financial statements.

Consolidated Interim Statement of Changes in Equity

	Unaudited Attributable to owners of the parent											
	Share capital RMB'000	Share premium RMB'000	Discretionary reserve fund RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Available- for-sale investments revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	-	-	18,712	135,204	804,598	-	9,905	1,142,496	-	2,110,915	36,892	2,147,807
Issue of shares in connection with the Reorganisation	137	2,110,778	-	-	(2,110,915)	-	-	-	-	-	-	-
Issue of shares in connection with the Listing	27	2,687,718	-	-	-	-	-	-	-	2,687,745	-	2,687,745
Over-allotment of shares	4	377,384	-	-	-	-	-	-	-	377,388	-	377,388
Share issue expenses	-	(154,665)	-	-	-	-	-	-	-	(154,665)	-	(154,665)
Disposal of interest in a subsidiary to non-controlling shareholder	-	-	-	-	364	-	-	-	-	364	1,636	2,000
Non-controlling interests arising from business combination	-	-	-	-	-	-	-	-	-	-	28,107	28,107
Comprehensive income for the period	-	-	-	-	-	-	(16,096)	380,268	-	364,172	8,991	373,163
At 30 June 2010	<u>168</u>	<u>5,021,215</u>	<u>18,712</u>	<u>135,204</u>	<u>(1,305,953)</u>	<u>-</u>	<u>(6,191)</u>	<u>1,522,764</u>	<u>-</u>	<u>5,385,919</u>	<u>75,626</u>	<u>5,461,545</u>
At 1 January 2011	168	5,021,215	37,110	219,324	(1,386,176)	2,489	(29,705)	1,878,403	192,765	5,935,593	778,976	6,714,569
Non-controlling interests arising from business combination	-	-	-	-	-	-	-	-	-	-	120,504	120,504
Final 2010 dividend declared	-	-	-	-	-	-	-	-	(192,765)	(192,765)	-	(192,765)
Comprehensive income for the period	-	-	-	-	-	(1,245)	(13,091)	510,611	-	496,275	106,806	603,081
At 30 June 2011	<u>168</u>	<u>5,021,215</u>	<u>37,110</u>	<u>219,324</u>	<u>(1,386,176)</u>	<u>1,244</u>	<u>(42,796)</u>	<u>2,389,014</u>	<u>-</u>	<u>6,239,103</u>	<u>1,006,286</u>	<u>7,245,389</u>

The notes on pages 13 to 27 form an integral part of these interim consolidated financial statements.

Condensed Consolidated Interim Cash Flow Statement

	Unaudited	
	For the six months ended 30 June 2011 RMB'000	For the six months ended 30 June 2010 RMB'000
Net cash generated from/(used in) operating activities	<u>100,973</u>	<u>(1,265,200)</u>
Net cash used in investing activities	<u>(830,716)</u>	<u>(669,798)</u>
Net cash generated from financing activities	<u>2,122,885</u>	<u>4,260,540</u>
Net increase in cash and cash equivalents	1,393,142	2,325,542
Cash and cash equivalents at the beginning of each period	2,989,718	1,030,960
Effect of foreign exchange rate changes, net	<u>(13,023)</u>	<u>(16,033)</u>
Cash and cash equivalents at the end of each period	<u>4,369,837</u>	<u>3,340,469</u>
Analysis of the balance of cash and cash equivalents, represented by:		
Cash and bank balances	3,088,961	3,340,469
Short term deposit	<u>1,280,876</u>	<u>–</u>
	<u>4,369,837</u>	<u>3,340,469</u>

The notes on pages 13 to 27 form an integral part of these interim consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company was incorporated on 23 June 2008 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company has established a principal place of business which is located at Rooms 3504-12, 35/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

In the opinion of the directors of the Company (the “Directors”), the ultimate holding company of the Company is Blue Natural Development Ltd., which is incorporated in the British Virgin Islands (“BVI”).

The condensed consolidated interim financial statements were presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. These condensed consolidated interim financial statements were approved for issue on 16 August 2011. These condensed consolidated interim financial statements have not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2.2 Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

Exceptional items are disclosed and described separately in the financial information where it is necessary to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

- HKAS 24 (Revised), “Related Party Disclosures” is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:
 - The name of the government and the nature of their relationship;
 - The nature and amount of any individually significant transactions; and
 - The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

- Amendment to HKAS 34 ‘Interim financial reporting’ is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group.

