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

2011 INTERIM REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Yi *(Chairman)*
Mr. Li Guoqiang *(Vice-Chairman and CEO)*
Mr. Du Qingshan
Mr. Yu Guangming

Non-executive Director

Mr. Leng Xuesong

Independent Non-executive Directors

Mr. Shigeno Tomihei
Mr. Ng Yuk Keung
Mr. Shen Jinjun

CORPORATE HEADQUARTERS

32nd Floor, Taikang Financial Tower
38 East Third Ring Road North Street
Chaoyang District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3504–12
35th Floor, Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Island

LEGAL ADVISERS TO HONG KONG LAW

Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

JOINT COMPANY SECRETARIES

Ms. Kam Mei Ha Wendy
Ms. Mak Sze Man

AUTHORIZED REPRESENTATIVES

Mr. Huang Yi
Ms. Kam Mei Ha Wendy

AUDIT COMMITTEE

Mr. Ng Yuk Keung *(Chairman)*
Mr. Shen Jinjun
Mr. Leng Xuesong

REMUNERATION COMMITTEE

Mr. Shigeno Tomihei *(Chairman)*
Mr. Li Guoqiang
Mr. Shen Jinjun

NOMINATION COMMITTEE

Mr. Shen Jinjun *(Chairman)*
Mr. Huang Yi
Mr. Shigeno Tomihei

COMPLIANCE COMMITTEE

Mr. Du Qingshan *(Chairman)*
Mr. Huang Yi
Mr. Li Guoqiang

COMPLIANCE ADVISER

Haitong International Capital Limited
25th Floor, New World Tower
16–18 Queen's Road Central
Hong Kong

