



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

INTERIM REPORT

2013



**ZHONGSHENG GROUP
LIFETIME PARTNER**



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Yi (Chairman)
Mr. Li Guoqiang (President and CEO)
Mr. Du Qingshan
Mr. Yu Guangming
Mr. Si Wei

Non-executive Director

Mr. Leng Xuesong

Independent Non-executive Directors

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

CORPORATE HEADQUARTERS

7th Floor, Raffles City
Beijing Office Tower
No. 1 Dongzhimen South Street
Dongcheng 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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

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

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

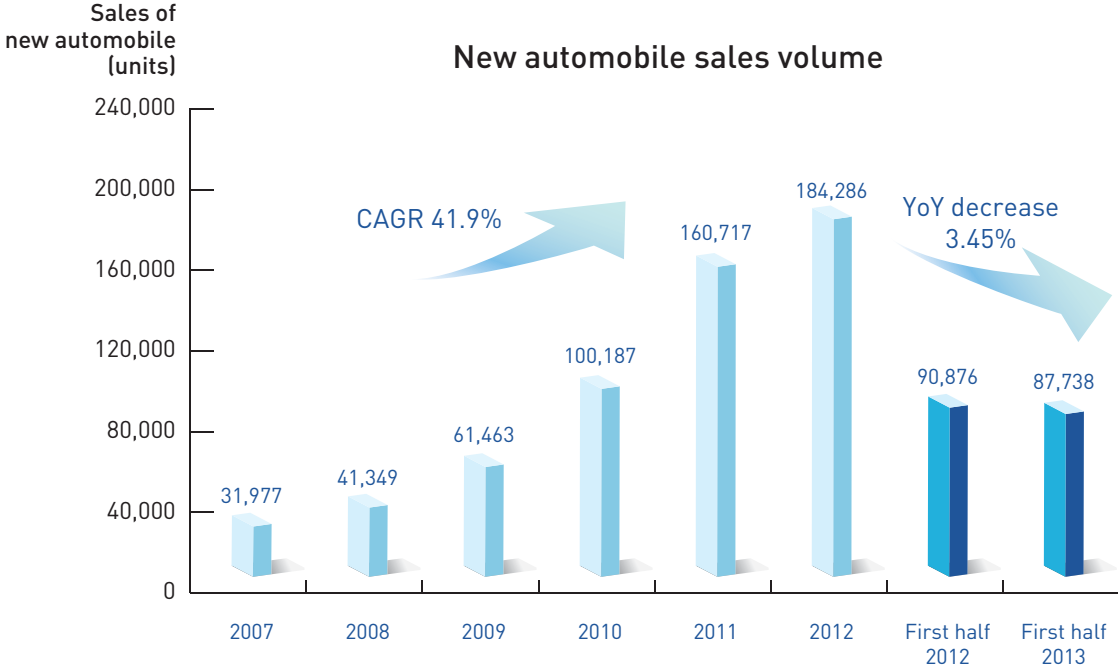
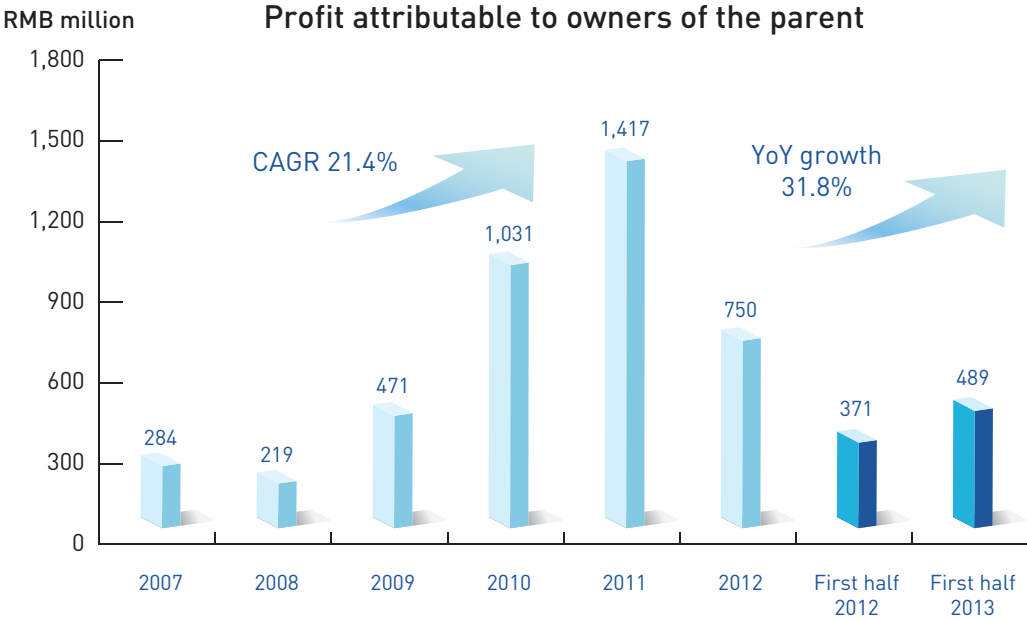
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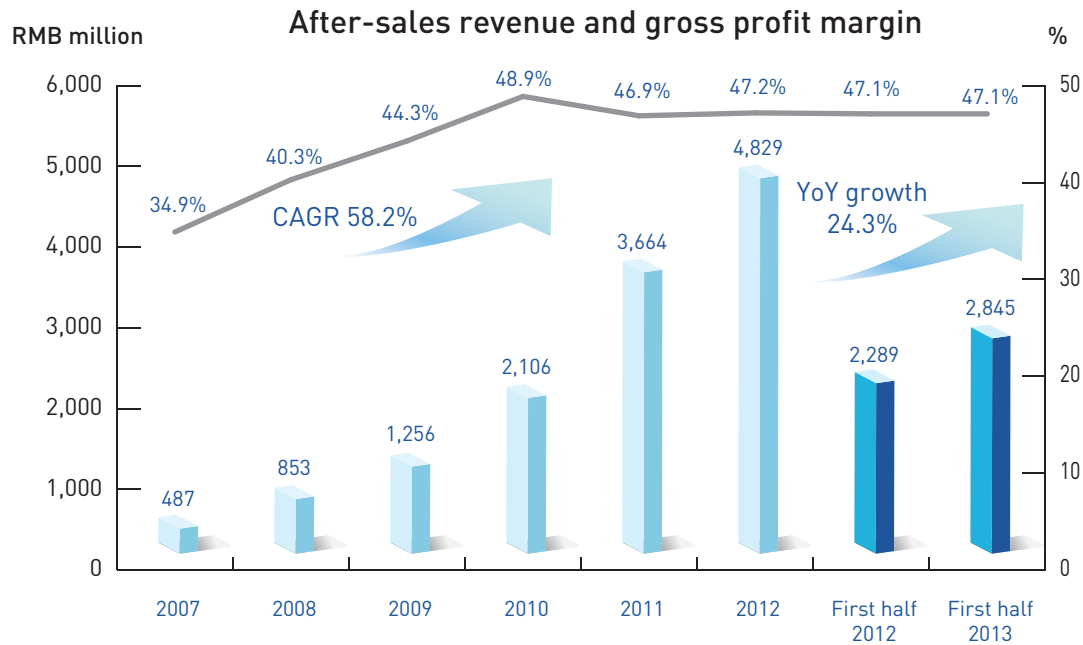
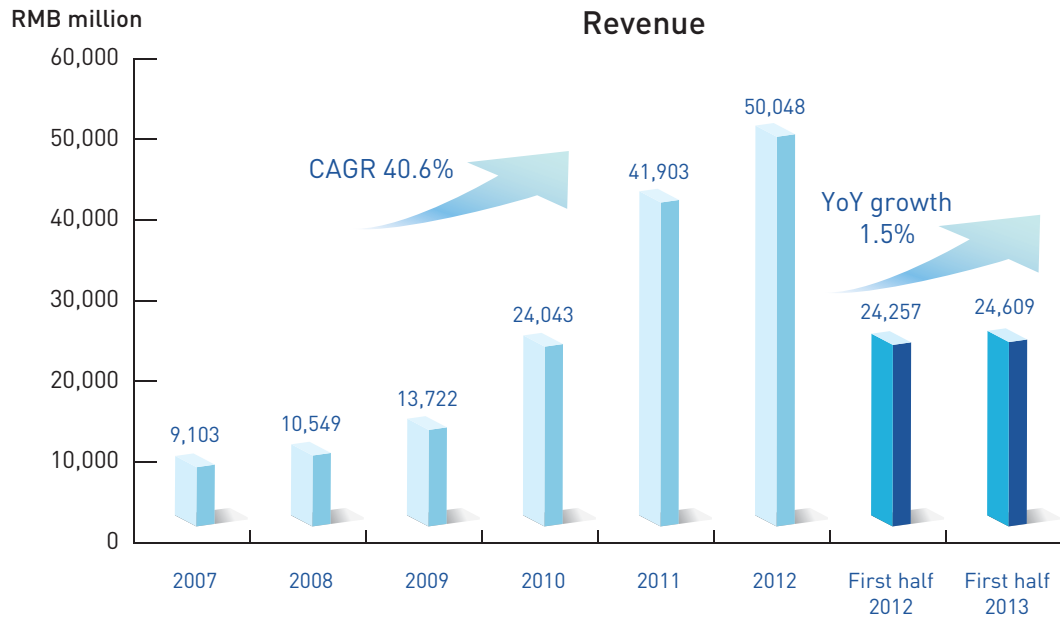
AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Financial Highlights