- Amendment to HK(IFRIC)-Int-14 ‘Prepayments of a minimum funding requirement’ is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.
- Amendment to HKAS 32 ‘Classification of rights issues’ is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.
- HK(IFRIC)-Int 19 ‘Extinguishing financial liabilities with equity instruments’ is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.
- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 ‘Interim financial reporting’ as disclosed in note 3(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted.

- HKFRS 9 ‘Financial instruments’ addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the Group’s accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 ‘Financial instruments: Recognition and measurement’ and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

- HKAS 12 (Amendment) ‘Deferred tax: Recovery of underlying assets’ introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.
- HKFRS 7 (Amendment) ‘Disclosures – Transfers of financial assets’ introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity’s balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted.

3. SEGMENT INFORMATION

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

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

Information about geographical area

Since almost all of the Group's revenue and operating profit were generated from the sale and service of motor vehicles in Mainland China and almost all of the Group's identifiable assets and liabilities were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10.0% or more of the Group's revenue during the six months ended 30 June 2011, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	Unaudited	
	For the six months ended 30 June 2011 RMB'000	For the six months ended 30 June 2010 RMB'000
Revenue from the sale of motor vehicles	14,990,222	7,985,315
Others	1,399,609	821,010
	16,389,831	8,806,325

(b) Other income and gains, net

Commission income	82,640	35,208
Advertisement support received from motor vehicle manufacturers	18,353	260
Rental income	3,875	272
Government grants	2,304	1,002
Interest income	19,115	5,352
Net gain on disposal of property, plant and equipment	3,374	1,994
Fair value loss, net:		
Financial assets at fair value through profit or loss		
– listed equity investments held for trading	(8,879)	–
– equity linked note	(2,818)	–
Others	16,482	2,843
	134,446	46,931

5. PROFIT BEFORE TAX

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

	Unaudited	
	For the six months ended 30 June 2011 RMB'000	For the six months ended 30 June 2010 RMB'000
(a) Employee benefit expense (including directors' remuneration)		
Wages and salaries	271,977	117,503
Pension scheme contributions	48,648	16,058
Other welfare	21,054	8,302
	<u>341,679</u>	<u>141,863</u>
(b) Cost of sales and services		
Cost of sales of motor vehicles	13,936,782	7,444,847
Others	747,164	424,896
	<u>14,683,946</u>	<u>7,869,743</u>
(c) Other items		
Depreciation and impairments of property, plant and equipment	106,804	42,466
Amortisation of land use rights	6,462	4,040
Amortisation of intangible assets	46,496	9,050
Advertisement expenses	39,811	29,712
Office expenses	48,646	23,973
Lease expenses	43,004	10,783
Logistics expenses	32,124	9,079
Business promotion expenses	52,229	20,101
Provision/(reversal) for impairment of trade receivables and other receivables	11	(410)
Net gain on disposal of property, plant and equipment	(3,374)	(1,994)
	<u>372,213</u>	<u>146,800</u>

6. FINANCE COSTS

	Unaudited	
	For the six months ended 30 June 2011 RMB'000	For the six months ended 30 June 2010 RMB'000
Interest expense on bank borrowings wholly repayable within five years	192,277	74,540
Interest expense on senior notes	12,675	–
Interest expense on other borrowings	26,788	6,234
Less: Interest capitalised	(7,589)	–
	<u>224,151</u>	<u>80,774</u>

7. TAX

	Unaudited	
	For the six months ended 30 June 2011 RMB'000	For the six months ended 30 June 2010 RMB'000
Current Mainland China corporate income tax	222,105	118,375
Current Hong Kong corporate income tax	1,267	–
Deferred tax	(19,400)	17,483
	<u>203,972</u>	<u>135,858</u>

8. DIVIDENDS

The directors of the Company proposed not to declare any interim dividend for the six months period ended 30 June 2011.

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of shares in issue, during the six months ended 30 June 2011 and 2010, respectively.

