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中升集團控股有限公司

Zhongsheng Group Holdings Limited

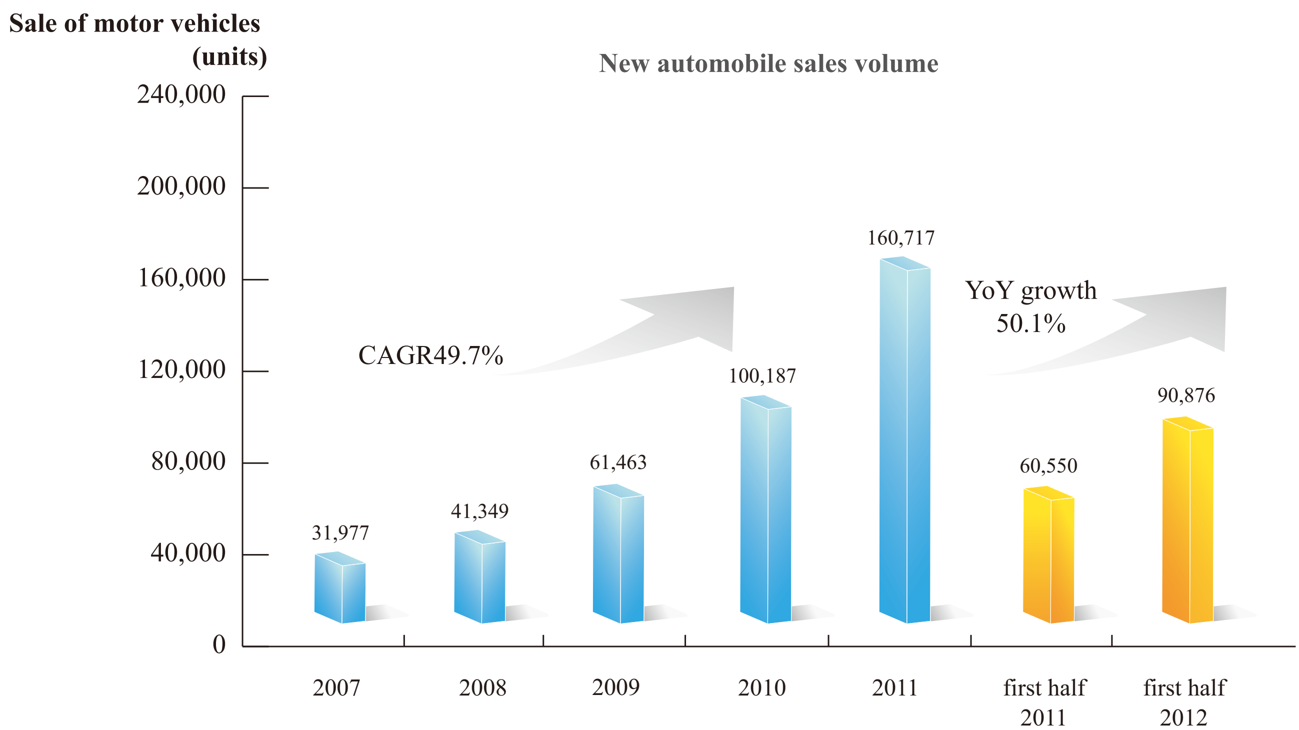
(Incorporated in the Cayman Islands with limited liability)

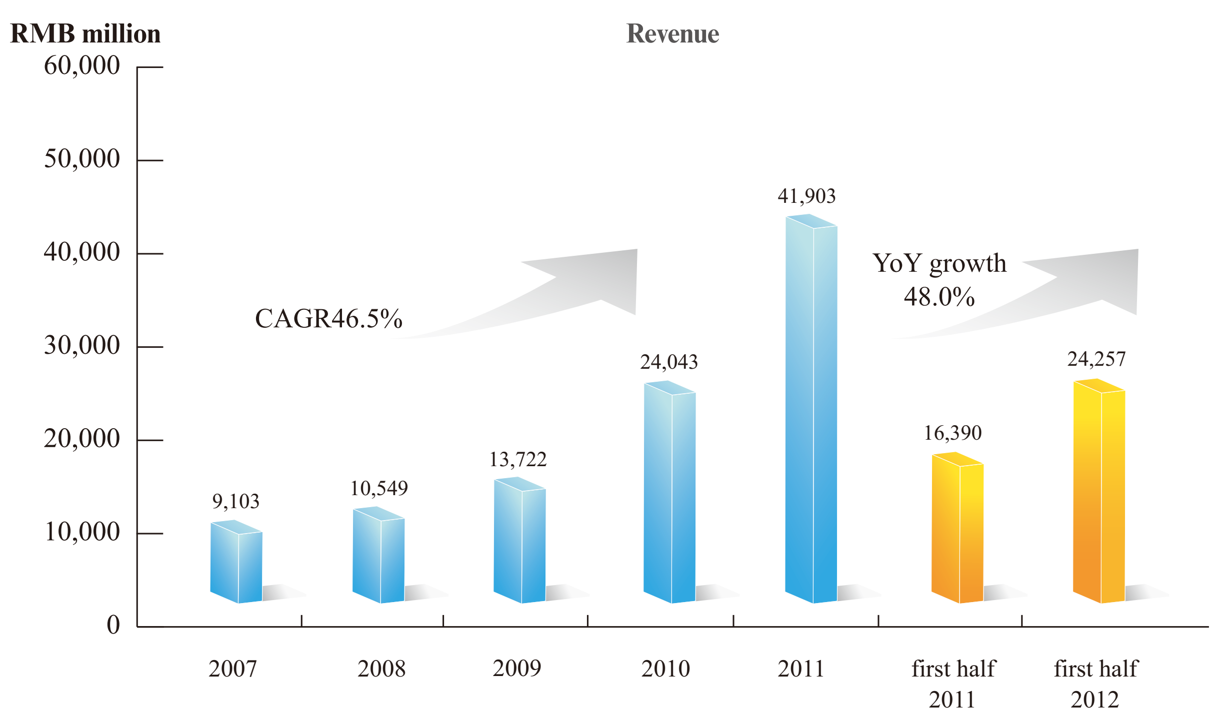
(Stock Code: 881)