Financial Highlights



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"), I am very pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013.

In the first half of 2013, as China continued to steadily promote economic structural reform and changes in development pattern, together with the impact of the global economic downturn, the growing pace of China's economy further slowed down. Nevertheless, according to the statistics of China Association of Automobile Manufactures, in the first half of 2013, the production and sales volume of automobiles in China made a breakthrough of 10 million units, representing an increase of 12.8% and 12.3% respectively compared to the corresponding period of last year, which were higher than expectation. Meanwhile, the sales of Japanese brand automobiles, after the Islands issue, recovered steadily since the end of last year. In the first half of 2013, the competition in new automobile sales industry was still fierce, while the contribution of after-sales services and other valued-added businesses grew significantly and is likely to become the profit momentum of automobile dealership operators in the future.

Chairman's Statement

As of 30 June 2013, the Group recorded revenue of RMB24,608.5 million, representing an increase of 1.5% as compared to RMB24,257.2 million in the corresponding period of 2012, among which the revenue from after-sales services business increased to RMB2,845.5 million from RMB2,289.4 million in the first half of 2012, up by 24.3%. In the first half of 2013, profit attributable to owners of the parent was RMB489.2 million, representing an increase of 32.0% as compared to RMB370.7 million of the corresponding period of 2012. Earnings per share was RMB0.26 (corresponding period in 2012: RMB0.19).

Automobile dealership industry in China experienced fast growth for the last few years. In order to address the growing challenges from the environment and policy adjustment, and to cope with the more rational development in Chinese automobile market, we have adopted a more solid development and expansionary strategy since the second half of last year. As of 30 June 2013, the total number of automobile dealerships of the Group has increased to 163, covering across 15 provinces and regions and over 60 cities in China.

According to the statistics of Joint Advisory Committee of China Passenger Car Market, in the first half of 2013, the production and sales volume of China's automobiles again hit a new world record and surpassed the United States, ranking first in the world. Although the new automobile sales market in China has entered into a modest growth period, the rising number of members in Chinese affluent classes and the continuing increase in per capita disposable income lead to a great potential in growing demand for automobile in China. According to the "strategic plan on becoming a powerful country in automobile industry" being drafted by China Association of Automobile Manufactures, the objectives are the production and sales volume of automobile industry in China will reach 27 million units to 30 million units by 2020, and 40 million units by 2030. Driven by the steady urbanization process in China, the momentum of automobile market growth has shifted to second-, third- and fourth-tier cities, though the automobile ownership in first-tier cities tends to be saturate, and a trend of replacement and upgrade for new cars may be triggered. More importantly, with the improvement of after-sales service market and the standardization of second-hand automobile market, the market remains optimistic towards the future of automobile industry in China.



