

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 2014**

**GROUP FINANCIAL HIGHLIGHTS**

- Revenue for the six months ended 30 June 2014 increased by 9% to RMB26,785.7 million as compared to the corresponding period in 2013
- Net profit margin for the six months ended 30 June 2014 was 2.30% in comparison with 2.16% for the corresponding period of 2013
- Profit attributable to owners of the parent for the six months ended 30 June 2014 increased by 19% to RMB580.4 million as compared to the corresponding period in 2013
- Basic earnings per share for the six months ended 30 June 2014 were RMB0.27

## **MARKET REVIEW**

Global economy was still full of uncertainties during the first half of 2014. The economy of developed countries recovered slowly while that of emerging markets faced the challenge of slowdown. China's economy maintained a steady progress during the first half of the year with GDP continuing to increase at the level of 7.4%. In spite of the slowdown in overall growth of China's passenger vehicle market due to the influence of the macro-economy in the first half of the year, the total sales volume of passenger vehicles amounted to 9,633.8 thousand units, representing an increase of 11.18% as compared to the correspond period of last year, beyond general market's expectation. Among the sales of major products in passenger vehicles, sport utility vehicles ("SUV") and multi-purpose vehicles ("MPV") outperformed the overall market with an increase of 37.12% and 55.44% respectively as compared to the corresponding period of last year, which further reflected the trend of diversified consumer demands.

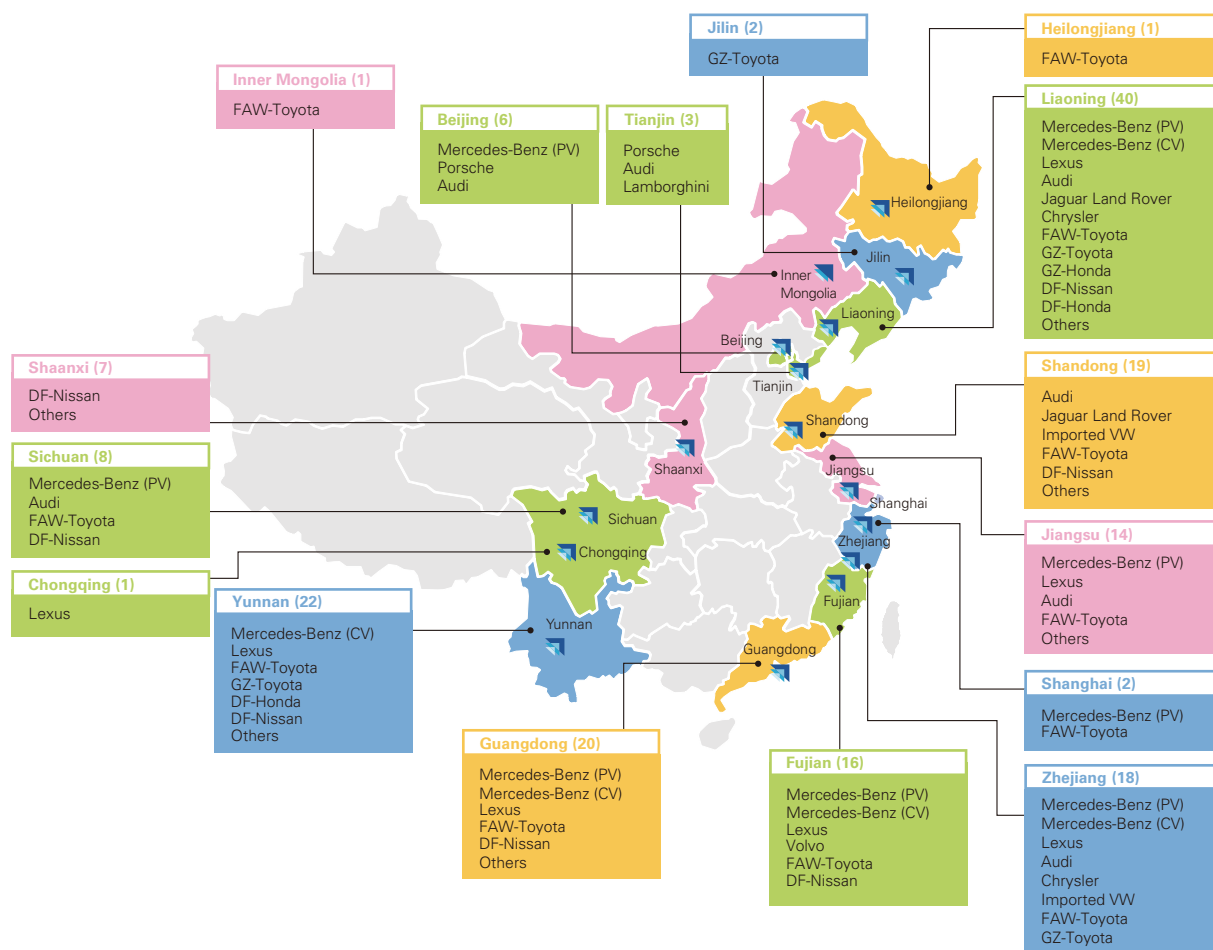
China has been the world's largest country in terms of automobile production and sales volume for five consecutive years since 2009 and the total sales volume of new automobiles maintained a stable growth. However, there was still a gap between the penetration rate of passenger vehicles in China and that of the developed countries, which indicated that China's automobile consumption was still in growing popularity in the long term. Driven by the proceeding of new-type urbanization, enormous rigid demand from third- and fourth-tier cities was gradually shown. Despite the introduction of purchase restriction policies in many first- and second-tier cities, upgrading and replacing demand of automobile made the new car market in these regions remain flourishing, which reflected the huge purchasing power of the public. Long-term growth momentum of the industry still exists. In the first half of 2014, domestic consumption market developed steadily and rapidly with a contribution of 54.4% to the GDP growth and it became the primary drive to economic growth. Meanwhile, the actual year-on-year growth of national per capita disposable income was 8.3%. Against the backdrop, it is expected that a trend of purchase, additional purchase or replacement demand will bring a steady stream and momentum to the growth of automobile sales.