HONG KONG SHARE REGISTRAR

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

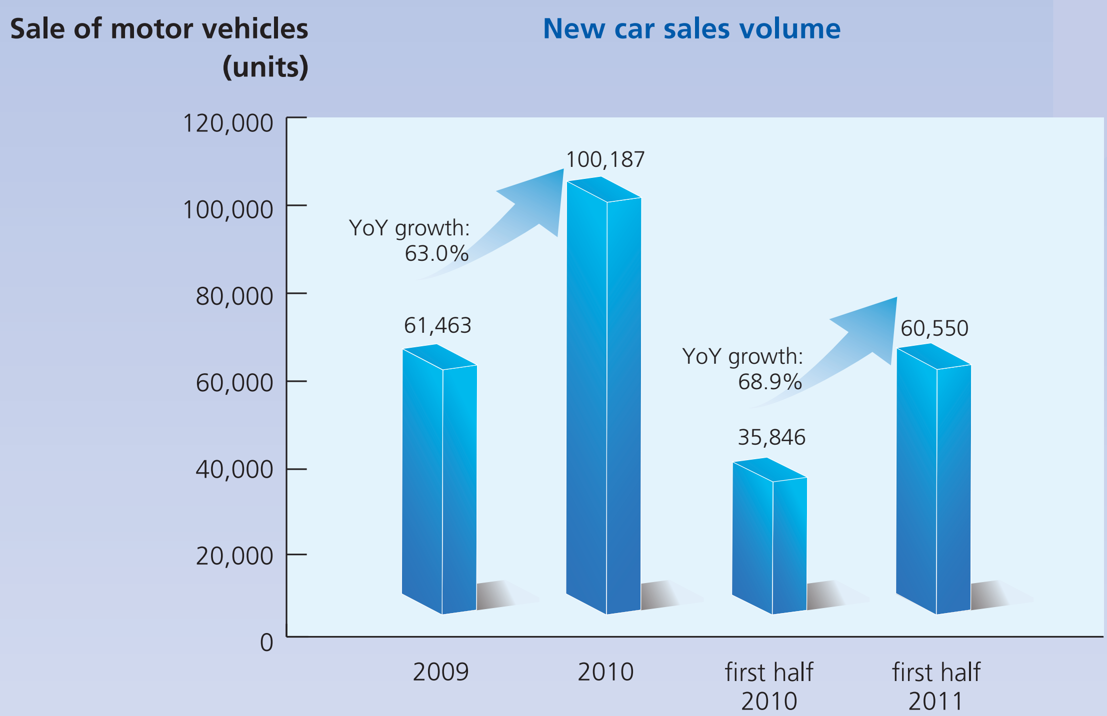
STOCK CODE

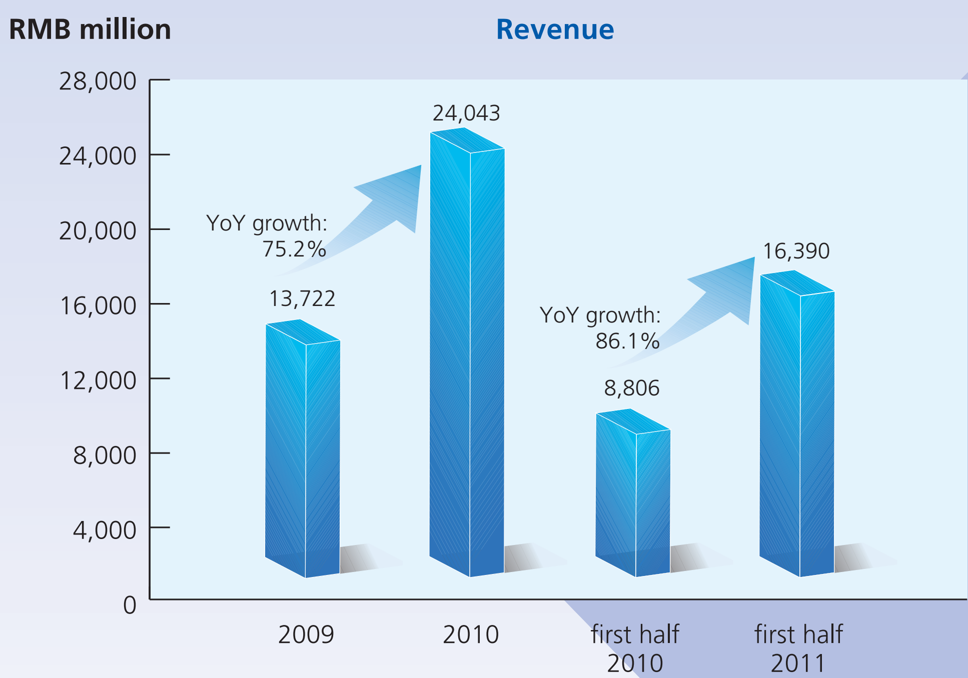
881

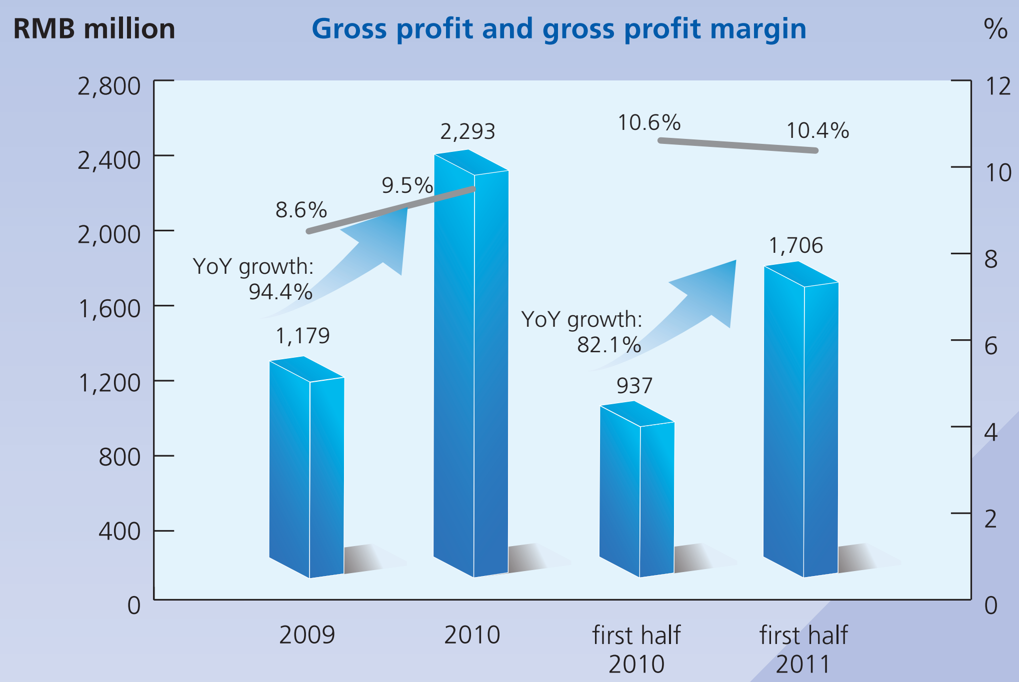
AUDITORS

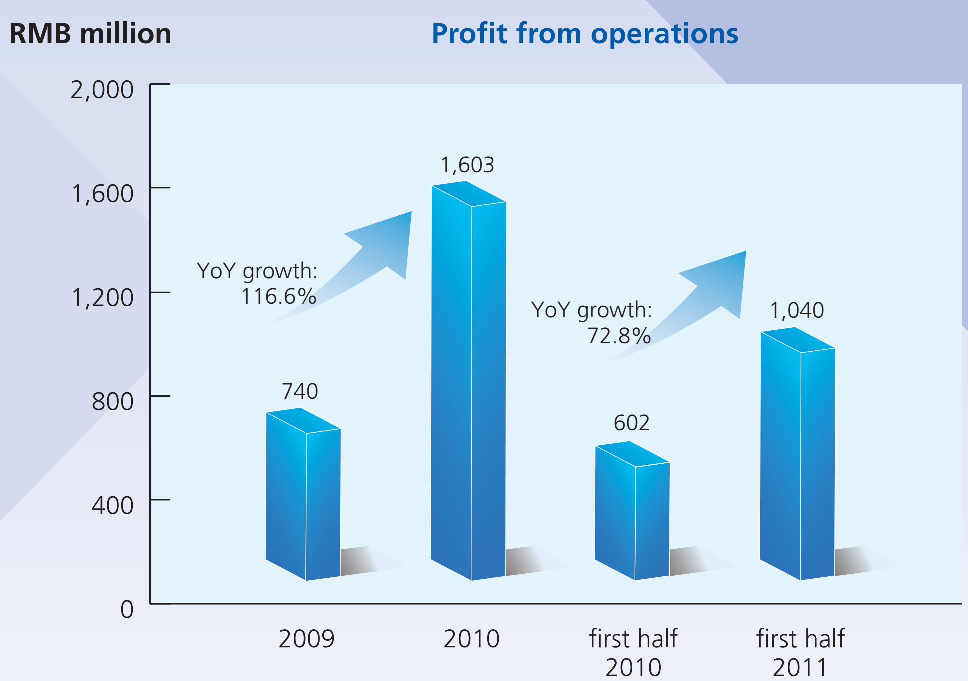
Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Financial Highlights






RMB million
Gross profit and gross profit margin
%
2,800
2,400
2,000
1,600
1,200
800
400
0
12
10
8
6
4
2
0
8.6%
9.5%
10.6%
10.4%
YoY growth:
94.4%
YoY growth:
82.1%
1,179
2,293
937
1,706
2009
2010
first half
2010
first half
2011


RMB million
Profit from operations
2,000
1,600
1,200
800
400
0
YoY growth:
116.6%
YoY growth:
72.8%
740
1,603
602
1,040
2009
2010
first half
2010
first half
2011

Chairman's Statement

Huang Yi
Chairman

Dear honourable Shareholders,

On behalf of the board of directors (the "Board") of Zhongsheng Group Holdings Limited ("Zhongsheng" or the "Company"), it is my pleasure to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011.

During the first half of 2011, the Group proactively developed its businesses and further expanded its brand portfolio, as well as enhancing its after-sale services through its strong dealership network and leading position in markets it has operations. As such, the Group achieved continuous growth in its businesses. For the six months ended 30 June 2011, the Company achieved outstanding performance in its business development and sustained a high level of profitability, for which the results were encouraging. During the period under review, the Company achieved a revenue of RMB16,390 