Chairman's Statement

According to the "China's Top 100 Automobile Dealers in 2012" published by China Automobile Dealers Association on 16 May 2013, the Group ranked No. 4, one place ahead from 2011. On 16 July 2013, the Group first crowned in "Fortune China 500", ranking No. 103. As China's leading nationwide car dealer group, the Group was included in this internationally renowned ranking for the first time. All of these not only recognized the development prospects, business model and financial performance of the Group, but also further strengthened the Group's determination to provide customers with comprehensive and quality services.

Looking ahead, with a corporate motto of "Zhongsheng Group – Lifetime Partner", the Group will continue to catch every market opportunities, and endeavor to develop other value added businesses along the industry chain. The Group will continue to enhance the service quality of every dealership. With the nationwide dealership network across China, as well as providing more comprehensive and quality after-sale service, we are positioned to become the lifetime partner of our customers.

The Group achieved steady developments in spite of the slow recovery of the automobile market in the first half of 2013. This should be credited to the dedication of all staff members, support from all shareholders and sincere cooperation and trust of business partners. I would like to express our sincere gratitude to all of you on behalf of the Board for your valuable contributions to our development.

Huang Yi

Chairman

Hong Kong, 26 August 2013

CEO Statement

Li Guoqiang

President and
Chief Executive Officer



MARKET REVIEW

China's macro-economy grew at a moderate pace in the first half of 2013 while automobile industry in China experienced various restructuring in policy, structure and market. According to statistical data published by China Association of Automobile Manufacturers, the production and sales volumes of automobiles in China both exceeded 10 million units for the first half of 2013, representing an increase of 12.8% and 12.3% respectively as compared to the corresponding period of last year. The sales volume of passenger vehicles reached 8,665.1 thousand units, representing an increase of 13.8% as compared to the corresponding period of last year. The growth rate of passenger vehicles sales volume returned to double-digit, representing a significant increase as compared to the corresponding period of last year. It is expected that the recovery of automobile market in China will accelerate further in the second half of 2013 and maintain a double-digit average growth rate for the year. According to the relevant statistical data, automobile penetration rate in China was less than 8% at the end of 2012, which was far below the levels of European and U.S. markets. Given that the disposable income and consuming power of residents are steadily growing, together with the structural optimization of automobile industry and increased concentration in the market, we remain optimistic for the future passenger vehicles market in China.

CEO Statement

During the first half of 2013, there were many new features in the development of China's automobile consumption market. First of all, accompanied with the accelerating urbanization level in China, third- and fourth-tier cities and rural areas would become the momentum of growth in demand in automobile market in China. Secondly, with automotive consumers in China become more mature, they would focus more on brands culture, the qualities of products and services when selecting cars. Thirdly, a trend of replacing old car with new cars arises in certain areas with higher automobile penetration in the market. Fourthly, the new automobile sales market appears to experience modest growth at a medium pace while the automobile aftermarket starts to enter a period with robust growth. In conclusion, the automobile market in China has entered into a time of "rational growth".

BUSINESS REVIEW

A more solid development and expansionary strategy

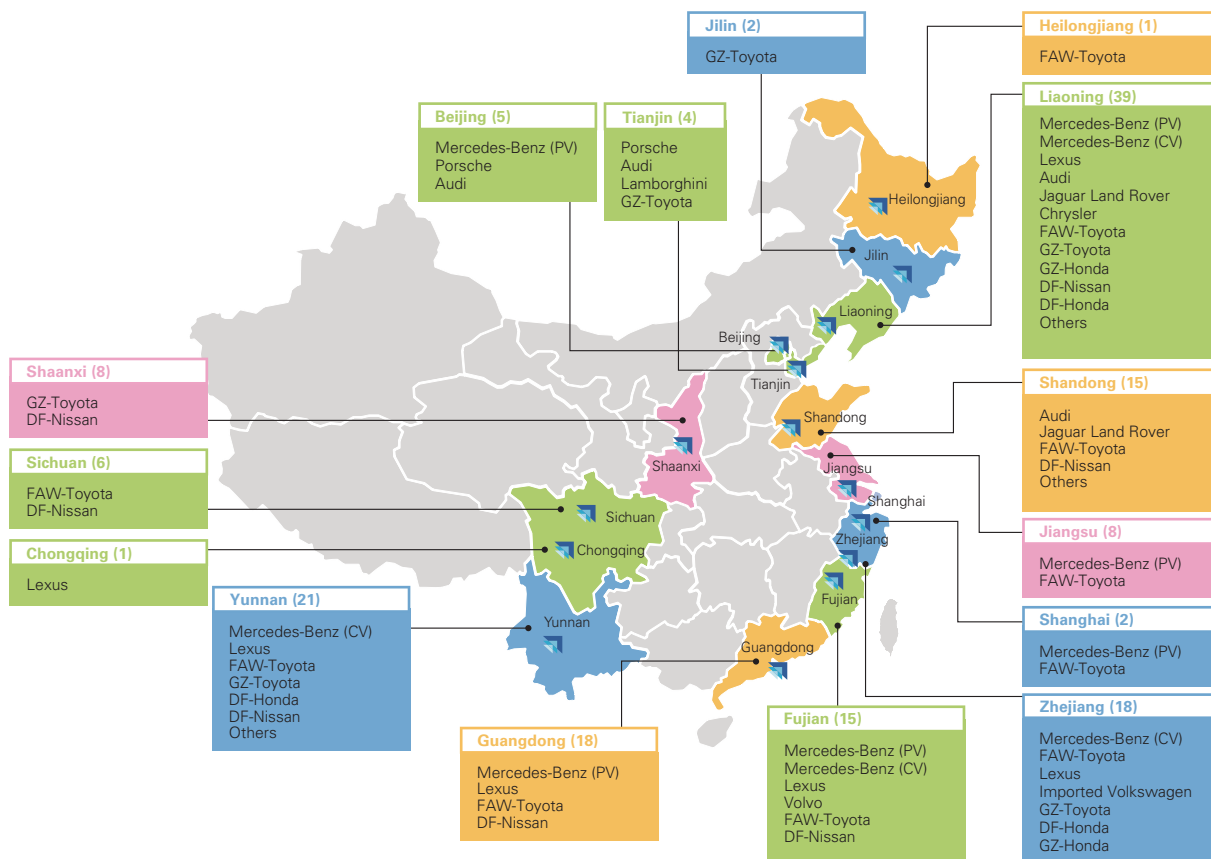
After experiencing the difficult period in China's automobile market in the second half of 2012, the demand gradually recovered during the period under review, though the market environment is still challenging. The Group closely monitored the market structural adjustment, the trend in demand and the upgrading and renovation of the brand automobile to adopt more solid and flexible strategies under the strategic guideline with high degree of unity, strengthening and increasing the market shares and competitive advantages in major areas and cities. We particularly attach importance to the improvement of service quality, in an effort to build market prestige of "Zhongsheng Group – Lifetime Partner".