## **BUSINESS REVIEW**

### **Adherence to high-quality network expansion and efficient development strategy**

The growth of the demand for automobile market in China became steady and the industry was at the transformation and upgrading period. In response to the complicated and volatile market conditions, the Group continued to adopt steady and flexible development strategies and caught appropriate expansion opportunities by closely monitoring market restructuring, demand distribution and upgrading of the branded automobiles, as well as proactively expanding into new regions based on the consolidation and enhancement of its market share in the existing networks in major regions and cities. As at 30 June 2014, the total number of dealerships of the Group was 180, including 70 luxury brand dealerships and 110 mid-to-high-end brand dealerships, which were mainly located in regions with high consumption power or great potential for car purchasing, covering 17 provinces and regions and nearly 70 cities across China.

The nationwide coverage of the Group's dealership network as at 30 June 2014 is as follows:



	Luxury brand	Mid-to-high-end brand	Total
Northeastern region	10	33	43
Northern region	9	–	9
Eastern region	26	27	53
Southern region	18	18	36
Southwestern and Northwestern inland regions	7	32	39
<b>Total</b>	<b>70</b>	<b>110</b>	<b>180</b>

Currently, the Group's existing brand portfolio covered luxury brands such as Mercedes-Benz, Audi, Lexus, Jaguar Land Rover, Porsche, Lamborghini, Chrysler, Volvo and Imported Volkswagen, as well as mid-to-high-end brands such as Toyota, Nissan and Honda.

## **Continue to improve the soft power of after-sales services**

As at the end of 2013, automobile ownership in China reached approximately 137 million units. The market anticipated that the scale of the complementary automobile after-sales services market exceeded RMB450 billion. With the increase of Chinese consumers' consumption level, an increasing number of automobile purchasers will give priority to dealerships with more reliable, better quality and more comprehensive after-sales services. In the last few years, after-sales services business of the Group has matured and revealed its strong stability, which increased its contributions to the overall profit of the Group and has become one of the major driving force of profit growth. During the period under review, the Group provided customers with professional, efficient and value-for-money after-sales services through the on-going implementation of refined management, the emphasis on improving the quality of after-sales services and the launch of various well tailored service products. At the same time, as an automobile dealership group that provides one-stop services, the Group made sound progress in the development of extended business such as automobile financing, insurance and second-hand vehicles through in-depth exploration of the value of automobile after-sales market industrial chains.

## **FUTURE STRATEGIES AND OUTLOOK**

Based on the expectation on the continuous and steady growth of China's macro-economy, as well as the urbanization progress in China and the upgrading and replacing demand of automobile which will maintain the rigid demand for automobile industry, we remain positive and optimistic towards the continuous growth in automobile industry in China. At the same time, we have full confidence in the Group's competitiveness and the future growth of after-sales business.

Looking forward, confronted with the challenges posed by the transformation, restructuring and upgrading of automobile market in China as well as the integration of automobile dealership industry, the Group is committed to becoming the pioneer and leader of the industry with its twenty years of experience in the industry, through a solid management foundation, a comprehensive dealership network, a rich brand portfolio and an ever-expanding after-sales service market.

We will adhere to efficient management and scientific operation according to the different needs of different regions, adopt flexible development and expansion strategies based on different consumption characteristics in automobile markets of first-, second-, third- and fourth-tier cities, fully seize on the trend of the market movement and consumers behavior and further optimize our existing brand portfolios. At the same time, we will proactively identify opportunities for acquisition and co-branding with a view to further increase our market share. The Group will continue to adhere to the corporate motto of "Zhongsheng Group — Lifetime Partner", while focusing on the expansion of high-quality, provide efficient and comprehensive after-sales services with good quality to wide range of customers, actively promote the development and application of extended business and vigorously develop each of the business segments in automobile industrial chains in order to take the preemptive opportunities in potential market segments.

## 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**”) for the six months ended 30 June 2014, as follows:

### Consolidated Interim Statement of Profit or Loss

For the six months ended 30 June 2014

		<b>Unaudited</b>	
		<b>For the six months ended 30 June 2014</b>	For the six months ended 30 June 2013
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>REVENUE</b>	4(a)	<b>26,785,696</b>	24,608,526
Cost of sales and services provided	5(b)	<u>(24,216,886)</u>	<u>(22,298,469)</u>
<b>Gross profit</b>		<b>2,568,810</b>	2,310,057
Other income and gains, net	4(b)	<b>396,651</b>	321,204
Selling and distribution costs		<b>(1,132,799)</b>	(950,824)
Administrative expenses		<u>(471,432)</u>	<u>(451,487)</u>
<b>Profit from operations</b>		<b>1,361,230</b>	1,228,950
Finance costs	6	<b>(529,685)</b>	(502,371)
Share of profits of joint ventures		<u>2,254</u>	<u>2,771</u>
<b>Profit before tax</b>	5	<b>833,799</b>	729,350
Income tax expense	7	<u>(217,148)</u>	<u>(197,995)</u>
<b>Profit for the period</b>		<b><u>616,651</u></b>	<b><u>531,355</u></b>
<b>Attributable to:</b>			
Owners of the parent		<b>580,435</b>	489,243
Non-controlling interests		<u>36,216</u>	<u>42,112</u>
		<b><u>616,651</u></b>	<b><u>531,355</u></b>
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic			
– For profit for the period (RMB)	9	<u><b>0.27</b></u>	<u>0.26</u>
Diluted			
– For profit for the period (RMB)	9	<u><b>0.27</b></u>	<u>0.26</u>

The notes on pages 11 to 27 form an integral part of these condensed interim consolidated financial statements.

**Consolidated Interim Statement of Comprehensive Income**  
*For the six months ended 30 June 2014*

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2014 RMB'000</b>	<b>For the six months ended 30 June 2013 RMB'000</b>
<b>Profit for the period</b>	<b>616,651</b>	531,355
<b>Other comprehensive income</b>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<b>9,773</b>	12,385
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>9,773</b>	12,385
<b>Other comprehensive income for the period, net of tax</b>	<b>9,773</b>	12,385
<b>Total comprehensive income for the period</b>	<b>626,424</b>	543,740
<b>Attributable to:</b>		
Owners of the parent	<b>590,208</b>	501,628
Non-controlling interests	<b>36,216</b>	42,112
	<b>626,424</b>	543,740

The notes on pages 11 to 27 form an integral part of these condensed interim consolidated financial statements.