million, representing an increase of 86.1% from RMB8,806 million for the same period in 2010. Our gross profit reached RMB1,706 million, representing an increase of 82.1% from RMB937 million for the same period in 2010. Profit from operations reached RMB1,040 million during the period under review, representing an increase of 72.8% from RMB602 million for the same period in 2010. Earnings per share was RMB0.27 (Same period in 2010: RMB0.22).

During the period under review, China continued to achieve strong economic growth, increase in per capita disposable income as well as the continued expansion of the affluent class have led to further increase in the demand for luxury and mid-to-high-end brand vehicles. Notwithstanding the slowdown in growth in China's passenger vehicle market in 2011, the continuous rapid growth of our luxury and mid-to-high-end brand vehicles were not affected.

As at the date of this interim report, the Group has 114 dealerships, representing an addition of 16 dealerships from the date of 2010 annual report. Our dealership network now covers 14 provinces and regions with almost 50 cities in China. Since the beginning of this year, the Group has set up 8 new dealerships in Liaoning, Zhejiang, Fujian and Guangdong, including 6 luxury brand dealerships such as Mercedes-Benz, Audi, Lexus and imported Volkswagen. Moreover, we successfully acquired 8 dealerships in Yunnan, Guangdong and Shandong, including 1 Audi dealership and 7 mid-to-high-end brand dealerships such as Toyota and Nissan. Progress on our business development plan was satisfactory and in line with our expectations.