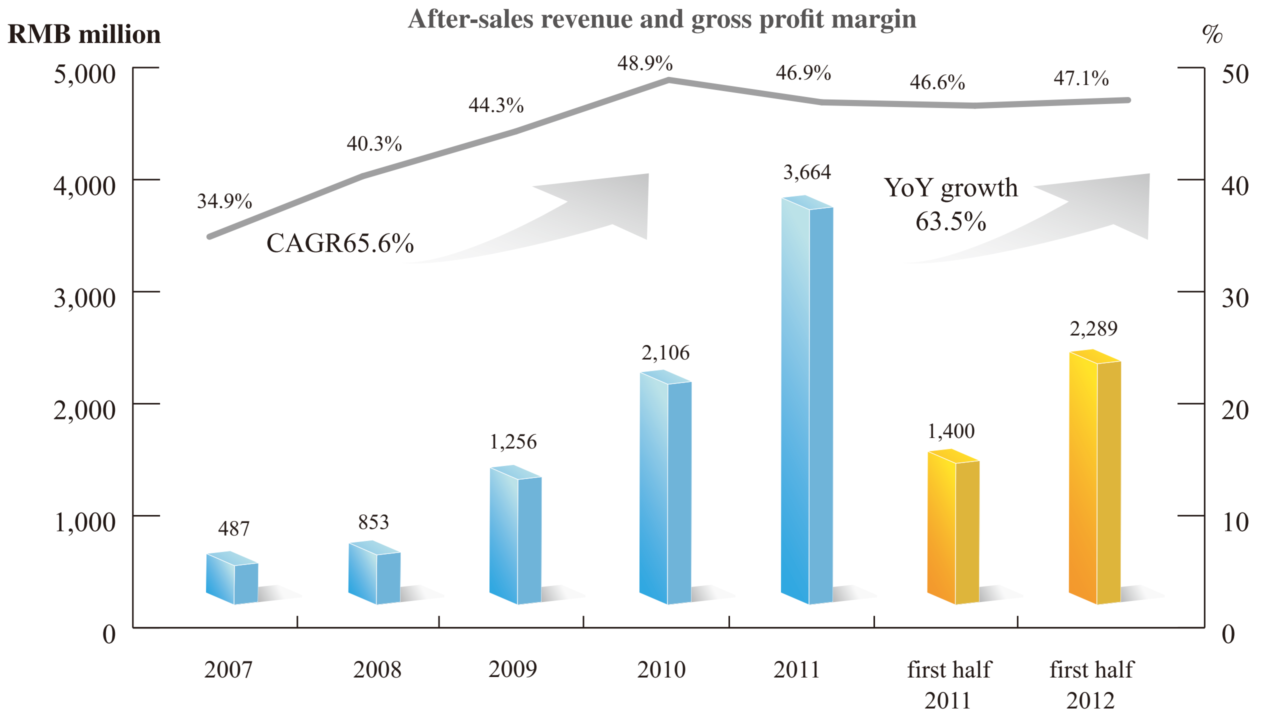
ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

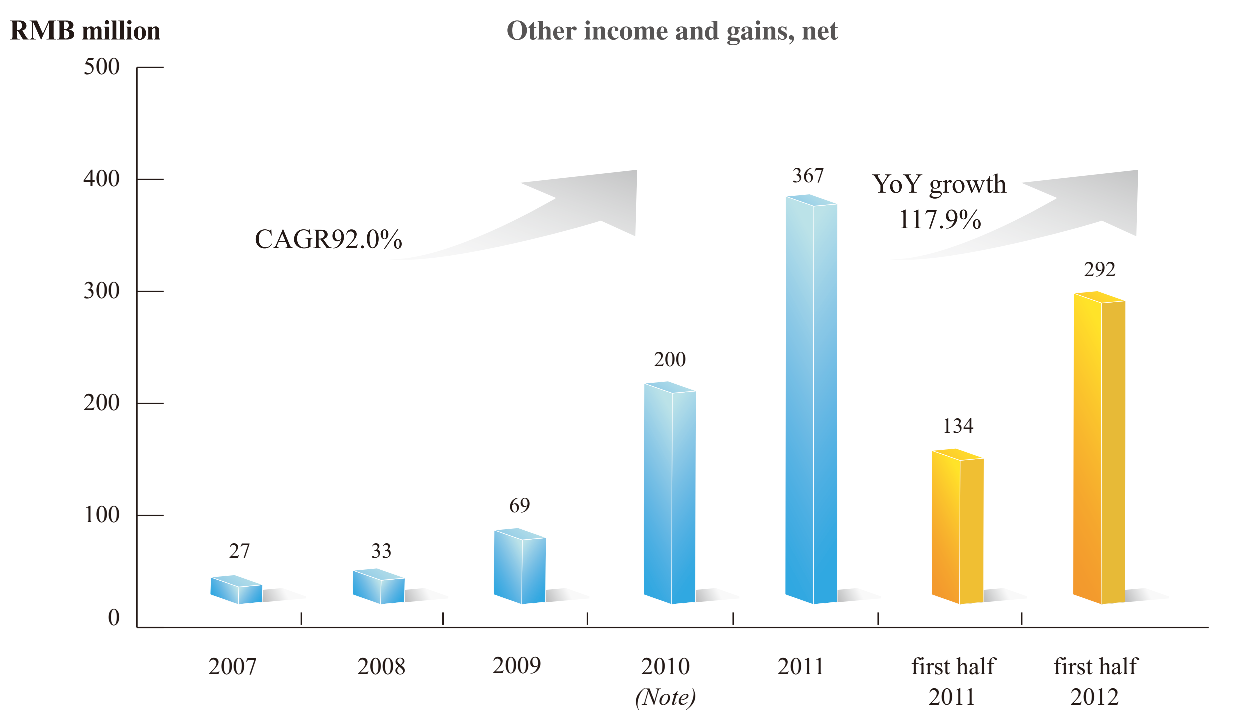
GROUP FINANCIAL HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2012 increased by 48.0% to RMB24,257 million as compared to the corresponding period in 2011
- Revenue from after-sales business for the six months ended 30 June 2012 increased by 63.5% to RMB2,289 million as compared to the corresponding period in 2011
- Profit from operations for the six months ended 30 June 2012 increased by 3.2% to RMB1,073 million as compared to the corresponding period in 2011
- Profit attributable to equity holders of our parent for the six months ended 30 June 2012 decreased by 27.4% to RMB371 million as compared to the corresponding period in 2011
- Basic earnings per share for the six months ended 30 June 2012 were RMB0.19


Sale of motor vehicles (units)
New automobile sales volume
240,000
200,000
160,000
120,000
80,000
40,000
0
CAGR49.7%
YoY growth 50.1%
31,977
41,349
61,463
100,187
160,717
60,550
90,876
2007
2008
2009
2010
2011
first half 2011
first half 2012


RMB million
Revenue
60,000
50,000
40,000
30,000
20,000
10,000
0
CAGR46.5%
YoY growth 48.0%
9,103
10,549
13,722
24,043
41,903
16,390
24,257
2007
2008
2009
2010
2011
first half 2011
first half 2012





Note: Excluding the non-recurring gains of RMB122 million in 2010 arising from disposal of land use rights, property, plant and equipment and a subsidiary.