	Unaudited	
	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Earnings		
Profit attributable to equity holders of the parent (RMB'000)	<u>510,611</u>	<u>380,268</u>
Shares		
Weighted average number of ordinary shares in issue during the period	<u>1,908,481,295</u>	<u>1,744,660,995</u>
Earnings per share (RMB)		
Basic	0.27	0.22
Diluted	<u>0.27</u>	<u>0.22</u>

10. INVENTORIES

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 <i>RMB'000</i>
Motor vehicles	3,671,983	3,169,476
Spare parts	333,506	276,636
Others	12,840	6,934
	<u>4,018,329</u>	<u>3,453,046</u>

11. TRADE RECEIVABLES

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 <i>RMB'000</i>
Trade receivables	306,908	285,183
Impairment	(228)	(232)
	<u>306,680</u>	<u>284,951</u>

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at each statement of financial position date (based on the invoice date) is as follows:

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 <i>RMB'000</i>
Within 3 months	281,310	263,126
More than 3 months but less than 1 year	18,695	18,855
Over 1 year	6,675	2,970
	<u>306,680</u>	<u>284,951</u>

12. BANK LOANS AND OTHER BORROWINGS

	Unaudited 30 June 2011 <i>RMB'000</i>	Audited 31 December 2010 <i>RMB'000</i>
Bank loans		
– within one year or on demand	5,945,923	4,488,969
– over one year but within three years	20,727	–
Other borrowings		
– within one year or on demand	201,199	435,486
	<hr/>	<hr/>
Total bank loans and other borrowings	6,167,849	4,924,455
Less: Portion classified as current liabilities	(6,147,122)	(4,924,455)
	<hr/>	<hr/>
Long-term portion	20,727	–
	<hr/>	<hr/>

13. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2011 <i>RMB'000</i>	Audited 31 December 2010 <i>RMB'000</i>
Trade payables	443,572	269,480
Bills payable	2,633,350	2,715,027
	<hr/>	<hr/>
Trade and bills payables	3,076,922	2,984,507
	<hr/>	<hr/>

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

An aged analysis of the trade and bills payables as at the end of reporting period, is as follows:

	Unaudited 30 June 2011 <i>RMB'000</i>	Audited 31 December 2010 <i>RMB'000</i>
Within 3 months	2,079,386	2,370,683
3 to 6 months	935,277	529,650
6 to 12 months	58,938	78,527
Over 12 months	3,321	5,647
	<hr/>	<hr/>
	3,076,922	2,984,507
	<hr/>	<hr/>

14. SENIOR NOTES

On 14 April 2011, the Company issued senior notes with an aggregate principal amount of RMB1,250,000,000 (the “Senior Notes”) maturing on 21 April 2014, with a fixed interest rate of 4.75% per annum. Interest of the Senior Notes is payable semi-annually in arrears on 21 April and 21 October in each year, commencing from 21 October 2011.

15. SHARE CAPITAL

**30 June 2011
and 31 December
2010**

Shares

Authorised:	
1,000,000,000,000 shares of HK\$0.0001 each (HK\$'000)	100,000
Issued and fully paid	
1,908,481,295 shares of HK\$0.0001 each (HK\$'000)	191
Equivalent to RMB'000	168

16. BUSINESS COMBINATION-ACQUISITION OF SUBSIDIARIES

- (a) As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired certain equity interests of a group of companies engaged in the motor vehicle sales and service business in Mainland China, from a third party on 1 January 2011 at a total consideration of RMB260,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB225,759,600 paid during the six months ended 30 June 2011.

The Group has elected to measure the non-controlling interests in these subsidiaries at the non-controlling interests' proportionate share of the subsidiaries' identifiable net assets.

The major subsidiaries of the acquired business and the respective equity interest acquired are set out as follows:

Companies Name	Acquired equity interests%
New Wing Enterprises Limited	55%
Worldwide Channel International Limited	55%
大連英和汽車集團有限公司 (Dalian Yinghe Automobile Group Co., Ltd.)	55%
營口大通汽車銷售服務有限公司 (Yingkou Datong Automobile Sales & Services Co., Ltd.)	55%
延安英和汽車銷售服務有限公司 (Yan'an Yinghe Automobile Sales & Services Co., Ltd.)	55%
鐵嶺奧通汽車銷售服務有限公司 (Tieling Aotong Automobile Sales & Services Co., Ltd.)	55%
盤錦奧通汽車銷售服務有限公司 (Panjin Aotong Automobile Sales & Services Co., Ltd.)	55%
丹東英和汽車銷售服務有限公司 (Dandong Yinghe Automobile Sales & Services Co., Ltd.)	55%*80%