During recent years, people in China have become more affluent and their living standard have increased. Hence, the demand for luxury goods also increased significantly. As the ownership of luxury and mid-to-high-end vehicles currently is still lower than other developed countries, there is still enormous potential of growth in the market. As the leading automobile dealership in China, Zhongsheng's dealership network covers a number of provinces nationwide. Being complemented with a diversified brand portfolio and perfect after-sale services, our future business prospects are promising. The Company will continue to capitalize on its competitive edge in the market and will expand its business and brand portfolio through organic growth and strategic acquisitions in future. We aim to move ahead efficiently and aggressively so as to rank as the top automobile dealership group in China. In addition, with the high-speed growth in the passenger vehicle market, the demand for after-sales services will also increase significantly. This will also continue to bring long-term and steady income to the Group. Looking into future, we will continue to adhere to our motto of "Zhongsheng Group – Lifetime Partner", and pursue our expansion targets for the full year by actively increasing our dealerships. Our leading position in the industry will thus be enhanced.

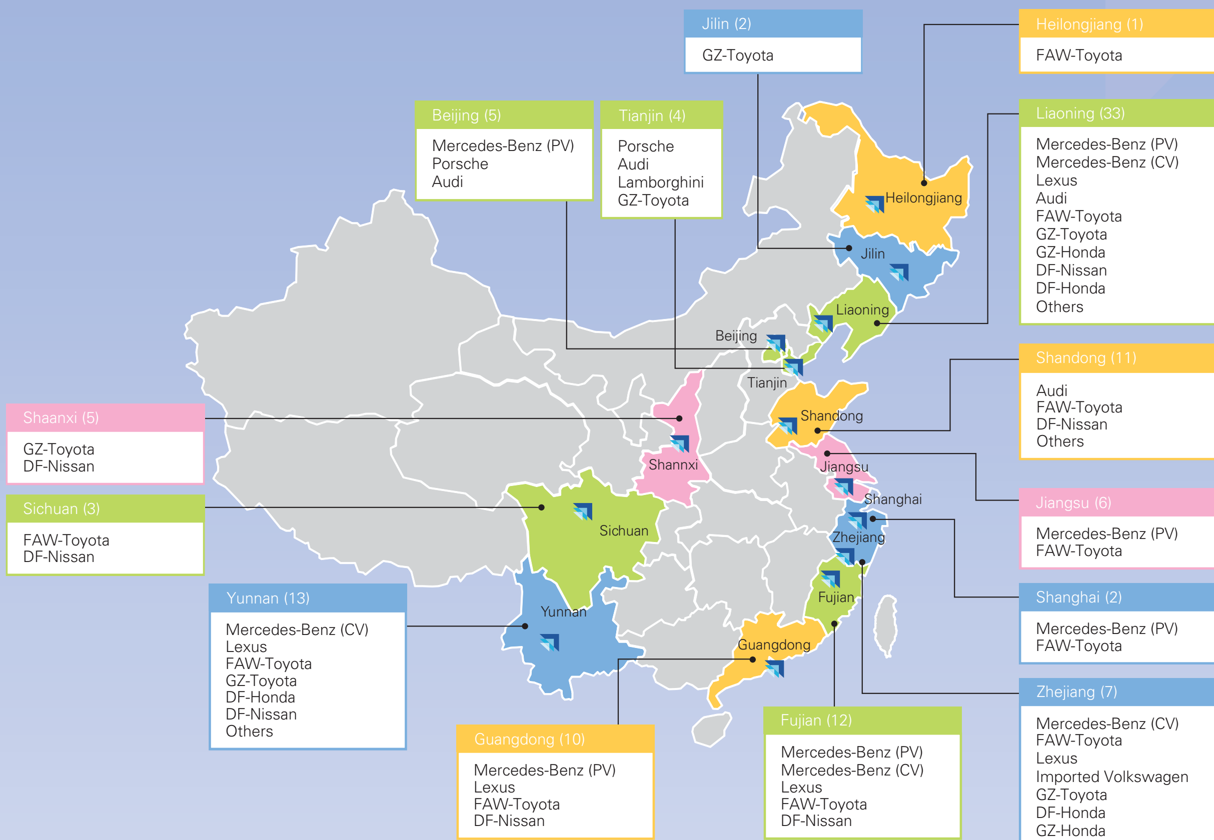
The satisfactory results we achieved during the first half of 2011 were attributable to the loyal services and contribution of all employees of the Group as well as the support and encouragement from all shareholders and business partners. On behalf of the Board, I wish to express my sincere gratitude for the endeavours and dedication of all of you.

Huang Yi
Chairman

Hong Kong, 16 August 2011

Management Discussion and Analysis

The network coverage of Zhongsheng's dealership network as of the date of this interim report:



MARKET REVIEW

After several years of high-speed growth, China's passenger vehicle market has entered into a steady growth stage in the first half of 2011. 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 had a significant negative impact on sales volume, particularly that of low end small emission vehicles. According to the 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, an increase in per capita disposable income 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.