As at 30 June 2013, the total number of dealerships of the Group has increased to 163, consisting of 54 luxury brands dealerships and 109 mid-to-high-end brands dealerships across 15 provinces and regions and over 60 cities in China.



CEO Statement

The nationwide coverage of the Group's dealership network as of 30 June 2013 is as follows:



	Luxury Brands	Mid-to-high-end Brands	Total
Northeastern region	9	33	42
Northern region	8	1	9
Eastern region	17	26	43
Southern region	15	18	33
Southwestern and Northwestern inland region	5	31	36
Total	54	109	163

Our existing dealership brands portfolio include the luxury brands such as Mercedes-Benz, Lexus, Audi, Porsche, Lamborghini, Jaguar Land Rover, Chrysler, Volvo and imported Volkswagen as well as mid-to-high-end brands such as Toyota, Nissan and Honda. The diversified brands portfolio and geographical distribution allowed us to satisfy different customer demands.

CEO Statement

Sustainable Development in After-sales Service Business

China's automobile production and sales volume has been the world's largest for four consecutive years up to last year and became the largest automobile market. Meanwhile, automobile ownership in China has exceeded 120 million units which makes China the second largest nation, second only to the United States, in terms of car ownership. With the increasing of the total volume of automobile, the after-sales service market, which closely attaches to the automotive consumption, is rapidly growing. At the same time, consumers' requirements on the quality of after-sales services are getting higher. The development in after-sales service business depends on accurate positioning in market demand, continuously improving in service quality, and persistent innovation and diversification of service products. As a dealer group which provides one-stop service, the Group had an insight on these opportunities several years ahead of the market, focusing on the development of after-sales business as one of the pioneers in the industry. With the intensified competition and challenges in automobile market, after-sales business shows its strong stability and risk resistance capability.

FUTURE STRATEGIES AND OUTLOOK

Zhongsheng Group takes advantage of its nearly twenty years experience in the industry, with its concrete foundation, extensive dealership network, diversified brand portfolios, the Group keeps on progressing amid challenging market circumstances. Recovery in automobile industry in China and more rational development in 2013 have strengthened our confidence for the development in the future.

Looking forward, with the implementation of the consolidation policy in automobile industry in China, the Group will seek to capture the rising market opportunities and expand the business scale through organic growth and strategic acquisition. We will speed up the nationwide dealership network expansion, identify promising market players and actively explore the opportunities for acquisition and co-branding in order to increase our market shares. Moreover, we will broaden and optimize our existing brand portfolio, seize on the characteristics of the market movement and consumers behavior to take the preemptive opportunities in potential market segments. For business development, the Group will develop vigorously each of the business segments in automobile industrial chains with new vehicles sales as a platform and starting point, expanding different source of profit for the Group so as to improve profitability level of the Group.



CEO Statement

All business partners, investors and shareholders who continuously support and trust the Group have always been the motivation that inspires us to move forward. In return, we will endeavor in strengthening our leading position in the dealership industry and increasing competitive advantage to bring our supporters with better return.

Li Guoqiang

President and Chief Executive Officer

Hong Kong, 26 August, 2013



Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2013 was RMB24,609 million, representing an increase of RMB352 million or 1.5% as compared to the corresponding period in 2012. Among which, revenue from new automobile sales amounted to RMB21,763 million, representing a decrease of RMB205 million or 0.9% as compared to the corresponding period in 2012. Revenue from after-sales business amounted to RMB2,845 million, representing an increase of RMB556 million or 24.3% as compared to the corresponding period in 2012.

Our new automobile sales business accounted for a substantial portion of our revenue, representing 88.4% (corresponding period in 2012: 90.6%) of our revenue for the six months ended 30 June 2013. The remaining portion of our revenue during the period was generated by our after-sales business which increased from representing 9.4% of our total revenue for the six months ended 30 June 2012 to representing 11.6% for the corresponding period of this year. All of our revenue is mainly derived from our business located in the PRC.

For the six months ended 30 June 2013, revenue from sales of luxury brands automobiles amounted to RMB13,574 million (corresponding period in 2012: RMB12,385 million), accounting for 62.4% (corresponding period in 2012: 56.4%) of our revenue from new automobile sales. Revenue from sales of mid-to-high-end brands automobiles amounted to RMB8,189 million (corresponding period in 2012: RMB9,583 million), accounting for 37.6% (corresponding period in 2012: 43.6%) of our revenue from new automobile sales.

Cost of Sales and Services

Cost of sales and services for the six months ended 30 June 2013 amounted to RMB22,298 million, representing an increase of RMB221 million or 1.0% as compared to the corresponding period in 2012. Costs attributable to new automobile sales business amounted to RMB20,792 million for the six months ended 30 June 2013, representing a decrease of RMB75 million or 0.4% as compared to the corresponding period in 2012. Costs attributable to after-sales business amounted to RMB1,506 million for the six months ended 30 June 2013, representing an increase of RMB296 million or 24.5% as compared to the corresponding period of 2012.

Gross Profit

Our gross profit for the six months ended 30 June 2013 amounted to RMB2,310 million, representing an increase of RMB130 million or 6.0% as compared to the corresponding period in 2012. Gross profit from new automobile sales business amounted to RMB971 million, representing a decrease of RMB129 million or 11.7% as compared to the corresponding period in 2012. Gross profit from after-sales services was RMB1,339 million, representing an increase of RMB259 million or 24.1% as compared to the corresponding period in 2012. For the six months ended 30 June 2013, gross profit from our after-sales services accounted for 58.0% of the total gross profit (corresponding period in 2012: 49.5%).