Companies Name	Acquired equity interests%
本溪英和汽車銷售服務有限公司 (Benxi Yinghe Automobile Sales & Services Co., Ltd.)	55%*78%
盤錦大通汽車銷售服務有限公司 (Panjin Datong Automobile Sales & Services Co., Ltd.)	55%*80%
盤錦慶通汽車銷售服務有限公司 (Panjin Qingtong Automobile Sales & Services Co., Ltd.)	55%
漢中英和汽車銷售服務有限公司 (Hanzhong Yinghe Automobile Sales & Services Co., Ltd.)	55%
鐵嶺英和汽車銷售服務有限公司 (Tieling Yinghe Automobile Sales & Services Co., Ltd.)	55%
西安慶通汽車銷售服務有限公司 (Xi'an Qingtong Automobile Sales & Services Co., Ltd.)	55%
咸陽英和汽車銷售服務有限公司 (Xianyang Yinghe Automobile Sales & Services Co., Ltd.)	55%
榆林英和汽車銷售服務有限公司 (Yulin Yinghe Automobile Sales & Services Co., Ltd.)	55%

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

	Recognised fair values on acquisition <i>RMB'000</i>
Property, plant and equipment	141,466
Land use rights	63,251
Prepayments	11,877
Intangible assets	203,253
Deferred tax assets	2,135
Inventories	114,707
Trade receivables	17,582
Prepayments, deposits and other receivables	140,346
Cash in transit	1,736
Cash and cash equivalents	139,402
Trade and bills payables	(261,187)
Other payables and accruals	(255,719)
Bank loans and other borrowings	(55,117)
Long-term interest-bearing bank borrowings	(14,200)
Deferred tax liabilities	(63,295)
Income tax payable	(517)
Total identifiable net assets	<u>185,720</u>
Non-controlling interests arising from a business combination	(93,428)
Goodwill on acquisition	<u>167,708</u>
Total purchase consideration	<u>260,000</u>

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of these subsidiaries is as follows:

Satisfied by cash	(225,760)
Cash acquired	<u>139,402</u>
Net cash outflow	<u>(86,358)</u>

Since the acquisition, the acquired business contributed RMB826,583,000 to the Group's revenue and RMB48,872,000 to the consolidated profits for the six months ended 30 June 2011.

Had the combinations taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the period would have been RMB16,389,831,000 and RMB617,417,000, respectively.

- (b) As part of the Group's plan to expand its motor vehicle sales and service business in Yunnan province, the Group acquired 70% of the equity interests of the following companies engaged in the motor vehicle sales and service business in Mainland China, from two third parties on 1 May 2011 at an aggregate consideration of RMB129,300,000. The purchase consideration for the acquisition was in the form of cash, with RMB78,000,000 paid during the six months ended 30 June 2011.

The Group has elected to measure the non-controlling interests in these subsidiaries at the non-controlling interests' proportionate share of the subsidiaries' identifiable net assets.

Companies Name	Acquired equity interests%
昆明凱成豐田汽車銷售服務有限公司 (Kunming Kaicheng Toyota Automobile Sales & Services Co., Ltd.)	70%
玉溪凱成豐田汽車銷售服務有限公司 (Yuxi Kaicheng Toyota Automobile Sales & Services Co., Ltd.)	70%
紅河凱成豐田汽車銷售服務有限公司 (Honghe Kaicheng Toyota Automobile Sales & Services Co., Ltd.)	70%

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

	Recognised fair values on acquisition RMB'000
Property, plant and equipment	36,289
Intangible assets	112,350
Deferred tax assets	1,905
Inventories	90,452
Trade receivables	5,070
Prepayments, deposits and other receivables	22,365
Cash in transit	1,704
Cash and cash equivalents	74,888
Trade and bills payables	(120,052)
Other payables and accruals	(46,630)
Bank loans and other borrowings	(60,000)
Deferred tax liabilities	(28,088)
	<hr/>
Total identifiable net assets	90,253
	<hr/>
Non-controlling interests arising from a business combination	(27,076)
Goodwill on acquisition	66,123
	<hr/>
Total purchase consideration	129,300
	<hr/>

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of these subsidiaries is as follows:

Satisfied by cash	(78,000)
Cash acquired	74,888
	<hr/>
Net cash outflow	(3,112)
	<hr/>

Since the acquisitions, the acquired business contributed RMB69,992,000 to the Group's revenue and RMB4,506,000 to the consolidated profits for the six months ended 30 June 2011.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the period would have been RMB16,569,934,000 and RMB614,129,000, respectively.