MARKET REVIEW

The growth of passenger vehicles market in China flattened in the first half of 2012. According to the statistics of China Association of Automobile Manufacturers (中國汽車工業協會), the sales of automobiles in China amounted to 9.60 million units for the six months ended 30 June 2012, representing an increase of 2.9% as compared to the corresponding period last year. The sales of passenger vehicles reached 7.61 million units, representing an increase of approximately 7.1% as compared to the corresponding period in 2011. The growth of sport utility vehicles ("SUV") remained strong, representing an increase of 32.0% as compared to the corresponding period last year. Through increasing the number of new dealerships as well as organic growth of our existing dealerships, our new automobile sales volume exceeded ninety thousand units in the first half of 2012, representing an increase of 50% as compared to the corresponding period last year. We significantly outperformed the industry average.

In the market analysis and forecast report with respect to the automobiles market in 2012 published by China Association of Automobile Manufacturers, it was stated that, assuming the macro-economic environment becomes positive in the second half of 2012, and there is no extensive policy introduced to limit the consumption of automobiles, the sales of passenger vehicles in China is expected to exceed 16 million units for the full year of 2012, representing an increase of 11.1% as compared with last year. Furthermore, starting from the second quarter of this year, the automobile brands we sell, including Mercedes-Benz, Lexus, Audi and Dongfeng Honda, launched a series of new automobile models and achieved impressive sales performance. According to our past experience, the second half of the year is traditionally a peak season for automobile sales. Hence, we remain cautiously optimistic about the sales outlook for the second half of this year.

At the beginning of this year, automobile manufacturers set relatively aggressive sales target due to the launch of new automobile models and expansion of production capacity. As a result, the supply of new automobiles and the inventory level of automobile dealers increased as compared with last year. In order to attract more customers, a larger discount for new automobiles was offered. As such, the gross profit margin of new automobile sales for automobile dealers were affected to certain extent in the first half of this year.

Since 2009, China has become the world biggest new passenger vehicle market for three consecutive years. The huge sales volume of new automobiles and expanding customer base have been driving the high growth of after-sales market. During the past five years, our after-sales revenue increased from RMB487 million in 2007 to RMB3,664 million in 2011, representing a CAGR of 65.6%. We believe that our highly visible and high-margin after-sales business will continue to maintain solid growth, and will account for a larger portion in our overall revenue and profit structure in the future.

Toyota regained its position as the world number one automaker with 4.97 million units of sales volume in the first half of 2012, of which more than 440,000 units were sold in China, representing an increase of approximately 25% as compared to the corresponding period last year. As the largest dealership group of Toyota in China, we will continue to maintain our entrenched business relationship with Toyota and strive for excellent future performance.

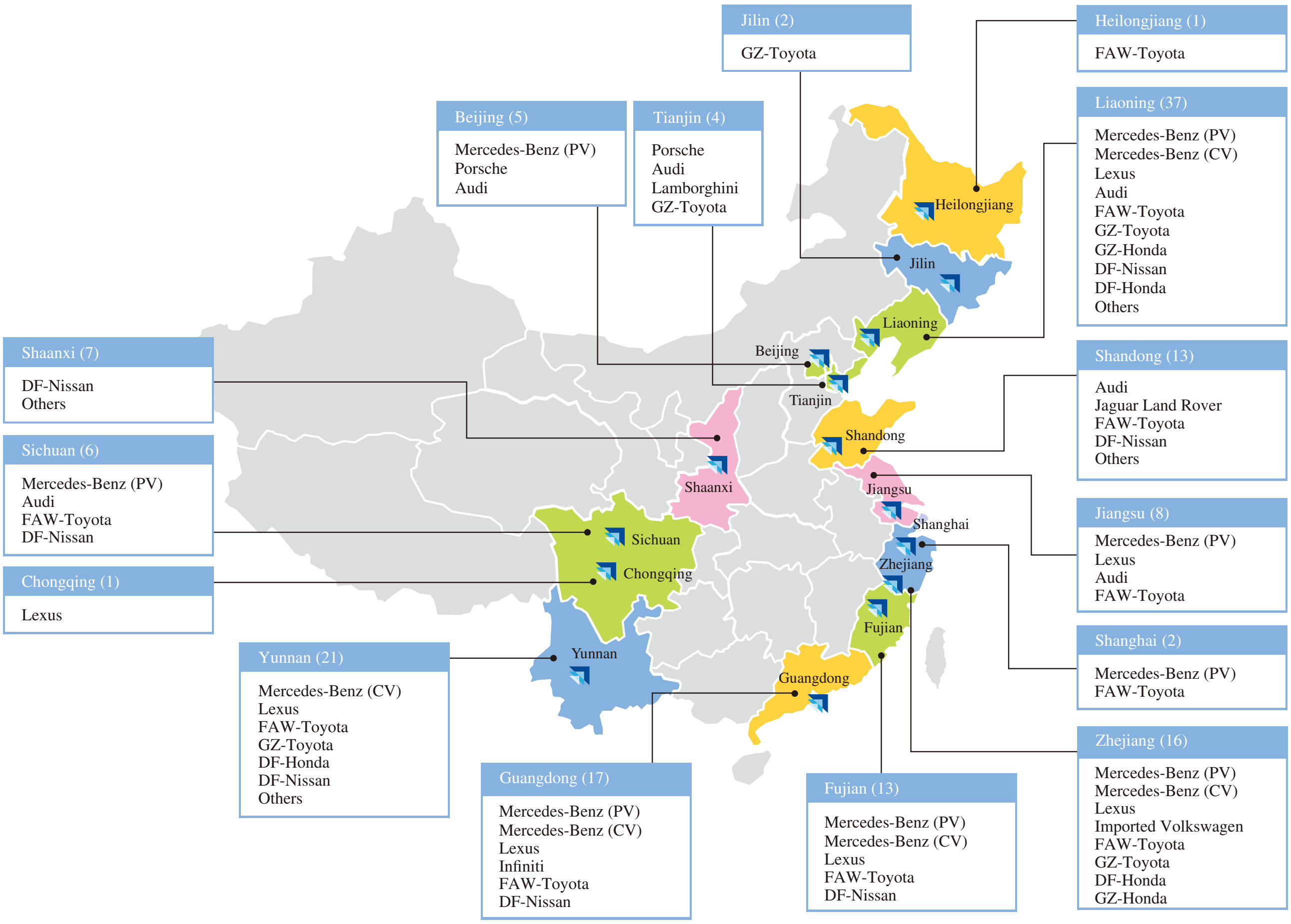
In the Guiding Opinions on Promoting the Development of Automobile Circulation Industry during the 12th Five-Year Planning Period as published earlier by the Ministry of Commerce, it was stated that, the PRC government will foster three to five large-scale automobile dealership groups with revenue from principal business of over RMB100 billion during the 12th Five-Year planning period. We believe, due to intense competition, the profitability of small-to-medium size automobile dealers and their operating environment will become more challenging, resulting in accelerated integration and consolidating in the automobile dealership industry. It will be an irreversible trend within the industry to foster and develop large-scale automobile dealership groups via industry consolidation.