Our gross profit margin for the six months ended 30 June 2013 was 9.4% (corresponding period in 2012: 9.0%). The gross profit margin of new automobile sales business was 4.5% (corresponding period in 2012: 5.0%), while the gross profit margin of after-sales services was 47.1% (corresponding period in 2012: 47.1%).

Management Discussion and Analysis

Other Income and Gains, Net

Our other income and net gains for the six months ended 30 June 2013 amounted to RMB321 million, representing an increase of RMB29 million or 9.9% as compared to the corresponding period in 2012. Our other income and net gains mainly consisted of commission income from providing 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 2013 amounted to RMB1,229 million, representing an increase of RMB156 million or 14.5% as compared to the corresponding period in 2012. Our operating profit margin for the six months ended 30 June 2013 was 5.0% (corresponding period in 2012: 4.4%).

Profit for the Period under Review

Our profit for the six months ended 30 June 2013 amounted to RMB531 million, representing an increase of RMB125 million or 30.8% as compared to the corresponding period in 2012. Our profit margin for the six months ended 30 June 2013 was 2.2% (corresponding period in 2012: 1.7%).

Profit Attributable to Owners of the Parent

Our profit attributable to owners of the parent for the six months ended 30 June 2013 was RMB489 million, representing an increase of RMB118 million or 31.8% as compared to the corresponding period in 2012.

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 4S dealerships and acquire 4S dealerships. We finance our liquidity requirements 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 flows 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 Generated from Operating Activities

For the six months ended 30 June 2013, our net cash generated from operating activities was RMB1,024 million. We generated RMB1,512 million net cash from operating profit before working capital movement and tax payment.

Cash Flow Used in Investing Activities

For the six months ended 30 June 2013, our net cash used in investing activities was RMB805 million.

Management Discussion and Analysis

Cash Used in Financing Activities

For the six months ended 30 June 2013, our net cash used in financing activities was RMB1,143 million.

Net Current Liabilities

As at 30 June 2013, we had net current liabilities of RMB2,593 million, representing an increase of RMB1,510 million from our net current liabilities as at 31 December 2012.

Capital Expenditures and Investment

Our capital expenditures comprised of expenditures on property, plant and equipment as well as land use rights. During the six months ended 30 June 2013, our total capital expenditures were RMB924 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 decreased from RMB6,347 million as at 31 December 2012 to RMB6,268 million as at 30 June 2013.

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

	For the six months ended 30 June	
	2013	2012
Average inventory turnover days	48.3	57.0

Our average inventory turnover days in the first half of 2013 decreased to 48.3 days from 57.0 days in the first half of 2012, which was mainly benefited from our strict control over the inventory level and turnover.

Bank Loans, Other Borrowings and Short term Bonds

Our bank loans, other borrowings and short term bonds as at 30 June 2013 were RMB14,807 million (31 December 2012: RMB15,069 million) in aggregate. The Group's business scale is expanding while our bank loans, other borrowings, and short term bonds decreased during the period under review of which was mainly due to more efficient management of inventory turnover and the continuously optimizing of the working capital utilization.

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.

Management Discussion and Analysis

Employee and Remuneration Policy

As at 30 June 2013, the Group had 16,816 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 basic salary, the Group will reward staff with outstanding performance by way of cash bonuses, honorary awards or a combination of all the above to further align the interests of its employees and the Company, to attract talented individuals, and to create long-term incentive for its employees.

Pledge of the Group's Assets

The Group pledged its assets as securities for bank loans, other borrowings and banking facilities which were used to finance daily business operation. As at 30 June 2013, the pledged group assets amounted to approximately RMB5.2 billion.



Consolidated Interim Income Statement

For the six months ended 30 June 2013

	Notes	Unaudited	
		For the six months ended 30 June 2013 RMB'000	For the six months ended 30 June 2012 RMB'000
REVENUE	4(a)	24,608,526	24,257,205
Cost of sales and services provided	5(b)	(22,298,469)	(22,077,241)
Gross profit		2,310,057	2,179,964
Other income and gains, net	4(b)	321,204	292,124
Selling and distribution expenses		(950,824)	(988,670)
Administrative expenses		(451,487)	(409,929)
Profit from operations		1,228,950	1,073,489
Finance costs	6	(502,371)	(499,315)
Share of profits of jointly-controlled entities		2,771	2,624
Profit before tax	5	729,350	576,798
Income tax expense	7	(197,995)	(171,133)
Profit for the period		531,355	405,665
Attributable to:			
Owners of the parent		489,243	370,721
Non-controlling interests		42,112	34,944
		531,355	405,665
Earnings per share attributable to ordinary equity holders of the parent			
Basic			
– For profit for the period (RMB)	9	0.26	0.19
Diluted			
– For profit for the period (RMB)	9	0.26	0.19

The notes on pages 23 to 37 form an integral part of these condensed interim consolidated financial statements.

Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2013

	Notes	Unaudited	
		For the six months ended 30 June 2013 RMB'000	For the six months ended 30 June 2012 RMB'000
Profit for the period		531,355	405,665
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Available-for-sale investments:			
Reclassification adjustments for losses included in the consolidated income statement – gain on disposal		–	1,820
Exchange differences on translation of foreign operations		12,385	(6,997)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		12,385	(5,177)
Other comprehensive income/(loss) for the period, net of tax		12,385	(5,177)
Total comprehensive income for the period		543,740	400,488
Attributable to:			
Owners of the parent		501,628	365,544
Non-controlling interests		42,112	34,944
		543,740	400,488

The notes on pages 23 to 37 form an integral part of these condensed interim consolidated financial statements.