17. CONTINGENT LIABILITIES

As at 30 June 2011, neither the Group nor the Company had any significant contingent liabilities.

18. COMMITMENTS

(a) Capital commitments

	30 June 2011	31 December 2010
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for land use rights and buildings	263,805	171,619
Contracted, but not provided for potential acquisitions	–	85,605
Authorised, but not contracted for land use rights and buildings	971	–
	<u>264,776</u>	<u>257,224</u>

(b) Operating lease commitments

At each statement of financial position date, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	30 June 2011		31 December 2010	
	Properties	Land	Properties	Land
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	52,245	11,454	42,772	11,024
After 1 year but within 5 years	193,171	50,687	138,765	49,499
After 5 years	220,791	154,810	151,820	148,439
	<u>466,207</u>	<u>216,951</u>	<u>333,357</u>	<u>208,962</u>

The Group is the lessee in respect of a number of properties and land held under operating leases. The leases typically run for an initial period of two to twenty years, with an option to renew the leases when all the terms are renegotiated.

19. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

The following transactions were carried out with related parties during the six months ended 30 June 2011:

	Unaudited	
	For the six	For the six
	months ended	months ended
	30 June 2011	30 June 2010
	RMB'000	RMB'000
(i) Sales of goods to jointly-controlled entities:		
– Xiamen Zhongsheng	11,940	6,840
– Zhongsheng Tacti	564	448
	<u>12,504</u>	<u>7,288</u>
(ii) Purchase of goods or services from jointly-controlled entities:		
– Xiamen Zhongsheng	14,296	7,380
– Zhongsheng Tacti	31,985	56,583
	<u>46,281</u>	<u>63,963</u>
(iii) Dividends from a jointly-controlled entity:		
– Xiamen Zhongsheng	<u>11,920</u>	<u>–</u>
(iv) The Group's bank loans with an aggregate amount of RMB250,000,000 (31 December 2010: RMB1,127,000,000) were guaranteed by the controlling shareholder of the Company as at 30 June 2011.		

(b) Balances with related parties

The Group had the following significant balances with its related parties as at 30 June 2011:

(i) Due from related parties:

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Trade related		
Jointly-controlled entities		
– Xiamen Zhongsheng	523	1,646
– Zhongsheng Tacti	223	583
	<u>746</u>	<u>2,229</u>

(ii) Due to related parties:

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Trade related		
A jointly-controlled entity		
– Zhongsheng Tacti	8,321	10,026

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

(c) Compensation of key management personnel of the Group:

	Unaudited For the six months ended 30 June 2011 RMB'000	For the six months ended 30 June 2010 RMB'000
Short term employee benefits	7,700	4,630
Post-employee benefits	165	119
Total compensation paid to key management personnel	<u>7,865</u>	<u>4,749</u>

20. EVENTS OCCURRENCE AFTER THE STATEMENT OF FINANCIAL POSITION DATE

As a part of the plan to expand automobile sales and service business, as of the date of this announcement, the Group had acquired 80% equity interests in Shantou Hengda Automobile Sales & Services Co., Ltd., Jieyang Hengyu Automobile Sales & Services Co., Ltd. and Puning Hengyue Automobile Sales & Services Co., Ltd., respectively, from a third party.

The Group had also acquired 100% equity interests in Weihai Kanglilong Automobile Sales & Services Co., Ltd., and Weihai Weida Automobile Trading Co., Ltd., respectively, from three third parties.

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2011 was RMB16,390 million, representing an increase of RMB7,584 million or 86.1% as compared to the corresponding period in 2010. This increase was primarily due to the mid-to-high-end and luxury passenger vehicle sales and after-sales business continued to maintain a stable growth. Revenue from new automobile sales amounted to RMB14,990 million, representing an increase of RMB7,005 million or 87.7% compared to the corresponding period in 2010. Revenue from after-sales business amounted to RMB1,400 million, representing an increase of RMB579 million or 70.5% compared to the corresponding period in 2010. Our new automobile sales business generated a substantial portion of our revenue, accounting for 91.5% (corresponding period in 2010: 90.7%) of our revenue for the six months ended 30 June 2011. The remaining portion of our revenue during the period was generated by our after-sales business. All of our revenue is derived from our business located in the PRC.