**Consolidated Interim Statement of Financial Position**  
30 June 2014

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2014</b>	2013
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		6,868,273	6,259,615
Investment properties		48,857	49,447
Land use rights		2,141,879	2,105,515
Prepayments		1,075,090	852,358
Intangible assets		2,458,283	2,382,218
Goodwill		2,149,943	2,033,576
Investments in joint ventures		41,879	39,625
Deferred tax assets		227,171	196,591
		<hr/>	<hr/>
Total non-current assets		<b>15,011,375</b>	13,918,945
<b>CURRENT ASSETS</b>			
Inventories	10	8,699,563	6,810,486
Trade receivables	11	617,479	590,221
Prepayments, deposits and other receivables		7,319,495	6,892,901
Amounts due from related parties	21(b)(i)	798	670
Financial assets at fair value through profit or loss		52,148	59,794
Pledged bank deposits		1,603,427	1,612,276
Cash in transit		160,454	195,844
Cash and cash equivalents		4,373,981	3,654,041
		<hr/>	<hr/>
Total current assets		<b>22,827,345</b>	19,816,233
<b>CURRENT LIABILITIES</b>			
Bank loans and other borrowings	12	14,987,510	14,281,944
Trade and bills payables	13	3,413,286	3,915,609
Short term bonds	14	839,163	1,222,700
Senior notes, due within one year		–	1,259,180
Bonds payable, current portion	15	1,956	–
Convertible bonds, current portion	16	12,634	–
Other payables and accruals		1,375,456	1,384,494
Amounts due to related parties	21(b)(ii)	793	814
Income tax payable		680,523	630,521
Dividends payable		204,515	9
		<hr/>	<hr/>
Total current liabilities		<b>21,515,836</b>	22,695,271
		<hr/>	<hr/>
Net current assets/(liabilities)		<b>1,311,509</b>	(2,879,038)
		<hr/>	<hr/>
Total assets less current liabilities		<b>16,322,884</b>	11,039,907

**Consolidated Interim Statement of Financial Position (Continued)**  
30 June 2014

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2014</b>	2013
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank loans and other borrowings	12	418,324	558,106
Bonds payable	15	598,240	–
Convertible bonds	16	2,256,928	–
Deferred tax liabilities		824,060	784,675
		<hr/>	<hr/>
Total non-current liabilities		4,097,552	1,342,781
		<hr/>	<hr/>
Net assets		12,225,332	9,697,126
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	17	186	168
Equity component of convertible bonds		203,729	–
Reserves		10,750,597	8,214,698
Proposed final dividend		–	204,106
		<hr/>	<hr/>
		10,954,512	8,418,972
		<hr/>	<hr/>
<b>Non-controlling interests</b>		1,270,820	1,278,154
		<hr/>	<hr/>
<b>Total equity</b>		12,225,332	9,697,126
		<hr/>	<hr/>

The notes on pages 11 to 27 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 2014*

Unaudited  
 Attributable to owners of the parent

	Equity component of											Non-controlling interests	Total equity
	Share capital	Share premium	convertible bonds	Discretionary reserve fund	Statutory reserve	Merger reserve	Other reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total		
	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
<b>At 1 January 2013</b>	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
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	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)
<b>At 30 June 2013</b>	<u>168</u>	<u>4,620,607</u>	<u>-</u>	<u>37,110</u>	<u>435,202</u>	<u>(1,386,176)</u>	<u>(61,164)</u>	<u>(76,862)</u>	<u>4,319,527</u>	<u>-</u>	<u>7,888,412</u>	<u>1,305,110</u>	<u>9,193,522</u>
<b>At 1 January 2014</b>	168	4,416,501	-	37,110	540,316	(1,386,176)	(61,164)	(67,126)	4,735,237	204,106	8,418,972	1,278,154	9,697,126
Profit for the period	-	-	-	-	-	-	-	-	580,435	-	580,435	36,216	616,651
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	9,773	-	-	9,773	-	9,773
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	9,773	580,435	-	590,208	36,216	626,424
Issue of shares	18	2,026,485	-	-	-	-	-	-	-	-	2,026,503	-	2,026,503
Share issue expenses	-	(12,226)	-	-	-	-	-	-	-	-	(12,226)	-	(12,226)
Acquisition of non-controlling interests	-	-	-	-	-	-	(68,568)	-	-	-	(68,568)	(43,550)	(112,118)
Issue of convertible bonds	-	-	203,729	-	-	-	-	-	-	-	203,729	-	203,729
Final 2013 dividend declared	-	-	-	-	-	-	-	-	-	(204,106)	(204,106)	-	(204,106)
<b>At 30 June 2014</b>	<u>186</u>	<u>6,430,760</u>	<u>203,729</u>	<u>37,110</u>	<u>540,316</u>	<u>(1,386,176)</u>	<u>(129,732)</u>	<u>(57,353)</u>	<u>5,315,672</u>	<u>-</u>	<u>10,954,512</u>	<u>1,270,820</u>	<u>12,225,332</u>

The notes on pages 11 to 27 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 2014*

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2014 RMB'000</b>	<b>For the six months ended 30 June 2013 RMB'000</b>
<b>Net cash (used in)/generated from operating activities</b>	<u>(643,392)</u>	<u>1,023,664</u>
<b>Net cash used in investing activities</b>	<u>(1,625,336)</u>	<u>(804,919)</u>
<b>Net cash generated from/(used in) financing activities</b>	<u>2,988,330</u>	<u>(1,142,931)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>719,602</u>	<u>(924,186)</u>
Cash and cash equivalents at the beginning of each period	<b>3,654,041</b>	4,096,803
Effect of foreign exchange rate changes, net	<u>338</u>	<u>(317)</u>
<b>Cash and cash equivalents at the end of each period</b>	<b><u>4,373,981</u></b>	<b><u>3,172,300</u></b>

The notes on pages 11 to 27 form an integral part of these condensed interim consolidated financial statements.