BUSINESS REVIEW

Strategic Expansion of Dealership Network

The Group proactively captured market opportunities and expanded its existing dealership network through its own organic growth and external acquisitions, resulting in further enhancement and consolidation of our market share and positioning in a number of regions and establishment of our strategic dealership network. Our existing dealerships are primarily concentrated in cities with relatively affluent populations and strong consumption power in the northeastern, eastern and southern coastal regions, as well as selected inland regions of China. During the period under review, the Group completed the acquisition of the remaining 20% equity interest in Loong Wah Motors (Cayman) Co., Ltd. and now holds 100% equity interest in it. This acquisition enhanced the Group’s competitive positioning in Japanese luxury and mid-to-high-end automobile brands in Zhejiang and Guangdong of China. Since the beginning of this year, we have set up eleven new dealerships in Shandong, Zhejiang, Fujian and Sichuan, etc, including three luxury brand dealerships and eight mid-to-high-end brand dealerships. Moreover, we successfully acquired one Mercedes-Benz dealership and one FAW-Toyota dealership in Guangdong and Fujian.

As at the date of this announcement, our nationwide network has reached 153 dealerships, of which 48 dealerships are luxury brands and 105 dealerships are mid-to-high-end brands.



	As at the date of 2011 Annual Report	As at the date of this announcement	Change
Northeastern region	37	40	+3
Northern region	9	9	–
Eastern region	36	39	+3
Southern region	26	30	+4
Southwestern and Northwestern inland regions	32	35	+3
Total	140	153	+13

Optimization of Brand Portfolio

With the increasing consumption power of middle class in China, the Group focuses on luxury brands as well as mid-to-high-end brands in order to satisfy customers' demand. Some consumers have started to purchase their second car and are considering automobiles for outdoor activities. In order to capture the opportunities arising from the high-end SUV market, the Group successfully set up the first 4S dealership of Jaguar Land Rover, an international luxury SUV brand, in 2012. The brand portfolio of the Group now includes luxury brands, such as Mercedes-Benz, Lexus, Porsche, Audi, Lamborghini, Infiniti, imported Volkswagen and Jaguar Land Rover as well as mid-to-high-end brands such as Toyota, Nissan and Honda.

Further Development of After-Sales Services

With increasing number of our dealerships and new automobile sales volume, our customer base has expanded rapidly and our customers have higher expectations for better after-sales services quality. More and more consumers of luxury brands are now pursuing personalized retrofitting and tuning of automobiles. As such, the Group acquired a 70% equity interest in Carlsson Autotechnik GmbH, a world class automobile tuning company. The acquisition extended our business scope from traditional automobile dealership to new areas of professional automobile tuning as well as design and production of automobile accessories, and enabled us to tap further into the industry chain of automobile after-sales market.

Furthermore, in March 2012, Zhongsheng (Dalian) Group Co., Ltd., a subsidiary of our Group in China, entered into a strategic cooperation agreement with China Guangfa Bank Co., Ltd., which strengthened our automobile financing agency service business.

Future Outlook and Strategies

As China's leading "one-stop automobile service provider", we will focus on the market dynamics and capture early market opportunities. We will continue to strengthen our after-sales business and explore value in the industry chain based on our continuous growth in customer base.

As to the expansion of dealership network, we will continue to enlarge our business scale through expansion and strategic acquisitions, proactively explore new automobile brands with potentials to further diversify our brand portfolio, and capitalize the development trend in the passenger vehicle market. We plan to focus our development on luxury brands in more mature first and second tier cities, and mid-to-high-end automobile brands in third and fourth tier cities which have broader room for development. This will allow us to capture market opportunities arising from different regions.

Apart from increasing new automobile sales, the Group will also continue to develop our after-sales service business and used car business. After-sales service would enable us to generate stable income to the Group and help build long-term relationship with our customers. Used car business is also a significant business area with considerable growth potential. We believe that quality after-sales services is an important factor for customers to select the dealership. Therefore, we will adhere to our motto of "Zhongsheng Group – Lifetime Partner" and develop after-sales services and used car business as integral part of our dealership operation model, which will continue to make positive contribution to the Group.

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 2012, as follows:

Consolidated Interim Income Statement
For the six months ended 30 June 2012

		Unaudited	
	Notes	**For the six months ended 30 June 2012** ***RMB'000***	For the six months ended 30 June 2011 *RMB'000*
REVENUE	*4(a)*	**24,257,205**	16,389,831
Cost of sales and services provided	*5(b)*	**(22,077,241)**	(14,683,946)
Gross profit		**2,179,964**	1,705,885
Other income and gains, net	*4(b)*	**292,124**	134,446
Selling and distribution costs		**(988,670)**	(517,531)
Administrative expenses		**(409,929)**	(283,039)
Profit from operations		**1,073,489**	1,039,761
Finance costs	*6*	**(499,315)**	(224,151)
Share of profits of jointly-controlled entities		**2,624**	5,779
Profit before tax	*5*	**576,798**	821,389
Tax	*7*	**(171,133)**	(203,972)
Profit for the period		**405,665**	617,417
Attributable to:			
Owners of the parent		**370,721**	510,611
Non-controlling interests		**34,944**	106,806
		405,665	617,417
Earnings per share attributable to ordinary equity holders of the parent			
Basic			
– For profit for the period (RMB)	*9*	**0.19**	0.27
Diluted			
– For profit for the period (RMB)	*9*	**0.19**	0.27

The notes on pages 14 to 27 form an integral part of these interim consolidated financial statements.