Consolidated Interim Statement of Financial Position

30 June 2013

	Notes	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		5,581,653	5,039,957
Investment properties		49,425	–
Land use rights		2,063,860	1,447,091
Prepayments		812,068	1,463,918
Intangible assets		2,408,895	2,471,513
Goodwill		2,033,576	2,033,576
Investments in jointly-controlled entities		37,605	49,834
Deferred tax assets		173,633	132,086
Total non-current assets		13,160,715	12,637,975
CURRENT ASSETS			
Inventories	10	6,267,927	6,346,679
Trade receivables	11	688,927	576,706
Prepayments, deposits and other receivables		5,637,698	5,504,213
Amounts due from related parties	19(b)(i)	4,435	1,451
Financial assets at fair value through profit or loss		48,613	63,949
Pledged bank deposits		2,357,315	2,079,167
Cash in transit		358,435	187,910
Cash and cash equivalents		3,172,300	4,096,803
Total current assets		18,535,650	18,856,878
CURRENT LIABILITIES			
Bank loans and other borrowings	12	13,491,585	13,383,771
Trade and bills payables	13	3,794,301	3,739,674
Short term bonds	14	418,160	821,198
Long term bank loans and other borrowings, due within one year	12	303,404	157,128
Senior notes, due within one year	15	1,255,051	11,581
Other payables and accruals		1,115,280	1,354,499
Amounts due to related parties	19(b)(ii)	16,768	16,094
Income tax payable		582,258	455,298
Dividends payable		152,338	402
Total current liabilities		21,129,145	19,939,645
Net current liabilities		(2,593,495)	(1,082,767)
Total assets less current liabilities		10,567,220	11,555,208

Consolidated Interim Statement of Financial Position (continued)

30 June 2013

	Notes	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	12	593,705	706,738
Senior notes	15	–	1,239,951
Deferred tax liabilities		779,993	778,629
Total non-current liabilities		1,373,698	2,725,318
Net assets		9,193,522	8,829,890
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	168	168
Reserves		7,888,244	7,385,870
Proposed final dividend		–	152,679
		7,888,412	7,538,717
Non-controlling interests		1,305,110	1,291,173
Total equity		9,193,522	8,829,890

The notes on pages 23 to 37 form an integral part of these condensed interim consolidated financial statements.

Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2013

	Unaudited												
	Share capital RMB' 000	Share premium RMB' 000	Discretionary reserve fund RMB' 000	Statutory reserve RMB' 000	Merger reserve RMB' 000	Other reserve RMB' 000	Available-for-sale investment 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 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
Profit for the period	-	-	-	-	-	-	-	-	370,721	-	370,721	34,944	405,665
Other comprehensive income for the period:													
Change in fair value of available-for-sale investments, net of tax	-	-	-	-	-	-	1,820	-	-	-	1,820	-	1,820
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(6,997)	-	-	(6,997)	-	(6,997)
Total comprehensive income for the period	-	-	-	-	-	-	1,820	(6,997)	370,721	-	365,544	34,944	400,488
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,641	1,641
Non-controlling interests arising from acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(278)	(278)
Acquisitions of non-controlling interests	-	-	-	-	-	(8,392)	-	-	-	-	(8,392)	(31,328)	(39,720)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(1,121)	(1,121)
Final 2011 dividend declared	-	-	-	-	-	-	-	-	-	(247,929)	(247,929)	-	(247,929)
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
At 1 January 2013	168	4,620,607	37,110	435,202	(1,386,176)	(61,910)	-	(89,247)	3,830,284	152,679	7,538,717	1,291,173	8,829,890
Profit for the period	-	-	-	-	-	-	-	-	489,243	-	489,243	42,112	531,355
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	12,385	-	-	12,385	-	12,385
Total comprehensive income for the period	-	-	-	-	-	-	-	12,385	489,243	-	501,628	42,112	543,740
Acquisitions of non-controlling interests	-	-	-	-	-	746	-	-	-	-	746	(25,235)	(24,489)
Dividends declared to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	(2,940)	(2,940)
Final 2012 dividend declared	-	-	-	-	-	-	-	-	-	(152,679)	(152,679)	-	(152,679)
At 30 June 2013	168	4,620,607	37,110	435,202	(1,386,176)	(61,164)	-	(76,862)	4,319,527	-	7,888,412	1,305,110	9,193,522

The notes on pages 23 to 37 form an integral part of these condensed interim consolidated financial statements.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2013

	Unaudited	
	For the six months ended 30 June 2013 RMB'000	For the six months ended 30 June 2012 RMB'000
Net cash generated from/(used in) operating activities	1,023,664	(2,192,249)
Net cash used in investing activities	(804,919)	(1,757,024)
Net cash (used in)/generated from financing activities	(1,142,931)	3,339,509
Net decrease in cash and cash equivalents	(924,186)	(609,764)
Cash and cash equivalents at the beginning of each period	4,096,803	4,487,819
Effect of foreign exchange rate changes, net	(317)	627
Cash and cash equivalents at the end of each period	3,172,300	3,878,682

The notes on pages 23 to 37 form an integral part of these condensed interim consolidated financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2013

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 is listed on the Main Board of 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 26 August 2013. 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 2013 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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As at 30 June 2013, the Group had net current liabilities of approximately RMB2,593,495,000. The directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the condensed consolidated interim financial statements are prepared on a going concern basis.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2013

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of the new standards and interpretations as of 1 January 2013, noted below:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Improvements to HKFRSs 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The adoption of these new and revised HKFRSs had no significant financial effect on these financial statements.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

HKFRS 9	<i>Financial Instruments</i> ²
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> ¹
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HK(IFRIC)-Int 21	<i>Levies</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2013

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% or more of the Group's revenue during the six months ended 30 June 2013, 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 2013 RMB'000	For the six months ended 30 June 2012 RMB'000
Revenue from the sale of motor vehicles	21,763,036	21,967,848
Others	2,845,490	2,289,357
	24,608,526	24,257,205

(b) Other income and gains, net

	Unaudited	
	For the six months ended 30 June 2013 RMB'000	For the six months ended 30 June 2012 RMB'000
Commission income	239,081	185,987
Advertisement support received from motor vehicle manufacturers	25,376	10,714
Rental income	13,519	11,118
Government grants	5,233	5,456
Interest income	34,368	26,035
Net loss on disposal of items of property, plant and equipment	(9,896)	(2,947)
Gain on disposal of available-for-sale investments	-	3,370
Others	13,523	52,391
	321,204	292,124

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2013

5. PROFIT BEFORE TAX

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

	Unaudited	
	For the six months ended 30 June 2013 RMB'000	For the six months ended 30 June 2012 RMB'000
(a) Employee benefit expense (including directors' remuneration)		
Wages and salaries	575,937	555,742
Pension scheme contributions	77,535	74,863
Other welfare	36,246	37,716
	689,718	668,321
(b) Cost of sales and services provided		
Cost of sales of motor vehicles	20,792,360	20,867,362
Others	1,506,109	1,209,879
	22,298,469	22,077,241
(c) Other items		
Depreciation and impairments of property, plant and equipment	213,680	184,250
Amortisation of land use rights	17,096	12,871
Amortisation of intangible assets	62,486	60,960
Advertisement expenses	36,419	81,128
Office expenses	77,784	70,789
Lease expenses	67,416	53,601
Logistics expenses	45,544	57,773
Business promotion expenses	72,359	97,576
Net loss on disposal of items of property, plant and equipment	9,896	2,947