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 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 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 25 August 2014. 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 2014 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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

#### 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 2013, except for the adoption of the new and amended standards and interpretations as of 1 January 2014. The adoption of these new and amended standards and interpretations had no significant financial effect on these financial statements.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
30 June 2014

**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 2014, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

**4. REVENUE, OTHER INCOME AND GAINS, NET**

**(a) Revenue**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2014 RMB'000</b>	<b>For the six months ended 30 June 2013 RMB'000</b>
Revenue from the sale of motor vehicles	23,265,323	21,763,036
Others	3,520,373	2,845,490
	<u>26,785,696</u>	<u>24,608,526</u>

**(b) Other income and gains, net**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2014 RMB'000</b>	<b>For the six months ended 30 June 2013 RMB'000</b>
Commission income	335,501	239,081
Rental income	22,724	13,519
Government grants	2,963	5,233
Interest income	36,994	34,368
Net loss on disposal of property, plant and equipment	(25,070)	(9,896)
Gain on disposal of land use rights	3,333	–
Others	20,206	38,899
	<u>396,651</u>	<u>321,204</u>

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
30 June 2014

**5. PROFIT BEFORE TAX**

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

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2014 RMB'000</b>	<b>For the six months ended 30 June 2013 RMB'000</b>
<b>(a) Employee benefit expense (including directors' remuneration)</b>		
Wages and salaries	679,646	575,937
Pension scheme contributions	91,027	77,535
Other welfare	41,380	36,246
	<u>812,053</u>	<u>689,718</u>
<b>(b) Cost of sales and services</b>		
Cost of sales of motor vehicles	22,343,780	20,792,360
Others	1,873,106	1,506,109
	<u>24,216,886</u>	<u>22,298,469</u>
<b>(c) Other items</b>		
Depreciation and impairment of property, plant and equipment	233,918	213,680
Depreciation and impairment of investment properties	590	197
Amortisation of land use rights	14,637	17,096
Amortisation of intangible assets	63,128	62,486
Advertisement expenses	62,866	36,419
Office expenses	78,904	77,784
Lease expenses	69,849	67,416
Logistics expenses	69,269	45,544
Business promotion expenses	133,374	72,359
Net loss on disposal of items of property, plant and equipment	25,070	9,896
Gain on disposal of land use rights	<u>(3,333)</u>	<u>-</u>

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
30 June 2014

**6. FINANCE COSTS**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2014 RMB'000</b>	<b>For the six months ended 30 June 2013 RMB'000</b>
Interest expense on bank borrowings wholly repayable within five years	470,827	457,936
Interest expense on senior notes	20,508	33,205
Interest expense on short-term bonds	34,163	19,762
Interest expense on bonds payable	1,996	–
Interest expense on convertible bonds	24,126	–
Interest expense on other borrowings	38,788	47,707
Interest expense on finance leases	1,440	325
Less: Interest capitalised	(62,163)	(56,564)
	<u>529,685</u>	<u>502,371</u>

**7. INCOME TAX EXPENSE**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2014 RMB'000</b>	<b>For the six months ended 30 June 2013 RMB'000</b>
Current Mainland China corporate income tax	244,968	238,178
Deferred tax	(27,820)	(40,183)
	<u>217,148</u>	<u>197,995</u>

**8. DIVIDENDS**

The directors of the Company proposed not to declare any interim dividend for the six months ended 30 June 2014.

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary share of 2,116,558,770 (six months period ended 30 June 2013: 1,908,481,295) in issue during the period.

The calculation of diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2014**

**9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)**

The calculations of basic and diluted earnings per share are based on:

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2014 RMB'000</b>	<b>For the six months ended 30 June 2013 RMB'000</b>
<b><u>Earnings</u></b>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<b>580,435</b>	489,243
Interest on convertible bonds	<b>24,126</b>	–
	<b>604,561</b>	489,243
<b><u>Shares</u></b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>2,116,558,770</b>	1,908,481,295
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	<b>87,472,095</b>	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	<b>2,204,030,865</b>	1,908,481,295
<b><u>Earnings per share (RMB)</u></b>		
Basic	<b>0.27</b>	0.26
Diluted	<b>0.27*</b>	0.26

\* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts are based on the profit for the period attributable to owners of the parent of RMB580,435,000 and the weighted average number of ordinary shares of 2,116,558,770 in issue during six months period ended 30 June 2014.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
*30 June 2014*

**10. INVENTORIES**

	<b>Unaudited 30 June 2014 RMB'000</b>	Audited 31 December 2013 RMB'000
Motor vehicles	7,924,588	6,161,059
Spare parts and others	774,975	649,427
	<u>8,699,563</u>	<u>6,810,486</u>

**11. TRADE RECEIVABLES**

	<b>Unaudited 30 June 2014 RMB'000</b>	Audited 31 December 2013 RMB'000
Trade receivables	617,697	590,439
Impairment	(218)	(218)
	<u>617,479</u>	<u>590,221</u>

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

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

	<b>Unaudited 30 June 2014 RMB'000</b>	Audited 31 December 2013 RMB'000
Within 3 months	506,409	483,032
More than 3 months but less than 1 year	33,980	45,647
Over 1 year	77,090	61,542
	<u>617,479</u>	<u>590,221</u>



**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
30 June 2014

**12. BANK LOANS AND OTHER BORROWINGS**

	<b>Unaudited 30 June 2014 RMB'000</b>	Audited 31 December 2013 RMB'000
Bank loans and overdrafts repayable		
– within one year or on demand	<b>14,267,565</b>	13,919,201
– in the second year	<b>169,295</b>	256,000
– in the third to fifth years	<b>246,390</b>	299,323
	<b>14,683,250</b>	14,474,524
Other borrowings repayable		
– within one year	<b>691,348</b>	343,674
Finance lease payables		
– within one year	<b>28,597</b>	19,069
– in the second year	<b>1,922</b>	2,116
– in the third year	<b>717</b>	667
	<b>31,236</b>	21,852
Total bank loans and other borrowings	<b>15,405,834</b>	14,840,050
Less: Portion classified as current liabilities	<b>(14,987,510)</b>	(14,281,944)
Long-term portion	<b>418,324</b>	558,106