Consolidated Interim Statement of Comprehensive Income
For the six months ended 30 June 2012

		Unaudited	
		For the six months ended 30 June 2012	For the six months ended 30 June 2011
	Notes	***RMB'000***	*RMB'000*
Profit for the period		**405,665**	617,417
Other comprehensive income			
Available-for-sale investments:			
Changes in fair value		**–**	(1,491)
Reclassification adjustments for losses included in the consolidated income statement – gain on disposal	*4(b)*	**1,820**	–
Income tax effect		**–**	246
Exchange differences on translation of foreign operations		**(6,997)**	(13,091)
Other comprehensive loss for the period, net of tax		**(5,177)**	(14,336)
Total comprehensive income for the period		**400,488**	603,081
Attributable to:			
Owners of the parent		**365,544**	496,275
Non-controlling interests		**34,944**	106,806
		400,488	603,081

The notes on pages 14 to 27 form an integral part of these interim consolidated financial statements.

Consolidated Interim Statement of Financial Position
30 June 2012

	Notes	**Unaudited 30 June 2012 RMB'000**	Audited 31 December 2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,294,367**	3,886,831
Land use rights		**1,126,946**	1,084,623
Prepayments		**1,570,714**	861,837
Intangible assets		**2,354,368**	2,241,290
Goodwill		**1,820,586**	1,697,884
Investments in jointly-controlled entities		**47,149**	44,525
Available-for-sale investments		**–**	132,928
Deferred tax assets		**88,940**	38,078
Total non-current assets		**11,303,070**	9,987,996
CURRENT ASSETS			
Inventories	*10*	**8,387,688**	6,380,195
Trade receivables	*11*	**620,426**	466,697
Prepayments, deposits and other receivables		**6,048,215**	4,631,948
Amounts due from related parties	*20(b)(i)*	**8,336**	4,369
Financial assets at fair value through profit or loss		**50,678**	49,749
Pledged bank deposits		**1,427,877**	1,664,888
Cash in transit		**239,329**	186,721
Cash and cash equivalents		**3,878,682**	4,487,819
Total current assets		**20,661,231**	17,872,386
CURRENT LIABILITIES			
Bank loans and other borrowings	*12*	**12,956,613**	10,016,585
Senior notes, current portion	*15*	**11,356**	11,518
Trade and bills payables	*13*	**5,663,308**	5,679,875
Short-term bonds	*14*	**401,742**	–
Other payables and accruals		**1,551,431**	1,505,078
Amounts due to related parties	*20(b)(ii)*	**31,104**	2,096
Income tax payable		**424,191**	392,622
Dividends payable		**249,375**	5,718
Total current liabilities		**21,289,120**	17,613,492
Net current (liabilities)/assets		**(627,889)**	258,894
Total assets less current liabilities		**10,675,181**	10,246,890

Consolidated Interim Statement of Financial Position *(Continued)*
30 June 2012

	Notes	**Unaudited 30 June 2012 RMB'000**	Audited 31 December 2011 RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	*12*	**306,087**	29,945
Senior notes	*15*	**1,236,250**	1,232,693
Deferred tax liabilities		**741,950**	706,439
Total non-current liabilities		**2,284,287**	1,969,077
Net assets		**8,390,894**	8,277,813
EQUITY			
Equity attributable to owners of the parent			
Share capital	*16*	**168**	168
Reserves		**7,201,288**	6,844,136
Proposed final dividend		**–**	247,929
		7,201,456	7,092,233
Non-controlling interests		**1,189,438**	1,185,580
Total equity		**8,390,894**	8,277,813

The notes on pages 14 to 27 form an integral part of these interim consolidated financial statements.

Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2012

	Unaudited												
	Attributable to owners of the parent												
	Share capital	Share premium	Discretionary reserve fund	Statutory reserve	Merger reserve	Other reserve	Available-for-sale investments revalutation reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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
At 1 January 2012	**168**	**4,773,286**	**37,110**	**345,658**	**(1,386,176)**	**(3,964)**	**(1,820)**	**(89,306)**	**3,169,348**	**247,929**	**7,092,233**	**1,185,580**	**8,277,813**
Capital contribution from a non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,641**	**1,641**
Non-controlling interests arising from business combination	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(278)**	**(278)**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(8,392)**	**–**	**–**	**–**	**–**	**(8,392)**	**(31,328)**	**(39,720)**
Final 2011 dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(247,929)**	**(247,929)**	**–**	**(247,929)**
Dividends declared to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,121)**	**(1,121)**
Comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**1,820**	**(6,997)**	**370,721**	**–**	**365,544**	**34,944**	**400,488**
At 30 June 2012	**168**	**4,773,286**	**37,110**	**345,658**	**(1,386,176)**	**(12,356)**	**–**	**(96,303)**	**3,540,069**	**–**	**7,201,456**	**1,189,438**	**8,390,894**

The notes on pages 14 to 27 form an integral part of these interim consolidated financial statements.

Condensed Consolidated Interim Statements of Cash Flow
For the six months ended 30 June 2012

	Unaudited	
	For the six months ended 30 June 2012 *RMB'000*	For the six months ended 30 June 2011 *RMB'000*
Net cash (used in)/generated from operating activities	**(2,192,249)**	100,973
Net cash used in investing activities	**(1,757,024)**	(830,716)
Net cash generated from financing activities	**3,339,509**	2,122,885
Net (decrease)/increase in cash and cash equivalents	**(609,764)**	1,393,142
Cash and cash equivalents at the beginning of each period	**4,487,819**	2,989,718
Effect of foreign exchange rate changes, net	**627**	(13,023)
Cash and cash equivalents at the end of each period	**3,878,682**	4,369,837
Analysis of the balance of cash and cash equivalents, represented by:		
Cash and bank balances	**3,878,682**	3,088,961
Short term deposit	**–**	1,280,876
	3,878,682	4,369,837

The notes on pages 14 to 27 form an integral part of these interim consolidated financial statements.

1. GENERAL INFORMATION

Zhongsheng Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the sale and service of motor vehicles in 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 controlling shareholders of the Company are Mr. Huang Yi and Mr. Li Guoqiang.

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 20 August 2012. 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 2012 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 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2.2 Significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011.

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

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

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 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 2015 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" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 12 "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 13 "Fair value measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

- HKAS 19 (Amendment) "Employee benefits" eliminate the corridor approach and calculate finance costs on a net funding basis. The Group is yet to assess the amendments to HKAS 19's impact.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

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.