ZHONGSHENG
GROUP HOLDING

Li Guoqiang
Vice-Chairman and Chief Executive Officer

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 bringing inflation under control and the level of international oil prices also remains 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 very confident about 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 focus on seizing 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 where our dealerships are located, and enjoy a competitive advantage in these regions. 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, Audi, Lexus 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 interim report, our nationwide network has reached 114 dealerships, consisting of 34 luxury brand dealerships and 80 mid-to-high-end brand dealerships.

	As of the date of 2010 annual report	**As of the date of this report**	**Change**
Northeastern region	34	**36**	+2
Northern region	8	**9**	+1
Eastern region	20	**26**	+6
Southern region	18	**22**	+4
Southwestern and Northwestern interior regions	18	**21**	+3
Total	98	**114**	+16

Further Improved Brand Portfolio

We have a diversified brand portfolio to meet demands from different customers in the market. We have been devoted to implementing a multi-brands strategy. This allowed us to satisfy different customer needs with a comprehensive range of products, thus enabling us to enjoy further increases in our profits 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 representing 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 automobiles 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 each year resulting in the rapid expansion of our customer base which in turn increased the demands for after-sales services. After-sales services have become an integral part of our 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, accessory services and products 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 number of people owning 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 Group – Lifetime Partner" and place much emphasis on the service quality of each dealership, which is aimed at bringing quality-focused service satisfaction for our customers.

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 mid-to-high-end and luxury passenger vehicle sales and after-sales business, which 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. Almost 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 period.

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 RMB256 million or 64.5% 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: 42.4%) 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, which 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 initial public offering in 2010, 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 from 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 expenditure was 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 part of 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 cost of luxury automobile brands are comparatively 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	**45.8**	41.4

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, Senior Notes

The aggregate amount of our bank loans and other borrowings and senior notes as at 30 June 2011 was RMB7,408 million. All 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 calculated as net debt divided by the equity attributable to owners 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 incentives for its staff.

Pledge of the Group's Assets

The Group has pledged its group assets as security for bank loans and other borrowings and banking facilities which were used to finance daily business operations. As at 30 June 2011, the pledged group assets amounted to approximately RMB1,409 million.

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 potential to further enrich our brand portfolio so as to meet the demand of our customers.

In terms of dealership network expansion, we plan to expand by 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 potential 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 on the current resource and customer base in new automobile sales to further expand our after-sales services growth, and with our "Zhongsheng Group — 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 strategic advantages while striving to maintain its position as a leading national automobile dealership group in China, and endeavor to improve its performance.

Li Guoqiang
Vice-Chairman and Chief Executive Officer

Hong Kong, 16 August 2011

Consolidated Interim Income Statement

For the six months ended 30 June 2011

	Notes	**Unaudited** For the six months ended 30 June 2011 RMB'000	For the six months ended 30 June 2010 RMB'000
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 21 to 39 form an integral part of these interim consolidated financial statements.

Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2011

	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	**617,417**	389,259
Other comprehensive income		
Available-for-sale investments:		
Changes in fair value	**(1,491)**	–
Income tax effect	**246**	–
Exchange differences on translation of foreign operations	**(13,091)**	(16,096)
Other comprehensive income for the period, net of tax	**(14,336)**	(16,096)
Total comprehensive income for the period	**603,081**	373,163
Attributable to:		
Owners of the parent	**496,275**	364,172
Non-controlling interests	**106,806**	8,991
	603,081	373,163

The notes from pages 21 to 39 form an integral part of these interim consolidated financial statements.

Consolidated Interim Statement of Financial Position

As at 30 June 2011

	Notes	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
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
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
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
Total current liabilities		10,637,969	9,062,464
Net current assets		1,841,847	1,536,753
Total assets less current liabilities		9,010,305	7,137,166

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

The notes from pages 21 to 39 form an integral part of these interim consolidated financial statements.

Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2011

	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	168	5,021,215	18,712	135,204	(1,305,953)	–	(6,191)	1,522,764	–	5,385,919	75,626	5,461,545
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	**168**	**5,021,215**	**37,110**	**219,324**	**(1,386,176)**	**1,244**	**(42,796)**	**2,389,014**	**–**	**6,239,103**	**1,006,286**	**7,245,389**

The notes from pages 21 to 39 form an integral part of these interim consolidated financial statements.