**13. TRADE AND BILLS PAYABLES**

	<b>Unaudited 30 June 2014 RMB'000</b>	Audited 31 December 2013 RMB'000
Trade payables	<b>946,270</b>	1,056,468
Bills payable	<b>2,467,016</b>	2,859,141
Trade and bills payables	<b>3,413,286</b>	3,915,609

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

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2014**

**13. TRADE AND BILLS PAYABLES (Continued)**

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

	<b>Unaudited 30 June 2014 RMB'000</b>	<b>Audited 31 December 2013 RMB'000</b>
Within 3 months	2,996,395	3,650,732
3 to 6 months	400,197	249,101
6 to 12 months	5,031	6,490
Over 12 months	11,663	9,286
	<u>3,413,286</u>	<u>3,915,609</u>

**14. SHORT TERM BONDS**

As at 30 June 2014, outstanding short term bonds are summarised as follows:

	Face value RMB'000	Maturity	Fixed interest rate	<b>Unaudited 30 June 2014 RMB'000</b>	<b>Audited 31 December 2013 RMB'000</b>
Short term bonds	400,000	2014	5.90%	–	410,910
Short term bonds	400,000	2014	6.80%	421,984	408,099
Short term bonds	400,000	2014	6.40%	417,179	403,691
				<u>839,163</u>	<u>1,222,700</u>

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

**15. BONDS PAYABLE**

	<b>Unaudited 30 June 2014 RMB'000</b>	<b>Audited 31 December 2013 RMB'000</b>
Non-current	598,240	–
Current	1,956	–
	<u>600,196</u>	<u>–</u>

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
 30 June 2014

**15. BONDS PAYABLE (Continued)**

At initial recognition, the bonds payable in their original currency are as follows:

	<i>RMB'000</i>
Face value of the bonds payable	600,000
Less: issuance cost	<u>(1,800)</u>
	<u>598,200</u>

The movements in the carrying amount of the bonds payable during the years are as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2014</b> <i>RMB'000</i>	Audited 31 December 2013 <i>RMB'000</i>
At the beginning of the year	–	–
Issuance of the bonds payable	<b>598,200</b>	–
Add: interest expense (note 6)	<u>1,996</u>	–
At the end of the period	<u><b>600,196</b></u>	–

On 13 June 2014, the Group issued bonds maturing on 13 June 2016, with an aggregate principal amount of RMB600,000,000 and a fixed interest rate of 7% per annum (the “bonds payable”).

Interest of the bonds payable is payable annually in arrears on 13 June in each year commencing from 13 June 2015.

Interest expense on the bonds payable is calculated using the effective interest rate method by applying the effective interest rate of 7.17%.

**16. CONVERTIBLE BONDS**

On 25 April 2014, the Company issued convertible bonds with a nominal value of HK\$3,091,500,000 2.85%. There was no movement in the number of these convertible bonds during the period. The bonds are convertible at the option of the bondholders into ordinary shares on or after the date falling 180 days after the issue date up to the close of business on the date falling ten days prior to the maturity at a conversion price of HK\$12.95899 per share. The bonds are redeemable at the option of the bondholders at 100% of its principal amount together with interest accrued and unpaid to such date on 25 April 2017. The bonds carry interest at a rate of 2.85% per annum, which is payable semi-annually in arrears on 25 October and 25 April.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2014**

**16. CONVERTIBLE BONDS (Continued)**

The convertible bonds issued during the period have been split into the liability and equity components as follows:

	<b>Unaudited 30 June 2014 RMB'000</b>	Audited 31 December 2013 RMB'000
Nominal value of convertible bonds issued during the period	2,455,238	–
Equity component	(204,139)	–
Direct transaction costs attributable to the liability component	(4,520)	–
	<hr/>	<hr/>
Liability component at the issuance date	2,246,579	–
Interest expense	24,126	–
Exchange realignment	(1,143)	–
	<hr/>	<hr/>
Liability component at the end of the period	2,269,562	–
Less: portion classified as current liabilities	12,634	–
	<hr/>	<hr/>
Long-term portion	<b>2,256,928</b>	–

**17. SHARE CAPITAL**

	<b>Unaudited 30 June 2014</b>	Audited 31 December 2013
Authorised:		
1,000,000,000,000 shares of HK\$0.0001 each (HK\$'000)	<b>100,000</b>	100,000
Issued and fully paid 2,147,041,457 (2013: 1,908,481,295) shares of HK\$0.0001 each (HK\$'000)	<b>215</b>	191
Equivalent to RMB'000	<b>186</b>	168

On 19 January 2014, the Company entered into a subscription agreement with Jardine Strategic Holdings Limited (the “Investor”), according to which, the Company agrees to issue 238,560,162 shares (“Placing Shares”) at the subscription price of HK\$10.79916 (the “Placing”) and the Convertible Bonds in amount of HK\$3,091,500,000 to the Investor (or its nominee), and the Investor agrees to subscribe (or procure its nominee to subscribe) for the Placing Shares and the Convertible Bonds.

The completion of the Placing took place on 24 January 2014 in accordance with the terms and conditions of the subscription agreement. A total of 238,560,162 Placing Shares have been placed and issued to JSH Investments Holdings Limited, a wholly-owned subsidiary of Jardine Strategic Holdings Limited, at the price of HK\$10.79916 per Placing Share. Upon the completion of the Placing, the total issued and fully paid ordinary shares of the Company have been increased to 2,147,041,457 shares, with the par value of HK\$0.0001 each.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
 30 June 2014

**18. BUSINESS COMBINATION – ACQUISITION OF SUBSIDIARIES**

- (a) As part of the Group’s plan to expand its motor vehicle sales and service business in Fujian province, the Group acquired 100% of the equity interests of 福建省泉州閩星汽車銷售服務有限公司 (Fujian Quanzhou Minxing Automobile Sales & Services Co.,Ltd. hereinafter referred to as “Fujian Minxing”), which is engaged in the motor vehicle sales and service business in Mainland China, from two third parties on 31 March 2014 at a total consideration of RMB162,850,000. The purchase consideration for the acquisition was in the form of cash, with RMB65,000,000 paid during the period.