For the six months ended 30 June 2011, revenue from sales of our luxury brand automobiles amounted to RMB7,595 million (corresponding period in 2010: RMB2,752 million), accounting for 50.7% (corresponding period in 2010: 34.5%) of our revenue from new automobile sales. Revenue from sales of mid-to-high-end brand automobiles amounted to RMB7,395 million (corresponding period in 2010: RMB5,233 million), accounting for 49.3% (corresponding period in 2010: 65.5%) of our revenue from new automobile sales for the same periods.

Cost of Sales and Services

Cost of sales and services for the six months ended 30 June 2011 amounted to RMB14,684 million, representing an increase of RMB6,814 million or 86.6% as compared to the corresponding period in 2010. Costs attributable to our new automobile sales business amounted to RMB13,937 million for the six months ended 30 June 2011, representing an increase of RMB6,492 million or 87.2% as compared to the corresponding period in 2010. Costs attributable to our after-sales business amounted to RMB747 million for the six months ended 30 June 2011, representing an increase of RMB322 million or 75.8% as compared to the same period of 2010.

Gross Profit

Gross profit for the six months ended 30 June 2011 amounted to RMB1,706 million, representing an increase of RMB769 million or 82.1% as compared to the corresponding period in 2010, of which the gross profit from new automobile sales business amounted to RMB1,053 million, representing an increase of RMB513 million or 95.0% as compared to the corresponding period in 2010. Gross profit from after-sales services was RMB653 million, representing an increase of RMB257 million or 64.9% as compared to the same period of 2010. For the six months ended 30 June 2011, the contribution to gross profit from after-sales services accounted for 38.3% (corresponding period in 2010: 42.3%) of the total gross profit. Our gross profit margin for the six months ended 30 June 2011 was 10.4% (corresponding period in 2010: 10.6%), of which the gross profit margin of new automobile sales business was 7.0% (corresponding period in 2010: 6.8%). Gross profit margin of after-sales services was 46.6% (corresponding period in 2010: 48.2%). The slight decrease in gross profit margin for the six months ended 30 June 2011 was primarily due to changes in the proportion of our business portfolio mix, which was caused by the fact that our new car sales business has been growing faster than that of our after-sales business during this period.

Profit from Operations

Profit from operations for the six months ended 30 June 2011 amounted to RMB1,040 million, representing an increase of RMB438 million or 72.8% as compared to the corresponding period in 2010. Our operating profit margin for six months ended 30 June 2011 was 6.3% (corresponding period in 2010: 6.8%). The decline of our operating profit margin was primarily due to the amortization charges of intangible assets arising from acquisitions significantly increased from RMB9 million in first half of 2010 to RMB46 million in the same period this year, which represented 0.3% (corresponding period in 2010: 0.1%) of our revenue.

Profit for the Period

Our profit for the six months ended 30 June 2011 amounted to RMB617 million, representing an increase of RMB228 million or 58.6% as compared to the corresponding period in 2010. Our profit margin for six months ended 30 June 2011 was 3.8% (corresponding period in 2010: 4.4%).

Profit attributable to Owners of the Parent

Our profit attributable to owners of the Company for the six months period ended 30 June 2011 was RMB511 million, representing an increase of RMB130 million or 34.3% as compared to the corresponding period in 2010.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

We primarily use cash to pay for new automobiles, spare parts and automobile accessories, to repay our indebtedness, to fund our working capital and normal operating expenses and to establish new dealership outlets and acquire additional dealership outlets. We finance our liquidity requirements through a combination of cash flows generated from our operating activities and bank loans and other borrowings.

We believe that our liquidity requirements will be satisfied by using a combination of the proceeds from the Global Offering (as defined in the Prospectus), bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time in the future.

Cash Flow Generated from Operating Activities

For the six months ended 30 June 2011, our net cash generated in operating activities was RMB101 million.

Cash Flow Used In Investing Activities

For the six months period ended 30 June 2011, our net cash used in investing activities was RMB831 million.

Cash Generated from Financing Activities

For the six months ended 30 June 2011, our net cash generated from financing activities was RMB2,123 million.

Net Current Assets and Current Liabilities

As at 30 June 2011, we had net current assets of RMB1,842 million, representing an increase of RMB305 million from our net current assets as at 31 December 2010. The increase in our net current assets was primarily due to operating profits.