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2011

	Unaudited	
	For the six months ended 30 June 2011	For the six months ended 30 June 2010
	RMB'000	*RMB'000*
Net cash generated from/(used in) operating activities	**100,973**	(1,265,200)
Net cash used in investing activities	**(830,716)**	(669,798)
Net cash generated from financing activities	**2,122,885**	4,260,540
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	**(13,023)**	(16,033)
Cash and cash equivalents at the end of each period	**4,369,837**	3,340,469
Analysis of the balance of cash and cash equivalents, represented by:		
Cash and bank balances	**3,088,961**	3,340,469
Short term deposit	**1,280,876**	–
	4,369,837	3,340,469

The notes from pages 21 to 39 form an integral part of these interim consolidated financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2011

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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

(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 1 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 2.2(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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

(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.

- HKFRS 10 'Consolidated Financial Statements' replaces all of the guidence on control and consolidation in HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements, and HK(SIC)-12 "Consolidation — Special purpose entities". HKAS 27 is renamed "Separate Financial Statements" and it continued to be a standard dealing solely with separate financial statements. The revised definition of control under HKFRS 10 focuses on the heed to have both power and variable returns before control is present. The standard is not applicable until 1 January 2013 but is available for early adoption.

- HKFRS 11 changes the definitions to reduce the types of joint arrangements to two, joint operations and joint ventures. The jointly controlled assets classification in HKAS 31 "Interests in Joint Ventures" has been merged into joint operations, as both types of arrangements generally result in the same accounting outcome. HKFRS 11 is to be applied for annual periods on or after 1 January 2013.

- HKFRS 12 'Disclosure of Interests in Other Entities' was issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013 but is available for early adoption.

- HKFRS 13 'Fair Value Measurement' was issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013 but is available for early adoption.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

(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. (continued)

- 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.

- HKAS 19 'Employee Benefits' was issued by the HKICPA in July 2011 and are effective for annual periods beginning on or after 1 January 2013 but is available for early adoption.

- 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	For the six months ended 30 June 2010
	RMB'000	*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	For the six months ended 30 June 2010
		RMB'000	*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
		341,679	141,863
(b)	**Cost of sales and services**		
	Cost of sales of motor vehicles	**13,936,782**	7,444,847
	Others	**747,164**	424,896
		14,683,946	7,869,743
(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)
		372,213	146,800

6. FINANCE COSTS

	Unaudited	
	For the six months ended 30 June 2011	For the six months ended 30 June 2010
	RMB'000	*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)**	–
	224,151	80,774

7. TAX

	Unaudited	
	For the six months ended 30 June 2011	For the six months ended 30 June 2010
	RMB'000	*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
	203,972	135,858

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)	**510,611**	380,268
Shares		
Weighted average number of ordinary shares in issue during the period	**1,908,481,295**	1,744,660,995
Earnings per share (RMB)		
Basic	**0.27**	0.22
Diluted	**0.27**	0.22

10. INVENTORIES

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

11. TRADE RECEIVABLES

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

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 *RMB'000*
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
	306,680	284,951

12. BANK LOANS AND OTHER BORROWINGS

	Unaudited 30 June 2011 *RMB'000*	Audited 31 December 2010 *RMB'000*
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
Total bank loans and other borrowings	**6,167,849**	4,924,455
Less: Portion classified as current liabilities	**(6,147,122)**	(4,924,455)
Long-term portion	**20,727**	–

13. TRADE AND BILLS PAYABLES

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

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 *RMB'000*	Audited 31 December 2010 *RMB'000*
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
	3,076,922	2,984,507

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%
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%

16. BUSINESS COMBINATION-ACQUISITION OF SUBSIDIARIES (continued)

(a) (continued)

The acquisition 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	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)
Income tax payable	(517)
Bank loans and other borrowings	(55,117)
Long-term interest-bearing bank loans	(14,200)
Deferred tax liabilities	(63,295)
Total identifiable net assets	185,720
Non-controlling interests arising from a business combination	(93,428)
Goodwill on acquisition	167,708
Total purchase consideration	260,000

16. BUSINESS COMBINATION-ACQUISITION OF SUBSIDIARIES (continued)

(a) (continued)

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	139,402
Net cash outflow	(86,358)

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%

16. BUSINESS COMBINATION-ACQUISITION OF SUBSIDIARIES (continued)

(b) (continued)

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)
Total identifiable net assets	90,253
Non-controlling interests arising from a business combination	(27,076)
Goodwill on acquisition	66,123
Total purchase consideration	129,300

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
Net cash outflow	(3,112)

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 *RMB'000*	31 December 2010 *RMB'000*
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**	–
	264,776	257,224

(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 *RMB'000*	**Land** *RMB'000*	Properties *RMB'000*	Land *RMB'000*
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
	466,207	**216,951**	333,357	208,962