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2013

6. FINANCE COSTS

	Unaudited	
	For the six months ended 30 June 2013 RMB'000	For the six months ended 30 June 2012 RMB'000
Interest expense on bank borrowings wholly repayable within five years	457,936	451,914
Interest expense on senior notes	33,205	33,082
Interest expense on short term bonds	19,762	3,342
Interest expense on other borrowings	47,707	51,301
Interest expense on finance leases	325	788
Less: Interest capitalised	(56,564)	(41,112)
	502,371	499,315

7. INCOME TAX EXPENSE

	Unaudited	
	For the six months ended 30 June 2013 RMB'000	For the six months ended 30 June 2012 RMB'000
Current Mainland China corporate income tax	238,178	224,069
Deferred tax	(40,183)	(52,936)
	197,995	171,133

8. DIVIDENDS

The directors of the Company proposed not to declare any interim dividend for the six months ended 30 June 2013.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2013

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 2013 and 2012, respectively.

	Unaudited	
	For the six months ended 30 June 2013	For the six months ended 30 June 2012
Earnings		
Profit attributable to owners of the parent (RMB'000)	489,243	370,721
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	0.26	0.19
Diluted	0.26	0.19

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 2013 and 2012, respectively.

10. INVENTORIES

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Motor vehicles	5,630,152	5,694,250
Spare parts and others	637,775	652,429
	6,267,927	6,346,679

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2013

11. TRADE RECEIVABLES

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Trade receivables	689,145	576,924
Impairment	(218)	(218)
	688,927	576,706

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 2013 RMB'000	Audited 31 December 2012 RMB'000
Within 3 months	594,075	507,171
More than 3 months but less than 1 year	56,474	51,283
Over 1 year	38,378	18,252
	688,927	576,706

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2013

12. BANK LOANS AND OTHER BORROWINGS

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Bank loans and overdrafts repayable		
– within one year or on demand	13,389,337	13,111,635
– in the second year	591,224	518,226
– in the third to fifth years	–	184,481
	13,980,561	13,814,342
Other borrowings repayable		
– within one year	386,608	407,136
Finance lease payables		
– within one year	19,044	22,128
– in the second year	1,866	2,501
– in the third year	615	1,530
	21,525	26,159
Total bank loans and other borrowings	14,388,694	14,247,637
Less: Portion classified as current liabilities	(13,794,989)	(13,540,899)
Long-term portion	593,705	706,738

13. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Trade payables	813,789	602,601
Bills payable	2,980,512	3,137,073
Trade and bills payables	3,794,301	3,739,674

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2013

13. TRADE AND BILLS PAYABLES (continued)

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

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Within 3 months	2,625,511	3,066,559
3 to 6 months	1,114,457	666,262
6 to 12 months	45,179	2,577
Over 12 months	9,154	4,276
	3,794,301	3,739,674

14. SHORT TERM BONDS

As at 30 June 2013, outstanding short term bonds are summarised as follows:

	Face value RMB'000	Maturity	Fixed interest rate	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Short term bonds	400,000	2013	5.70%	–	414,043
Short term bonds	400,000	2013	5.30%	418,160	407,155
				418,160	821,198

All the short term bonds were issued for working capital.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2013

15. SENIOR NOTES

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Non-current	–	1,239,951
Current	1,255,051	11,581
	1,255,051	1,251,532

On 14 April 2011, the Company issued senior notes maturing on 21 April 2014, with an aggregate principal amount of RMB1,250,000,000 and a fixed interest rate of 4.75% per annum (the "senior notes"). The senior notes are in 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 in 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 2013	Audited 31 December 2012
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. CONTINGENT LIABILITIES

As at 30 June 2013, neither the Company nor the Group had any significant contingent liabilities.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2013

18. COMMITMENTS

(a) Capital commitments

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Contracted, but not provided for land use rights and buildings	212,444	167,381
Contracted, but not provided for potential acquisitions	35,000	35,000
	247,444	202,381

(b) Operating lease commitments

As lessor

At the end of the reporting periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Within one year	9,355	-
After 1 year but within 5 years	31,887	-
After 5 years	15,269	-
	56,511	-

As lessee

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 2013		Audited 31 December 2012	
	Properties RMB'000	Land RMB'000	Properties RMB'000	Land RMB'000
Within one year	67,283	46,164	72,050	44,068
After 1 year but within 5 years	255,203	178,611	256,768	178,429
After 5 years	124,760	343,318	147,304	363,218
	477,246	568,093	476,122	585,715

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.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2013

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 2013:

	Unaudited	
	For the six months ended 30 June 2013 RMB'000	For the six months ended 30 June 2012 RMB'000
(i) Sales of goods to jointly-controlled entities:		
Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	4,370	7,319
Zhongsheng Tacti Automobile Services (Dalian) Co., Ltd.	18	4,655
	4,388	11,974
(ii) Purchase of goods or services from jointly-controlled entities:		
Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	1,333	4,472
Zhongsheng Tacti Automobile Services (Dalian) Co., Ltd.	4,778	25,012
TAC Automobile Accessories Trading (Shanghai) Co., Ltd.	49	–
	6,160	29,484

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2013

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 2013:

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
(i) Due from related parties:		
Trade related		
Jointly-controlled entities		
Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	841	857
Zhongsheng Tacti Automobile Services (Dalian) Co., Ltd.	594	594
	1,435	1,451
(ii) Due to related parties:		
Trade related		
Jointly-controlled entities		
Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	9	6
Zhongsheng Tacti Automobile Services (Dalian) Co., Ltd.	16,366	15,868
TAC Automobile Accessories Trading (Shanghai) Co., Ltd.	393	220
	16,768	16,094