3. SEGMENT INFORMATION *(Continued)*

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% or more of the Group's revenue during the six months ended 30 June 2012, 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 2012	For the six months ended 30 June 2011
	RMB'000	*RMB'000*
Revenue from the sale of motor vehicles	**21,967,848**	14,990,222
Others	**2,289,357**	1,399,609
	24,257,205	16,389,831

(b) Other income and gains, net

	Unaudited	
	For the six months ended 30 June 2012	For the six months ended 30 June 2011
	RMB'000	*RMB'000*
Commission income	**185,987**	82,640
Advertisement support received from motor vehicle manufacturers	**10,714**	18,353
Rental income	**11,118**	3,875
Government grants	**5,456**	2,304
Interest income	**26,035**	19,115
Net (loss)/gain on disposal of property, plant and equipment	**(2,947)**	3,374
Gain on disposal of available-for-sale investments	**3,370**	–
Fair value (losses)/gains, net:		
Available-for-sale investments (transfer from equity on disposal)	**(1,820)**	–
Financial assets at fair value through profit or loss		
– listed equity investments held for trading	**650**	(8,879)
– equity linked note	**–**	(2,818)
Others	**53,561**	16,482
	292,124	134,446

5. PROFIT BEFORE TAX

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

	Unaudited	
	For the six months ended 30 June 2012	For the six months ended 30 June 2011
(a) Employee benefit expense (including directors' remuneration)		
Wages and salaries	**555,742**	271,977
Pension scheme contributions	**74,863**	48,648
Other welfare	**37,716**	21,054
	668,321	341,679
(b) Cost of sales and services		
Cost of sales of motor vehicles	**20,867,362**	13,936,782
Others	**1,209,879**	747,164
	22,077,241	14,683,946
(c) Other items		
Depreciation and impairments of property, plant and equipment	**184,250**	106,804
Amortisation of land use rights	**12,871**	6,462
Amortisation of intangible assets	**60,960**	46,496
Advertisement expenses	**81,128**	39,811
Office expenses	**70,789**	48,646
Lease expenses	**53,601**	43,004
Logistics expenses	**57,773**	32,124
Business promotion expenses	**97,576**	52,229
Provision for impairment of trade receivables and other receivables	**–**	11
Net loss/(gain) on disposal of property, plant and equipment	**2,947**	(3,374)

6. FINANCE COSTS

	Unaudited	
	For the six months ended 30 June 2012	For the six months ended 30 June 2011
	RMB'000	*RMB'000*
Interest expense on bank borrowings wholly repayable within five years	**451,914**	192,277
Interest expense on senior notes	**33,082**	12,675
Interest expense on short-term bonds	**3,342**	–
Interest expense on other borrowings	**51,301**	26,788
Interest expense on finance leases	**788**	–
Less: Interest capitalised	**(41,112)**	(7,589)
	499,315	224,151

7. TAX

	Unaudited	
	For the six months ended 30 June 2012	For the six months ended 30 June 2011
	RMB'000	*RMB'000*
Current Mainland China corporate income tax	**224,069**	222,105
Current Hong Kong corporate income tax	**–**	1,267
Deferred tax	**(52,936)**	(19,400)
	171,133	203,972

8. DIVIDENDS

The directors of the Company proposed not to declare any interim dividend for the six months ended 30 June 2012.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY 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 2012 and 2011, respectively.

	Unaudited	
	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Earnings		
Profit attributable to equity holders of the parent (RMB'000)	**370,721**	510,611
Shares		
Weighted average number of ordinary shares in issue during the period	**1,908,481,295**	1,908,481,295
Earnings per share (RMB)		
Basic	**0.19**	0.27
Diluted	**0.19**	0.27

No adjustment has been made to the basic earnings per share amounts presented in the reporting periods in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2012 and 2011, respectively.

10. INVENTORIES

	Unaudited 30 June 2012 *RMB'000*	Audited 31 December 2011 *RMB'000*
Motor vehicles	**7,692,963**	5,900,111
Spare parts	**678,947**	470,317
Others	**15,778**	9,767
	8,387,688	6,380,195

11. TRADE RECEIVABLES

	Unaudited 30 June 2012 *RMB'000*	Audited 31 December 2011 *RMB'000*
Trade receivables	**620,617**	466,888
Impairment	**(191)**	(191)
	620,426	466,697

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 2012 *RMB'000*	Audited 31 December 2011 *RMB'000*
Within 3 months	**567,522**	433,202
More than 3 months but less than 1 year	**45,624**	28,831
Over 1 year	**7,280**	4,664
	620,426	466,697

12. BANK LOANS AND OTHER BORROWINGS

	Unaudited 30 June 2012 *RMB'000*	Audited 31 December 2011 *RMB'000*
Bank loans and overdrafts repayable		
– within one year or on demand	**12,395,628**	9,665,303
– over one year but within five years	**296,526**	26,109
	12,692,154	9,691,412
Other borrowings repayable		
– within one year	**549,043**	340,683
	549,043	340,683
Finance lease payables		
– within one year	**11,942**	10,599
– in the second year	**7,020**	3,584
– in the third year	**2,541**	252
	21,503	14,435
Total bank loans and other borrowings	**13,262,700**	10,046,530
Less: Portion classified as current liabilities	**(12,956,613)**	(10,016,585)
Long-term portion	**306,087**	29,945

13. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2012 *RMB'000*	Audited 31 December 2011 *RMB'000*
Trade payables	**1,032,074**	600,322
Bills payable	**4,631,234**	5,079,553
Trade and bills payables	**5,663,308**	5,679,875

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

13. TRADE AND BILLS PAYABLES *(Continued)*

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

	Unaudited 30 June 2012 *RMB'000*	Audited 31 December 2011 *RMB'000*
Within 3 months	**4,030,238**	3,258,824
3 to 6 months	**1,614,432**	2,165,436
6 to 12 months	**11,195**	251,715
Over 12 months	**7,443**	3,900
	5,663,308	5,679,875

14. SHORT-TERM BONDS

As at 30 June 2012, outstanding short-term bonds are summarised as follows:

	Face value *RMB'000*	Maturity	Fixed interest rate	Unaudited 30 June 2012 *RMB'000*	Audited 31 December 2011 *RMB'000*
Short-term bonds	400,000	2013	5.70%	**401,742**	–

All the short-term bonds were issued for working capital.

15. SENIOR NOTES

	Unaudited 30 June 2012 *RMB'000*	Audited 31 December 2011 *RMB'000*
Non-current	**1,236,250**	1,232,693
Current	**11,356**	11,518
	1,247,606	1,244,211

On 14 April 2011, the Company issued senior notes maturing on 21 April 2014, with an aggregate principal amount of RMB1,250,000,000 at a fixed interest rate of 4.75% per annum (the "senior notes"). The senior notes are senior unsecured obligations of the Company guaranteed by existing subsidiaries not incorporated under the laws of the People's Republic of China.

Interest of the senior notes is payable semi-annually in arrears on 21 April and 21 October each year commencing from 21 October 2011.

On 25 April 2011, the senior notes were listed on the Singapore Exchange Securities Trading Limited.

Interest expense on the senior notes is calculated using the effective interest rate method by applying the effective interest rate of 5.47%.