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 months ended 30 June 2011 *RMB'000*	For the six months ended 30 June 2010 *RMB'000*
(i)	Sales of goods to jointly-controlled entities:		
	– Xiamen Zhongsheng	**11,940**	6,840
	– Zhongsheng Tacti	**564**	448
		12,504	7,288
(ii)	Purchase of goods or services from jointly-controlled entities:		
	– Xiamen Zhongsheng	**14,296**	7,380
	– Zhongsheng Tacti	**31,985**	56,583
		46,281	63,963
(iii)	Dividends from a jointly-controlled entity:		
	– Xiamen Zhongsheng	**11,920**	–

(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.

19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related parties

The Group had the following significant balances with its related parties as at 30 June 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
	746	2,229

(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.

19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

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 interim report, 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. (collectively, the "Target Companies I"), respectively, from a third party, with a total consideration of RMB127 million. The Group plans to measure the non-controlling interests in the Target Companies I at the non-controlling interests' proportionate share of the Target Companies I's identifiable net assets.

The Group had also acquired 100% equity interests in Weihai Kanglilong Automobile Sales & Services Co., Ltd., and Weihai Weida Automobile Trading Co., Ltd. (collectively, the "Target Companies II"), respectively, from three third parties, with an aggregate consideration of RMB183 million.

Because the acquisitions of the Target Companies I and the Target Companies II were effected shortly before the date of approval of this interim report, it is not practicable to disclose further details about the acquisitions.

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

As at the date of this interim report, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") were as follows:

Long positions in the Company's shares

Name of Director	Capacity/ Nature of Interest	Total number of shares	Approximate Percentage of Shareholding (%)
Mr. Huang Yi [1]	Deemed interest, interest of controlled company	1,245,993,876 (long position)	65.29
Mr. Li Guoqiang [2]	Deemed interest, interest of controlled company	1,245,993,876 (long position)	65.29

(1) Mr. Huang Yi's interest in the shares is held through his wholly-owned investment company, Light Yield Ltd. ("Light Yield"). Light Yield owns a 62.3% equity interest in Blue Natural Development Ltd. ("Blue Natural"). Accordingly, Mr. Huang Yi and Light Yield are deemed to be interested in the entire interest in the Company held by Blue Natural.

(2) Mr. Li Guoqiang's interest in the shares is held through his wholly-owned investment company, Vest Sun Ltd. ("Vest Sun").Vest Sun owns a 37.7% equity interest in Blue Natural. Accordingly, Mr. Li Guoqiang and Vest Sun are deemed to be interested in the entire interest in the Company held by Blue Natural.

Save as disclosed above, as at the date of this interim report, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at the date of this interim report, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholder	**Capacity/Nature of Interest**	**Total number of shares**	**Approximate percentage of shareholding** *(%)*
General Atlantic Partners (Dalian), L.P. (1)	Beneficial owner	116,382,426 (long position)	6.10
GAP (Bermuda) Limited (1)	Deemed interest, interest of controlled company	143,403,419 (long position)	7.51
Blue Natural (2)&(3)	Beneficial owner	1,245,993,876 (long position)	65.29
Light Yield (2)	Deemed interest, interest of controlled company	1,245,993,876 (long position)	65.29
Vest Sun (3)	Deemed interest, interest of controlled company	1,245,993,876 (long position)	65.29

Notes:

(1) The limited partners of General Atlantic Partners (Dalian), L.P. are General Atlantic Partners (Bermuda), L.P. ("GAP LP"), GapStar, LLC ("GapStar"), GAP Coinvestments III, LLC ("GAPCO III"), GAP Coinvestments IV, LLC ("GAPCOIV"), GAP Coinvestments CDA, L.P. ("GAPCO CDA") and GAPCO GmbH & Co. KG ("GAPCO KG"). The general partner of General Atlantic Partners (Dalian), L.P. is GAP (Bermuda) Limited ("GAP Bermuda Limited"). GAP Bermuda Limited is the general partner of General Atlantic GenPar (Bermuda), L.P. ("GAP Bermuda GenPar"), which is the general partner of GAP LP. GAP Bermuda GenPar is also the general partner of GAP-W International, LP., which directly owns 27,020,993 shares in the Company. General Atlantic LLC ("GA LLC") is the general partner of GAPCO CDA. There are 25 managing directors of GA LLC, including Mr. Leng Xuesong, one of the Company's Directors. The managing directors of GA LLC are the directors and executive officers of GAP Bermuda Limited. In addition, the managing members of GAPCO III and GAPCO IV are the managing directors of GA LLC and certain members of GapStar are managing directors of GA LLC. GAPCO Management GmbH ("GmbH Management") is the general partner of GAPCO KG. The managing directors of GA LLC make management and investment decisions relation to GAPCO KG and GmbH Management.