Capital Expenditures and Investment

Our capital expenditures comprised expenditures on property, plant and equipment and land use rights. For the six months ended 30 June 2011, our total capital expenditures were RMB883 million.

Inventory Analysis

Our inventories primarily consist of new automobiles, spare parts and automobile accessories. Generally, each of our dealership outlets individually manages the quotas and orders for new automobiles and after-sales products. We also coordinate and aggregate orders for automobile accessories and other automobile-related products across our dealership network. We manage our quotas and inventory levels through our information technology systems, including our Enterprise Resource Planning (ERP) system.

Our inventories increased from RMB3,453 million as at 31 December 2010 to RMB4,018 million as at 30 June 2011, primarily due to the increase in our dealership outlets and that the new car average selling price (ASP) of some of the newly acquired luxury automobile brands are relatively higher, which caused the increase of our inventory balance.

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

	For the six months ended 30 June	
	2011	2010
Average inventory turnover days	<u>45.8</u>	<u>41.4</u>

Our average inventory turnover days in the first half of 2011 increased to 45.8 days from 41.4 days in the first half of 2010, primarily due to the relatively lower new car sales volume of newly established dealership outlets during their ramping up period.

Bank Loans and Other Borrowings

Our bank loans and other borrowings as at 30 June 2011 were RMB7,408 million. All such loans and borrowings were denominated in RMB. Our bank loans and other borrowings increased during the period under review as a result of sales growth in our existing dealership outlets and the increase of our dealership outlets through organic growth and acquisition. Our gearing ratio was approximately 43.8% as of 30 June 2011, which is net debt divided by the equity attributable to equity holders of the parent plus net debt. Net debt is calculated as total interest bearing liabilities (including bank loans and other borrowings and senior notes) and bills payable, less cash and cash equivalents, pledged bank deposits and cash in transit.

Interest Rate Risk and Foreign Exchange Rate Risk

The Group currently has not used any derivatives to hedge the interest rate risk. The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. Certain cash and bank deposits of the Group are denominated in RMB. The Group has not used any long-term contracts, currency borrowings or other means to hedge its foreign currency exposure.

Staff and Remuneration Policy

As at 30 June 2011, the Group had 11,812 employees. The Group strives to offer a good working environment, a diversified range of training programs as well as an attractive remuneration package to its employees. The Group endeavours to motivate its staff with performance-based remuneration. On top of the basic salary, the Group will reward staff with outstanding performance by way of cash bonuses, share options, honorary awards or a combination of the above to further align the interests of its employees and the Company, to attract talented individuals, and to create long-term incentive for its staff.

Pledge of the Group's Assets

The Group had pledged its group assets as securities for bank and other loan and banking facilities which were used to finance daily business operation. As at 30 June 2011, the pledged group assets amounted to approximately RMB1,409 million.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Code on Corporate Governance Practices

The Company has adopted the principles set out in the Code on Corporate Governance Practices (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Throughout the six months ended 30 June 2011 and up to the date of this announcement, the Company has been in compliance with the code provisions set out in the CG Code.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2011 and up to the date of this announcement.

Directors' Rights to Acquire Shares or Debentures

Throughout the six months ended 30 June 2011 and up to the date of this announcement, neither the Company nor its subsidiaries have entered into any arrangement that would enable the directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other legal entities. None of the directors or any of their spouses or children under the age of 18 have been granted any right to subscribe for the equity or debt securities of the Company or any other legal entities or have exercised such right.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities throughout the six months ended 30 June 2011 and up to the date of this announcement.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) has three members comprising two independent non-executive directors being Mr. Ng Yuk Keung and Mr. Shen Jinjun, and one non-executive director being Mr. Leng Xuesong with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Company for the six months ended 30 June 2011. The Audit Committee considers that the interim financial results for the six months ended 30 June 2011 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Interim Dividend

The Directors proposed not to declare any interim dividend for the six months ended 30 June 2011.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.zs-group.com.cn).

The interim report of the Company for the six months ended 30 June 2011 will be dispatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

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

Hong Kong, 16 August 2011

As at the date of this announcement, the executive directors of the Company are Mr. Huang Yi, Mr. Li Guoqiang, Mr. Du Qingshan and Mr. Yu Guangming; the non-executive director of the Company is Mr. Leng Xuesong; and the independent non-executive directors of the Company are Mr. Shigeno Tomihei, Mr. Ng Yuk Keung and Mr. Shen Jinjun.