16. SHARE CAPITAL

	Unaudited 30 June 2012	Audited 31 December 2011
Authorised:		
1,000,000,000,000 shares of HK$0.0001 each (HK$'000)	**100,000**	100,000
Issued and fully paid		
1,908,481,295 shares of HK$0.0001 each (HK$'000)	**191**	191
Equivalent to RMB'000	**168**	168

17. BUSINESS COMBINATION-ACQUISITION OF SUBSIDIARIES

As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 100% of the equity interests of Dongguan Juxinghang Automobile Sales & Services Co., Ltd. (東莞市聚星行汽車銷售服務有限公司), 70% of the equity interests of Carlsson Autotechnik GmbH (卡爾森汽車技術公司) and 100% of the equity interests of Fuzhou Yuntong Toyota Automobile Sales & Services Co., Ltd. (福州運通豐田汽車銷售服務有限公司) from third parties on 31 March 2012, 25 May 2012 and 31 May 2012, respectively. Dongguan Juxinghang Automobile Sales & Services Co., Ltd. and Fuzhou Yuntong Toyota Automobile Sales & Services Co., Ltd. are mainly engaged in motor vehicle sales and service business in Mainland China and Carlsson Autotechnik GmbH is mainly engaged in automobile tuning business. The total purchase consideration for the acquisitions was RMB286,570,000 payable in cash, of which RMB181,035,000 was paid during the six months ended 30 June 2012.

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.

17. BUSINESS COMBINATION-ACQUISITION OF SUBSIDIARIES *(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	77,579
Intangible assets	150,528
Deferred tax assets	1,202
Inventories	98,743
Trade receivables	24,477
Prepayments, deposits and other receivables	19,488
Pledged bank deposits	23,351
Cash in transit	393
Cash and cash equivalents	4,847
Trade and bills payables	(66,027)
Other payables and accruals	(95,927)
Income tax payable	(44)
Bank loans and other borrowings	(36,233)
Deferred tax liabilities	(38,787)
Total net identifiable assets	163,590
Non-controlling interests arising from a business combination	278
Goodwill on acquisition	122,702
Total purchase consideration	286,570

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

Cash consideration paid	(181,035)
Cash and cash equivalents acquired	4,847
Net cash outflow	(176,188)

Since the acquisitions, the acquired business contributed RMB171,992,000 to the Group's revenue and RMB7,901,000 to the consolidated profits for the six months ended 30 June 2012.

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 RMB24,478,882,000 and RMB399,738,000, respectively.

18. CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no significant contingent liabilities.

19. COMMITMENTS

(a) Capital commitments

	Unaudited 30 June 2012 *RMB'000*	Audited 31 December 2011 *RMB'000*
Contracted, but not provided for land use rights and buildings	**106,946**	117,669
Contracted, but not provided for potential acquisitions	**299,762**	585,289
	406,708	702,958

(b) Operating lease commitments

At the end of the reporting periods, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	Unaudited 30 June 2012		Audited 31 December 2011	
	Properties *RMB'000*	**Land** *RMB'000*	Properties *RMB'000*	Land *RMB'000*
Within one year	**53,340**	**35,763**	52,134	32,855
After 1 year but within 5 years	**258,673**	**152,420**	226,694	144,391
After 5 years	**183,249**	**310,910**	174,901	309,111
	495,262	**499,093**	453,729	486,357

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.

20. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

The following transactions were carried out with related parties during the six months ended 30 June 2012:

	Unaudited **For the six months ended 30 June 2012** ***RMB'000***	For the six months ended 30 June 2011 *RMB'000*
(i) Sales of goods to jointly-controlled entities:		
– Xiamen Zhongsheng	**7,319**	11,940
– Zhongsheng Tacti	**4,655**	564
	11,974	12,504
(ii) Purchase of goods or services from jointly-controlled entities:		
– Xiamen Zhongsheng	**4,472**	14,296
– Zhongsheng Tacti	**25,012**	31,985
	29,484	46,281
(iii) Dividends from a jointly-controlled entity:		
– Xiamen Zhongsheng	**–**	11,920

20. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) Balances with related parties

The Group had the following significant balances with its related parties as at 30 June 2012:

	Unaudited 30 June 2012 *RMB'000*	Audited 31 December 2011 *RMB'000*
(i) Due from related parties:		
Trade related		
Jointly-controlled entities		
– Xiamen Zhongsheng	**4,292**	3,765
– Zhongsheng Tacti	**4,044**	604
	8,336	4,369
(ii) Due to related parties:		
Trade related		
Jointly-controlled entities		
– Xiamen Zhongsheng	**13,000**	–
– Zhongsheng Tacti	**18,104**	2,096
	31,104	2,096

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 2012 *RMB'000*	For the six months ended 30 June 2011 *RMB'000*
Short term employee benefits	**6,715**	7,700
Post-employee benefits	**145**	165
Total compensation paid to key management personnel	**6,860**	7,865

21. EVENTS AFTER THE REPORTING PERIOD

On 7 August 2012, the Group completed issuance of short-term bonds with a total face value of RMB400 million with one year term. The fixed annual interest rate is 5.30%.

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2012 was RMB24,257 million, representing an increase of RMB7,867 million or 48.0% as compared to the corresponding period in 2011. This increase was primarily due to the increase in the number of our dealerships and also the continuous stable growth of new automobile sales and after-sales business of our existing dealerships. Revenue from new automobile sales amounted to RMB21,968 million, representing an increase of RMB6,978 million or 46.6% as compared to the corresponding period in 2011. Revenue from after-sales business amounted to RMB2,289 million, representing an increase of RMB889 million or 63.5% as compared to the corresponding period in 2011.

Our new automobile sales business accounted for a substantial portion of our revenue, representing 90.6% (corresponding period in 2011: 91.5%) of our revenue for the six months ended 30 June 2012. The remaining portion of our revenue during the period was generated by our after-sales business which increased from 8.5% of our total revenue for the six months ended 30 June 2011 to 9.4% for the corresponding period this year. All of our revenue is derived from our business located in the PRC.

For the six months ended 30 June 2012, revenue from sales of our luxury brand automobiles amounted to RMB12,385 million (corresponding period in 2011: RMB7,595 million), accounting for 56.4% (corresponding period in 2011: 50.7%) of our revenue from new automobile sales. Revenue from sales of mid-to-high-end brand automobiles amounted to RMB9,583 million (corresponding period in 2011: RMB7,395 million), accounting for 43.6% (corresponding period in 2011: 49.3%) of our revenue from new automobile sales.