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

	<b>Recognised fair values on acquisition date RMB’000</b>
Property, plant and equipment*	45,564
Land use rights*	25,500
Intangible assets*	81,000
Inventories	77,532
Trade receivables	12,237
Prepayments, deposits and other receivables	14,936
Cash in transit	97
Cash and cash equivalents	3,310
Trade and bills payables	(11,914)
Accruals and other payables	(35,643)
Bank borrowings	(97,708)
Deferred tax liabilities*	(26,625)
	<hr/>
Total identifiable net assets	88,286
	<hr/>
Goodwill on acquisition*	74,564
	<hr/>
Total purchase consideration	162,850
	<hr/>
An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:	
Cash consideration paid	(65,000)
Cash and cash equivalents acquired	3,310
	<hr/>
Net cash outflow	(61,690)
	<hr/>

Since the acquisition, the acquired business contributed RMB109,547,000 to the Group’s revenue and RMB6,413,000 to the consolidated profit for the six months ended 30 June 2014.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the period would have been RMB26,914,715,000 and RMB615,508,000, respectively.

- \* The Group engaged an independent appraiser to assist with the identification and determination of fair values to be assigned to the assets and liabilities of Fujian Minxing. However, the valuation was not finalized and hence the initial accounting for the business combination of Fujian Minxing was incomplete by the date of this report. Therefore, these amounts recognized in the Group’s interim financial statements for the six months ended 30 June 2014 in relation to the acquisition of Fujian Minxing were on a provisional basis.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
 30 June 2014

**18. BUSINESS COMBINATION – ACQUISITION OF SUBSIDIARIES (Continued)**

- (b) As part of the Group’s plan to expand its motor vehicle sales and service business in Jiangsu province, the Group acquired 100% of the equity interests of 無錫西上海東星汽車銷售服務有限公司 (Wuxi West Shanghai Dongxing Automobile Sales & Services Co.,Ltd. hereinafter referred to as “Wuxi West Shanghai”), which is engaged in the motor vehicle sales and service business in Mainland China, from a third party on 30 April 2014 at a total consideration of RMB77,500,000. The purchase consideration for the acquisition was in the form of cash, with RMB52,500,000 paid during the period.

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

	<b>Recognised fair values on acquisition date RMB’000</b>
Property, plant and equipment*	51,605
Prepayments	8,567
Intangible assets*	40,000
Inventories	41,109
Trade receivables	478
Prepayments, deposits and other receivables	24,132
Cash in transit	425
Cash and cash equivalents	10,303
Accruals and other payables	(130,922)
Deferred tax liabilities*	(10,000)
	<hr/>
Total net identifiable assets	35,697
	<hr/>
Goodwill on acquisition*	41,803
	<hr/>
Total purchase consideration	77,500
	<hr/>
An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:	
Cash consideration paid	(52,500)
Cash and cash equivalents acquired	10,303
	<hr/>
Net cash outflow	(42,197)
	<hr/>

Since the acquisition, the acquired business contributed RMB45,618,000 to the Group’s revenue and RMB4,747,000 to the consolidated profit for the six months ended 30 June 2014.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the period would have been RMB26,806,204,000 and RMB614,627,000, respectively.

\* The Group engaged an independent appraiser to assist with the identification and determination of fair values to be assigned to the assets and liabilities of Wuxi West Shanghai. However, the valuation was not finalized and hence the initial accounting for the business combination of Wuxi West Shanghai was incomplete by the date of this report. Therefore, these amounts recognized in the Group’s interim financial statements for the six months ended 30 June 2014 in relation to the acquisition of Wuxi West Shanghai were on a provisional basis.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
 30 June 2014

**19. CONTINGENT LIABILITIES**

As at 30 June 2014, neither the Group nor the Company had any significant contingent liabilities.

**20. COMMITMENTS**

**(a) Capital commitments**

	<b>Unaudited</b> <b>30 June</b> <b>2014</b> <b>RMB'000</b>	Audited 31 December 2013 <b>RMB'000</b>
Contracted, but not provided for land use rights and buildings	<b>243,798</b>	169,828
Contracted, but not provided for potential acquisitions	<b>326,922</b>	46,070
	<b>570,720</b>	215,898

**(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:

	<b>Unaudited</b> <b>30 June 2014</b>		Audited 31 December 2013	
	<b>Properties</b> <b>RMB'000</b>	<b>Land</b> <b>RMB'000</b>	Properties <b>RMB'000</b>	Land <b>RMB'000</b>
Within one year	<b>65,297</b>	<b>58,560</b>	71,443	50,030
After 1 year but within 5 years	<b>229,011</b>	<b>295,963</b>	190,235	207,459
After 5 years	<b>120,384</b>	<b>290,075</b>	195,335	346,466
	<b>414,692</b>	<b>644,598</b>	457,013	603,955

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 2014**

**21. 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 2014:

	<b>Unaudited</b>	
	<b>For the six</b>	For the six
	<b>months ended</b>	months ended
	<b>30 June 2014</b>	30 June 2013
	<b>RMB'000</b>	<b>RMB'000</b>
(i) Sales of goods to joint ventures:		
– Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	6,703	4,370
– Zhongsheng Tacti Automobile Services (Dalian) Co., Ltd.	351	18
	<u>7,054</u>	<u>4,388</u>
(ii) Purchase of goods or services from joint ventures:		
– Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	2,301	1,333
– Zhongsheng Tacti Automobile Services (Dalian) Co., Ltd.	1,434	4,778
– TAC Automobile Accessories Trading (Shanghai) Co., Ltd.	578	49
	<u>4,313</u>	<u>6,160</u>



**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
30 June 2014

**21. 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 2014:

	<b>Unaudited</b> <b>30 June</b> <b>2014</b> <b>RMB'000</b>	Audited 31 December 2013 <b>RMB'000</b>
(i) Due from related parties:		
Trade related		
Joint ventures		
– Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	798	596
– Zhongsheng Tacti Automobile Services (Dalian) Co., Ltd.	–	74
	<u>798</u>	<u>670</u>
(ii) Due to related parties:		
Trade related		
Joint ventures		
– Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	1	–
– Zhongsheng Tacti Automobile Services (Dalian) Co., Ltd.	772	–
– TAC Automobile Accessories Trading (Shanghai) Co., Ltd.	20	814
	<u>793</u>	<u>814</u>