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 2013 RMB'000	For the six months ended 30 June 2012 RMB'000
Short term employee benefits	8,200	6,715
Post-employee benefits	180	145
Total compensation paid to key management personnel	8,380	6,860

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2013

20. FINANCIAL INSTRUMENTS BY CATEGORY

The fair value of financial assets and financial liabilities, together with the carrying amounts in the condensed consolidated statement of financial position, are as follows:

	Unaudited 30 June 2013		Audited 31 December 2012	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets				
Loans and receivables				
Trade receivables	688,927	688,927	576,706	576,706
Financial assets included in prepayments, deposits and other receivables	3,007,609	3,007,609	2,581,279	2,581,279
Amounts due from related parties	4,435	4,435	1,451	1,451
Pledged bank deposits	2,357,315	2,357,315	2,079,167	2,079,167
Cash in transit	358,435	358,435	187,910	187,910
Cash and cash equivalents	3,172,300	3,172,300	4,096,803	4,096,803
Fair value profit or loss Financial assets at fair value through profit or loss	48,613	48,613	63,949	63,949
Total current	9,637,634	9,637,634	9,587,265	9,587,265
Total	9,637,634	9,637,634	9,587,265	9,587,265
Financial liabilities				
Financial liabilities at amortised cost				
Bank loans and other borrowings	593,705	593,705	706,738	706,738
Senior notes	-	-	1,239,951	1,239,951
Total non-current	593,705	593,705	1,946,689	1,946,689
Financial liabilities at amortised cost				
Trade and bills payables	3,794,301	3,794,301	3,739,674	3,739,674
Financial liabilities included in other payables and accruals	246,239	246,239	566,479	566,479
Amounts due to related parties	16,768	16,768	16,094	16,094
Bank loans and other borrowings	13,794,989	13,794,989	13,540,899	13,540,899
Short term bonds	418,160	418,160	821,198	821,198
Senior notes	1,255,051	1,255,051	11,581	11,581
Total current	19,525,508	19,525,508	18,695,925	18,695,925
Total	20,119,213	20,119,213	20,642,614	20,642,614

Notes to the Condensed Consolidated Interim Financial Statements (continued)

30 June 2013

20. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Financial assets measured at fair value:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
30 June 2013				
Financial assets at fair value through profit or loss:				
Listed equity investments – Hong Kong	48,613	–	–	48,613
31 December 2012				
Financial assets at fair value through profit or loss:				
Listed equity investments – Hong Kong	63,949	–	–	63,949

During the six months ended 30 June 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Financial liabilities measured at fair value:

The Group and the Company did not have any financial liabilities measured at fair value as at 30 June 2013 and 31 December 2012, respectively.

21. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2013.

Corporate Governance and Other Information

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

As at 30 June 2013, 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 Ordinary Shares	Approximate Percentage of Shareholding (%)
Mr. Huang Yi	Deemed interest/interest of controlled company	283,235,504	14.84
	Founder of a discretionary trust	486,657,686	25.50
	Agreement to acquire interests	486,657,686	25.50
Mr. Li Guoqiang	Deemed interest/interest of controlled company	130,557,000	6.84
	Founder of a discretionary trust	486,657,686	25.50
	Agreement to acquire interests	639,336,190	33.50

Save as disclosed above, as at 30 June 2013, none of the directors or chief executives of the Company had or was 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) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

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

As at 30 June 2013, 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 required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Total Number of Ordinary Shares	Approximate Percentage of Shareholding [%]
Blue Natural Development Ltd. (Note 1)	Beneficial owner and agreement to acquire interests	1,256,550,876 (Long position)	65.84
Light Yield Ltd. (Note 2)	Beneficial owner, deemed interest/interest of controlled company and agreement to acquire interests	1,256,550,876 (Long position)	65.84
Vest Sun Ltd. (Note 3)	Deemed interest/interest of controlled company and agreement to acquire interests	1,256,550,876 (Long position)	65.84
Mountain Bright Limited (Note 4)	Beneficial owner and agreement to acquire interests	1,247,014,376 (Long position)	65.34
RBC Trustees (CI) Limited	Deemed interest/interest of controlled company, trustee and agreement to acquire interests	1,247,014,376 (Long position)	65.34
Vintage Star Limited (Note 5)	Beneficial owner and agreement to acquire interests	1,247,014,376 (Long position)	65.34
The Capital Group Companies, Inc.	Deemed interest/interest of controlled company	190,322,000 (Long position)	9.97

Notes:

- Blue Natural Development Ltd. is owned by Light Yield Ltd. (62.3%) and Vest Sun Ltd. (37.7%). Mr. Huang Yi and Mr. Li Guoqiang are directors of Blue Natural Development Ltd..
- Light Yield Ltd. is wholly-owned by Mr. Huang Yi, who is also the sole director of Light Yield Ltd..
- Vest Sun Ltd. is wholly-owned by Mr. Li Guoqiang, who is also the sole director of Vest Sun Ltd..
- Mountain Bright Limited is wholly owned by RBC Trustees (CI) Limited as trustee of a trust settlement for Mr. Huang Yi (the settler of the trust) and his family.
- Vintage Star Limited is wholly owned by RBC Trustees (CI) Limited as trustee of a trust settlement for Mr. Li Guoqiang (the settler of the trust) and his family.

Save as disclosed above, as at 30 June 2013, 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.

Corporate Governance and Other Information

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

The Company issued RMB1,250,000,000 senior notes (the “Notes”) maturing in 2014 with a fixed interest rate of 4.75% per annum (the “Notes Issue”) in April 2011. The indenture (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 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.

SHARE OPTION SCHEME

The Share Option Scheme (as defined in the Company’s prospectus dated 16 March 2010) 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 HKD1.00.

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.

Corporate Governance and Other Information

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the share in issue as at the date of approval of the Share Options Scheme, being 186,649,729 shares (representing approximately 9.78% of the Company's issued share capital as at the date of this interim report). 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% 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, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. Throughout the six months ended 30 June 2013 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code. Specific enquiries have been made to all the directors and all the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2013 and up to the date of this interim report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2013 and up to the date of this interim report.

Corporate Governance and Other Information

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 written 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 statements of the Company for the six months ended 30 June 2013. The Audit Committee considers that the interim financial statements for the six months ended 30 June 2013 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 2013.

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

Hong Kong, 26 August 2013