In terms of revenue from new automobile sales, Toyota and Mercedes-Benz are our top two selling brands, representing approximately 26% and 24% of our total revenue from new automobile sales, respectively (corresponding period in 2011: 29% and 20%, respectively).

Cost of Sales and Services

Cost of sales and services for the six months ended 30 June 2012 amounted to RMB22,077 million, representing an increase of RMB7,393 million or 50.3% as compared to the corresponding period in 2011. Costs attributable to our new automobile sales business amounted to RMB20,867 million for the six months ended 30 June 2012, representing an increase of RMB6,930 million or 49.7% as compared to the corresponding period in 2011. Costs attributable to our after-sales business amounted to RMB1,210 million for the six months ended 30 June 2012, representing an increase of RMB463 million or 62.0% as compared to the corresponding period in 2011.

Gross Profit

Our gross profit for the six months ended 30 June 2012 amounted to RMB2,180 million, representing an increase of RMB474 million or 27.8% as compared to the corresponding period in 2011. Gross profit from new automobile sales business amounted to RMB1,101 million, representing an increase of RMB48 million or 4.6% as compared to the corresponding period in 2011. Gross profit from after-sales services was RMB1,079 million, representing an increase of RMB426 million or 65.2% as compared to the corresponding period of 2011. For the six months ended 30 June 2012, gross profit from our after-sales services accounted for 49.5% of the total gross profit (corresponding period in 2011: 38.3%).

Our gross profit margin for the six months ended 30 June 2012 was 9.0% (corresponding period in 2011: 10.4%). The gross profit margin of new automobile sales business was 5.0% (corresponding period in 2011: 7.0%). The decrease in gross profit margin of new automobile sales business was primarily due to more promotional discounts offered to customers in the first half of 2012. The gross profit margin of after-sales services increased to 47.1% (corresponding period in 2011: 46.6%), which is due to better optimization of our brand portfolio as well as improving operational efficiency of the Group's dealerships.

Other Income and Gains, Net

Our other income and gains for the six months ended 30 June 2012 amounted to RMB292 million, representing an increase of RMB158 million or 117.9% as compared to the corresponding period in 2011. Our other income and gains mainly consisted of commission income from automobile insurance agency and automobile financing agency services, advertisement subsidies received from automobile manufacturers, gains from used automobile trading business and interest income, etc.

Profit from Operations

Our profit from operations for the six months ended 30 June 2012 amounted to RMB1,073 million, representing an increase of RMB33 million or 3.2% as compared to the corresponding period in 2011. Our operating profit margin for the six months ended 30 June 2012 was 4.4% (corresponding period in 2011: 6.3%).

Profit for the Period under Review

Our profit for the six months ended 30 June 2012 amounted to RMB406 million, representing a decrease of RMB211 million or 34.2% as compared to the corresponding period in 2011. Our profit margin for the six months ended 30 June 2012 was 1.7% (corresponding period in 2011: 3.8%).

Profit Attributable to Equity Holders of Our Parent

Our profit attributable to equity holders of our Company for the six months ended 30 June 2012 was RMB371 million, representing a decrease of RMB140 million or 27.4% as compared to the corresponding period in 2011.

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 daily operating expenses, and to establish new 4S dealerships and acquire additional 4S dealerships. We finance our liquidity needs mainly through a combination of cash flows generated from our operating activities and bank loans and other borrowings.

We believe that our future liquidity demand will continue to be satisfied by using a combination of cash flow generated from our operating activities, bank loans and other borrowings and other funds raised from the capital markets from time to time in the future.

Cash Flow Used in Operating Activities

For the six months ended 30 June 2012, our net cash used in operating activities was RMB2,192 million. We generated RMB1,306 million net cash from operating profit before working capital movement and tax payment. The increase in working capital of RMB3,289 million was actually financed by our bank loans and other borrowings.

Cash Flow Used in Investing Activities

For the six months period ended 30 June 2012, our net cash used in investing activities was RMB1,757 million.

Cash Generated from Financing Activities

For the six months ended 30 June 2012, our net cash generated from financing activities was RMB3,340 million which was mostly used to finance our increased demand for working capital.

Net Current Assets and Current Liabilities

As at 30 June 2012, we had net current liabilities of RMB628 million, representing a decrease of approximately RMB887 million from our net current assets as at 31 December 2011. The decrease in our net current assets was primarily due to the investment in dealerships as a result of our organic growth and acquisitions.

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 2012, our total capital expenditures were RMB706 million.

Inventory Analysis

Our inventories primarily consisted of new automobiles, spare parts and automobile accessories. Generally, each of our 4S dealerships 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 4S 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 RMB6,380 million as at 31 December 2011 to RMB8,388 million as at 30 June 2012, primarily due to the increase in newly established dealerships as well as the increase in average inventory turnover days during the period.

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

	For the six months ended 30 June	
	2012	2011
Average inventory turnover days	**57.0**	45.8

As at 30 June 2012, our new automobile inventory was thirty-one thousand units. We sold approximately eighteen thousand units of new automobiles in July 2012. Therefore, our effective new automobile inventory turnover days was 51.7 days as at 30 June 2012.

Bank Loans and Other Borrowings

Our bank loans and other borrowings as at 30 June 2012 were RMB13,263 million. Our bank loans and other borrowings increased during the period under review primarily due to satisfying our stronger demand for capital as a result of continuous growth in the number of our dealerships and the rise of our new automobile inventory levels.

Interest Rate Risk and Foreign Exchange Rate Risk

The Group currently has not used any derivatives to hedge 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.

Employee and Remuneration Policy

As at 30 June 2012, the Group had 17,497 employees. The Group strives to offer good working environment, a diversified range of training programs as well as an attractive remuneration package to our employees. The Group endeavours to motivate our employees with performance-based remuneration. On top of base salary, the Group will reward employees with outstanding performance by way of cash bonuses, share options, honorary awards or a combination of the above to further align the interests of our employees and the Company, to attract talented individuals, and to create long-term incentive for our employees.

Pledge of the Group's Assets

The Group pledged its assets as securities for bank and other loan and banking facilities which were used to finance daily business operation. As at 30 June 2012, the pledged group assets amounted to approximately RMB5,224 million.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted the principles set out in the "Code on Corporate Governance Practices" and "Corporate Governance Code" (with effect from 1 April 2012) (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 2012 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 2012 and up to the date of this announcement.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities throughout the six months ended 30 June 2012 and up to the date of this announcement.

Audit Committee

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

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 statements of the Company for the six months ended 30 June 2012. The Audit Committee considers that the interim financial statements for the six months ended 30 June 2012 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 2012.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended 30 June 2012 will be dispatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

The Board would like to take this opportunity 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, 20 August 2012

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.