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:**

	<b>Unaudited</b> <b>For the six</b> <b>months ended</b> <b>30 June 2014</b> <b>RMB'000</b>	For the six months ended 30 June 2013 <b>RMB'000</b>
Short term employee benefits	10,711	8,200
Post-employee benefits	240	180
Total compensation paid to key management personnel	<u>10,951</u>	<u>8,380</u>

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
30 June 2014

**22. FINANCIAL INSTRUMENTS BY CATEGORY**

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

	Unaudited 30 June 2014		Audited 31 December 2013	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
<b>Financial assets</b>				
Loans and receivables				
Trade receivables	617,479	617,479	590,221	590,221
Financial assets included in prepayments, deposits and other receivables	3,400,991	3,400,991	3,116,924	3,116,924
Amounts due from related parties	798	798	670	670
Pledged bank deposits	1,603,427	1,603,427	1,612,276	1,612,276
Cash in transit	160,454	160,454	195,844	195,844
Cash and cash equivalents	4,373,981	4,373,981	3,654,041	3,654,041
	<hr/>	<hr/>	<hr/>	<hr/>
Fair value profit or loss				
Financial assets at fair value through profit or loss	52,148	52,148	59,794	59,794
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total current</b>	<b>10,209,278</b>	<b>10,209,278</b>	<b>9,229,770</b>	<b>9,229,770</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>10,209,278</b>	<b>10,209,278</b>	<b>9,229,770</b>	<b>9,229,770</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost				
Bank loans and other borrowings	418,324	418,324	558,106	558,106
Bonds payable	598,240	598,240	–	–
Convertible Bonds	2,256,928	2,256,928	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total non-current</b>	<b>3,273,492</b>	<b>3,273,492</b>	<b>558,106</b>	<b>558,106</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Financial liabilities at amortised cost				
Trade and bills payables	3,413,286	3,413,286	3,915,609	3,915,609
Financial liabilities included in other payables and accruals	636,724	636,724	536,675	536,675
Amounts due to related parties	793	793	814	814
Bank loans and other borrowings	14,987,510	14,987,510	14,281,944	14,281,944
Short term bonds	839,163	839,163	1,222,700	1,222,700
Bonds payable	1,956	1,956	–	–
Convertible Bonds	12,634	12,634	–	–
Senior notes	–	–	1,259,180	1,259,180
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total current</b>	<b>19,892,066</b>	<b>19,892,066</b>	<b>21,216,922</b>	<b>21,216,922</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>23,165,558</b>	<b>23,165,558</b>	<b>21,775,028</b>	<b>21,775,028</b>
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
 30 June 2014

**22. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)**

**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

**Financial assets measured at fair value:**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>30 June 2014</b>				
Financial assets at fair value through profit or loss:				
Listed equity investments – Hong Kong	52,148	–	–	52,148
<b>31 December 2013</b>				
Financial assets at fair value through profit or loss:				
Listed equity investments – Hong Kong	59,794	–	–	59,794

During the six-months period ended 30 June 2014, 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 2014 and 31 December 2013, respectively.

**23. EVENTS AFTER THE REPORTING PERIOD**

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2014.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue for the six months ended 30 June 2014 was RMB26,786 million, representing an increase of RMB2,177 million or 8.8% as compared to the corresponding period in 2013. Revenue from new automobile sales amounted to RMB23,266 million, representing an increase of RMB1,503 million or 6.9% as compared to the corresponding period in 2013. Revenue from after-sales and accessories business amounted to RMB3,520 million, representing an increase of RMB675 million or 23.7% as compared to the corresponding period in 2013.

Our new automobile sales business accounted for a substantial portion of our revenue, representing 86.9% (corresponding period in 2013: 88.4%) of our revenue for the six months ended 30 June 2014. The remaining portion of our revenue during the period was generated by our after-sales and accessories business which increased from 11.6% of our total revenue for the six months ended 30 June 2013 to 13.1% for the corresponding period this year. Almost all of our revenue is derived from our business located in the PRC.

For the six months ended 30 June 2014, revenue from sales of our luxury brand automobiles amounted to RMB15,205 million (corresponding period in 2013: RMB13,574 million), accounting for 65.4% (corresponding period in 2013: 62.4%) of our revenue from new automobile sales. Revenue from sales of mid-to-high-end brand automobiles amounted to RMB8,061 million (corresponding period in 2013: RMB8,189 million), accounting for 34.6% (corresponding period in 2013: 37.6%) of our revenue from new automobile sales.

In terms of revenue from new automobile sales, Mercedes-Benz is our top selling brand, representing approximately 27.1% of our total revenue from new automobile sales (corresponding period in 2013: 23.2%).

### **Cost of Sales and Services**

Cost of sales and services for the six months ended 30 June 2014 amounted to RMB24,217 million, representing an increase of RMB1,919 million or 8.6% as compared to the corresponding period in 2013. Costs attributable to our new automobile sales business amounted to RMB22,344 million for the six months ended 30 June 2014, representing an increase of RMB1,552 million or 7.5% as compared to the corresponding period in 2013. Costs attributable to our after-sales and accessories business amounted to RMB1,873 million for the six months ended 30 June 2014, representing an increase of RMB367 million or 24.4% as compared to the corresponding period of 2013.

## **Gross Profit**

Our gross profit for the six months ended 30 June 2014 amounted to RMB2,569 million, representing an increase of RMB259 million or 11.2% as compared to the corresponding period in 2013. Gross profit from new automobile sales business amounted to RMB922 million, representing a decrease of RMB49 million or 5.1% as compared to the corresponding period in 2013. Gross profit from after-sales and accessories business was RMB1,647 million, representing an increase of RMB308 million or 23.0% as compared to the corresponding period of 2013. For the six months ended 30 June 2014, gross profit from our after-sales and accessories business accounted for 64.1% of the total gross profit (corresponding period in 2013: 58.0%).