(2) Mr. Huang Yi's interest in the shares is held through his wholly-owned investment company, Light Yield. Light Yield owns a 62.3% equity interest in Blue Natural. Accordingly, Mr. Huang Yi and Light Yield are deemed to be interested in the entire interest in the Company held by Blue Natural.

(3) Mr. Li Guoqiang's interest in the shares is held through his wholly-owned investment company, Vest Sun. Vest Sun owns a 37.7% equity interest in Blue Natural. Accordingly, Mr. Li Guoqiang and Vest Sun are deemed to be interested in the entire interest in the Company held by Blue Natural.

Save as disclosed above, as at the date of this interim report, the Directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Loan Agreement with Covenants relating to Specific Performance of the Controlling Shareholders

The Company issued RMB1,250,000,000 senior notes maturing in 2014 with a fixed interest rate of 4.75% per annum (the "**Notes Issue**") in April 2011. The Indenture to the Notes Issue provided that upon the occurrence of a change of control, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the offer at the date of repurchase.

A change of control under the Indenture includes, among others, any transaction that results in either: (1) the merger, amalgamation or consolidation of the Company with or into another Person or the merger or amalgamation of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person; or (2) the Permitted Holders are the beneficial owners of less than 40% of the total voting power of the Voting Stock of the Company; or (3) either the Permitted Huang Holders or the Permitted Li Holders are the beneficial owners of less than 15% of the total voting power of the Voting Stock of the Company; or (4) any Person other than the Permitted Holders is the beneficial of more voting power of the Voting Stock of the Company than such total voting power held beneficially by the Permitted Holders; or (5) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or (6) the adoption of a plan relating to the liquidation or dissolution of the Company. Unless otherwise defined herein, capitalized terms have the same meaning as defined in the announcement published by the Company on 25 April 2011.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in shares, underlying shares and debentures" above, at no time during the six months ended 30 June 2011 was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to 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 body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Share Option Scheme

The Share Option Scheme (as defined in the Company's prospectus dated 16 March 2010 (the "**Prospectus**")) was conditionally approved by a resolution of the shareholders on 9 February 2010 and adopted by a resolution of the Board on the same day. Unless it is terminated by the Board or our shareholders in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of ten years from the date which it becomes unconditional. After the period, no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to exercise any subsisting options granted prior to the expiry of this ten year period or otherwise as handled in accordance with the provisions of the Share Option Scheme. The amount payable by a participant upon a grant of option is HKD1.0.

The Board may, at its absolute discretion, offer any employee, management member or director of the Company, or any of our subsidiaries and third party service providers the options to subscribe for shares on the terms set out in the Share Option Scheme. The purpose of the Share Option Scheme is to attract and retain skilled and experienced personnel, to incentivize them to remain with us and to give effect to our customer-focused corporate culture, and to motivate them to strive for our future development and expansion, by providing them with the opportunity to acquire equity interests in the Company.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10.0% of the share in issue as at the date of approval of the Share Options Scheme. No option may be granted to any person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12 month period up to the date of the latest grant exceeds 1.0% of our issued share capital from time to time, unless the approval of our shareholders is obtained.

The amount payable for each share to be subscribed for under an option upon exercise shall be determined by the Board and notified to a proposed beneficiary at the time of offer of the option and shall be not less than the higher of: (a) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. The Share Option Scheme does not contain any minimum period(s) for which a option must be held before it can be exercised. However, at the time of grant of the options, the Company may specify any such minimum period(s).

During the reporting period and up to the date of this interim report, no options have been granted pursuant to the Share Option Scheme.

Purchase, redemption or sale of listed securities of the Company

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

Change in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the directors' information of the Company are as follows:

(A) Mr. Shigeno Tomihei, being an independent non-executive director of the Company, no longer works for Minebea Shanghai since 31 March 2010.

(B) Mr. Ng Yuk Keung, being an independent non-executive director of the Company, has been appointed as an executive director and chief financial officer of China NT Pharma Group Company Limited (a company listed on the Hong Kong Stock Exchange on 20 April 2011) since 1 March 2010.

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

Code of Corporate Governance Practice

The Company has adopted the principles and code provisions set out in the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 to the Listing Rules. Throughout the six months ended 30 June 2011 and up to the date of this interim report, the Company has been in compliance with the code provisions set out in the CG Code.

Model Code for Securities Transactions

The Company has adopted 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 interim report.

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.

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

Hong Kong
16 August 2011