Our gross profit margin for the six months ended 30 June 2014 was 9.6% (corresponding period in 2013: 9.4%).

## **Other Income and Gains, Net**

Our other income and gains, net for the six months ended 30 June 2014 amounted to RMB397 million, representing an increase of RMB76 million or 23.5% as compared to the corresponding period in 2013. Our other income and gains mainly consisted of commission income from automobile insurance agency and automobile financing agency services, gains from pre-owned automobile trading business, rental income and interest income, etc.

## **Profit from Operations**

Our profit from operations for the six months ended 30 June 2014 amounted to RMB1,361 million, representing an increase of RMB132 million or 10.8% as compared to the corresponding period in 2013. Our operating profit margin for the six months ended 30 June 2014 was 5.1% (corresponding period in 2013: 5.0%).

## **Profit for the Period under Review**

Our profit for the six months ended 30 June 2014 amounted to RMB617 million, representing an increase of RMB85 million or 16.1% as compared to the corresponding period in 2013. Our profit margin for the six months ended 30 June 2014 was 2.30% (corresponding period in 2013: 2.16%).

## **Profit Attributable to owners of the Parent**

Our profit attributable to owners of the parent for the six months ended 30 June 2014 was RMB580 million, representing an increase of RMB91 million or 18.6% as compared to the corresponding period in 2013.

## **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 additional 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 bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time in the future.

### **Cash Flow Used in Operating Activities**

For the six months ended 30 June 2014, our net cash used in operating activities was RMB643 million. We generated RMB1,666 million net cash from operating profit before working capital movement and tax payment. The increase in working capital of RMB2,115 million was mainly financed by our bank loans and other borrowings.

### **Cash Flow Used in Investing Activities**

For the six months ended 30 June 2014, our net cash used in investing activities was RMB1,625 million.

### **Cash Generated from Financing Activities**

For the six months ended 30 June 2014, our net cash generated from financing activities was RMB2,988 million.

### **Net Current Assets**

As at 30 June 2014, we had net current assets of RMB1,312 million, representing an increase of RMB4,191 million from our net current liabilities as at 31 December 2013.

### **Capital Expenditures and Investment**

Our capital expenditures comprised expenditures on property, plant and equipment and land use rights. During the six months ended 30 June 2014, our total capital expenditures were RMB1,012 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, after-sales and accessories 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 RMB6,810 million as at 31 December 2013 to RMB8,700 million as at 30 June 2014, primarily due to the increase of our dealership network and business scale.

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

	<b>For the six months ended 30 June</b>	
	<b>2014</b>	2013
Average inventory turnover days	<u>54.5</u>	<u>48.3</u>

Our average inventory turnover days in the first half of 2014 increased to 54.5 days from 48.3 days in the first half of 2013, primarily due to the comparatively lower new car sales volume of newly added stores during their ramping up period.

## Bank Loans and Other Borrowings

As at 30 June 2014, our bank loans and other borrowings, short term bonds and bonds payable amounted to RMB16,845 million, and our convertible bonds liability portion amounted to RMB2,270 million. Our bank loans and other borrowings increased during the period under review primarily due to satisfying our demand for capital as a result of continuous growth in the number of our dealerships and the expansion of our business scale.

## 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 2014, the Group had 16,890 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, share options, honorary awards or a combination of all the above to further align the interests of the employees and the Company, to attract talented individuals, and to create long-term incentive for its staff.

### **Pledge of the Group's Assets**

The Group pledged its group assets as securities for bank and other loan and banking facilities which were used to finance daily business operation. As at 30 June 2014, the pledged group assets amounted to approximately RMB4.6 billion.

### **Issue of Placing Shares and Convertible Bonds and Change in Equity**

On 19 January 2014, the Company and Jardine Strategic Holdings Limited (the “**Investor**”) entered into a subscription agreement, according to which the Company agrees to issue, and the Investor agrees to subscribe for (or procure its nominee to subscribe for) 238,560,162 placing shares (“**Placing Shares**”) at the subscription price of HKD10.79916 per share and in principal amount of HKD3,091,500,000 with interest rate of 2.85 per cent. convertible bonds due 2017 (the “**Convertible Bonds**”). The issue of the Placing Shares were completed on 24 January 2014, upon which the issued and fully paid shares of the Company increased from 1,908,481,295 to 2,147,041,457.

The Convertible Bonds are convertible into shares at the initial conversion price of HKD12.95899 per conversion share at the option of the holder thereof, at any time on or after 180 days after the issue date up to the close of business on the date falling ten days prior to the maturity date, being the third anniversary of the date of issue of the Convertible Bonds. There was no conversion of the convertible bonds as of the date of this Announcement. The Company will redeem each Convertible Bond on the maturity date at its principal amount together with accrued and unpaid interest thereon. The issue of Convertible Bonds were completed on 25 April 2014.

The net proceeds from the placing and issue of the Convertible Bonds was RMB4.46 billion. The Company shall use such net proceeds for developing the dealership network and for general working capital purposes.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Compliance with the Corporate Governance Code**

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (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 2014 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 2014 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 have purchased, sold or redeemed any of the Company’s listed securities throughout the six months ended 30 June 2014 and up to the date of this announcement.

## **Audit Committee**

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

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Company for the six months ended 30 June 2014. The Audit Committee considers that the interim financial results for the six months ended 30 June 2014 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

## **Interim Dividend**

The Board proposed not to declare any interim dividend for the six months ended 30 June 2014.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

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

The interim report of the Company for the six months ended 30 June 2014 will be dispatched to the shareholders of the Company and published on the above websites in due course.

## **APPRECIATION**

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

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

Hong Kong, 25 August 2014

*As at the date of this announcement, the executive directors of the Company are Mr. Huang Yi, Mr. Li Guoqiang, Mr. Du Qingshan, Mr. Yu Guangming, Mr. Si Wei and Mr. Zhang Zhicheng; the non-executive directors of the Company are Mr. Leng Xuesong and Mr. Adam Keswick; and the independent non-executive directors of the Company are Mr. Shigeno Tomihei, Mr. Ng Yuk Keung, Mr. Shen Jinjun and Mr. Lin Yong.*