



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

Zhongsheng Group
Lifetime Partner

中升集團 · 終生夥伴

INTERIM REPORT
2014





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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
Mr. Zhang Zhicheng

Non-executive Directors

Mr. Leng Xuesong
Mr. Adam Keswick

Independent Non-executive Directors

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

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

STOCK CODE

881

AUDITORS

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

Chairman's Statement



Huang Yi

Chairman

Dear honourable shareholders,

On behalf of the board of directors (the "**Board**") of Zhongsheng Group Holdings Limited ("**Zhongsheng Group**" 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 2014 (the "**Period under Review**").

In the first half of 2014, with the overall stable condition of China's economy and its progressive structural reform, the economic transformation and upgrading is gaining momentum. According to the National Bureau of Statistics of China, the GDP in the first half year amounted to RMB26.9044 trillion, representing

Chairman's Statement

a growth of 7.4% year on year. The actual growth of per capita disposable income amounted to 8.3% year on year. Meanwhile, there is a trend of increasingly stable growth of domestic automobile industry. According to the statistics of China Association of Automobile Manufacturers, both production volume and sales volume of automobiles in China exceeded 11 million, representing a growth of 9.6% and 8.36% respectively. The automobile industry in China becomes mature and gradually entered the consumption cycle driven by the replacement demand of automobile upgrade. At this stage, the competition in new car sales industry has become more intensive; while after-sales service with a high profit margin has gained more attention in the industry. The competitiveness of after-sales service will directly affect the performance of new car sales in the future.

For the six months ended 30 June 2014, the Group recorded a revenue of RMB26,786 million, representing an increase of 8.8% as compared to RMB24,609 million in the corresponding period of 2013, among which, the revenue generated from new automobile sales business increased by RMB1,503 million to RMB23,266 million, representing a growth of 6.9% as compared to the corresponding period of 2013. The revenue generated from after-sales and accessories business increased by RMB675 million to RMB3,520 million, representing a growth of 23.7% as compared to the corresponding period of 2013. In the first half of 2014, profit attributable to owners of the parent of the Group was RMB580 million, representing an increase of 18.6% as compared to RMB489 million in the corresponding period of 2013; and earnings per share were RMB0.27, as compared to RMB0.26 in the corresponding period of 2013.





Chairman's Statement

Automobile dealership industry in China is still facing a lot of challenges on development. In response to the market condition and the frequent changes in consumer group and policies, Zhongsheng Group insists on taking a solid development and expansion strategy by leveraging on its rich experience and prescient vision in automobile dealership industry. As at 30 June 2014, the Group had 180 automobile dealerships, consisting of 70 luxury brand dealerships and 110 mid-to-high-end brands dealerships, covering 17 provinces and regions and nearly 70 cities across China.

In the first half of 2014, the Group continued to gain recognition at home and abroad on its operation and development. In May 2014, Zhongsheng Group ranked the fourth among the 2013 Top 100 Automobile Dealers in China issued by the China Automobile Dealers Association with an annual revenue of RMB52.55 billion. In July 2014, Zhongsheng Group was selected once again as one of the Fortune China 500, which was internationally authoritative, and ranked 109th. In the same month, Zhongsheng Group ranked 387th among the Top 500 Chinese Listed Companies with a gross profit of RMB1.39 billion. This ranking was prepared by Wharton Economic Institute according to GBT100 Indicator System and released for the first time. The Group was the best performer among all automobile dealers in China in the ranking.

In 2014, Zhongsheng Group introduced Jardine Strategic Holdings Limited ("**Jardine Strategic**") as a strategic investor and raised approximately HK\$5.6 billion proceeds in aggregate through the completion of new shares placing and issuance of convertible bonds to Jardine Strategic in January and April respectively. Jardine Strategic's investment in Zhongsheng Group has demonstrated their confidence on the significant development potential of the Group. It has further improved the Group's image in the international capital market and also enhanced the foundation for our accelerating development.

Automobile industry in China will enter the essential stage of reform and change as well as transformation and upgrading in coming years. The integration of the industry may accelerate. With consecutive release of policies like buying restrictions, restriction on relocation and reform of use of state-financed cars, the market is pessimistic about the prospect of automobile sales. Notwithstanding the aforesaid, we still believe that the automobile industry can be reliably supported by urbanization progress in China, enhanced popularization of passenger cars and upgrading and renovation demand of automobile. With the improvement of aftersales service market and the standardization of second-hand automobile market, the automobile industry in China creates great potential during the process of transformation and upgrading.

Looking forward, Zhongsheng Group will continue to move ahead of changes in market and consumption trend. The Group will value the optimization of quality of operation and management as well as the development of other businesses. Zhongsheng Group is also actively undergoing transition from scale expansion to selective growth. Meanwhile, we aim at providing comprehensive premium services to our customers and becoming a trustworthy long-term partner through our nationwide dealership network and unique ERP platform as well as optimization of our management system and management process in order to turn our professional automobile brand service into the cornerstone of our corporate development strategy. We will practically heighten the corporate motto of "Zhongsheng Group – Lifetime Partner".

Chairman's Statement

The year 2014 is an important milestone as Zhongsheng Group is embracing the 20th anniversary of its establishment. The continuous development and improvement of the Group over 20 years depends on the loyal commitment and hard work and efforts of our staff, as well as the trust, support and encouragement of our shareholders and business partners. On behalf of the Board, I would like to express our sincere gratitude to all of you for your valuable contributions to our development.

Huang Yi

Chairman

Hong Kong, 25 August 2014

CEO Statement



Li Guoqiang

President and
Chief Executive Officer

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.

CEO Statement

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.





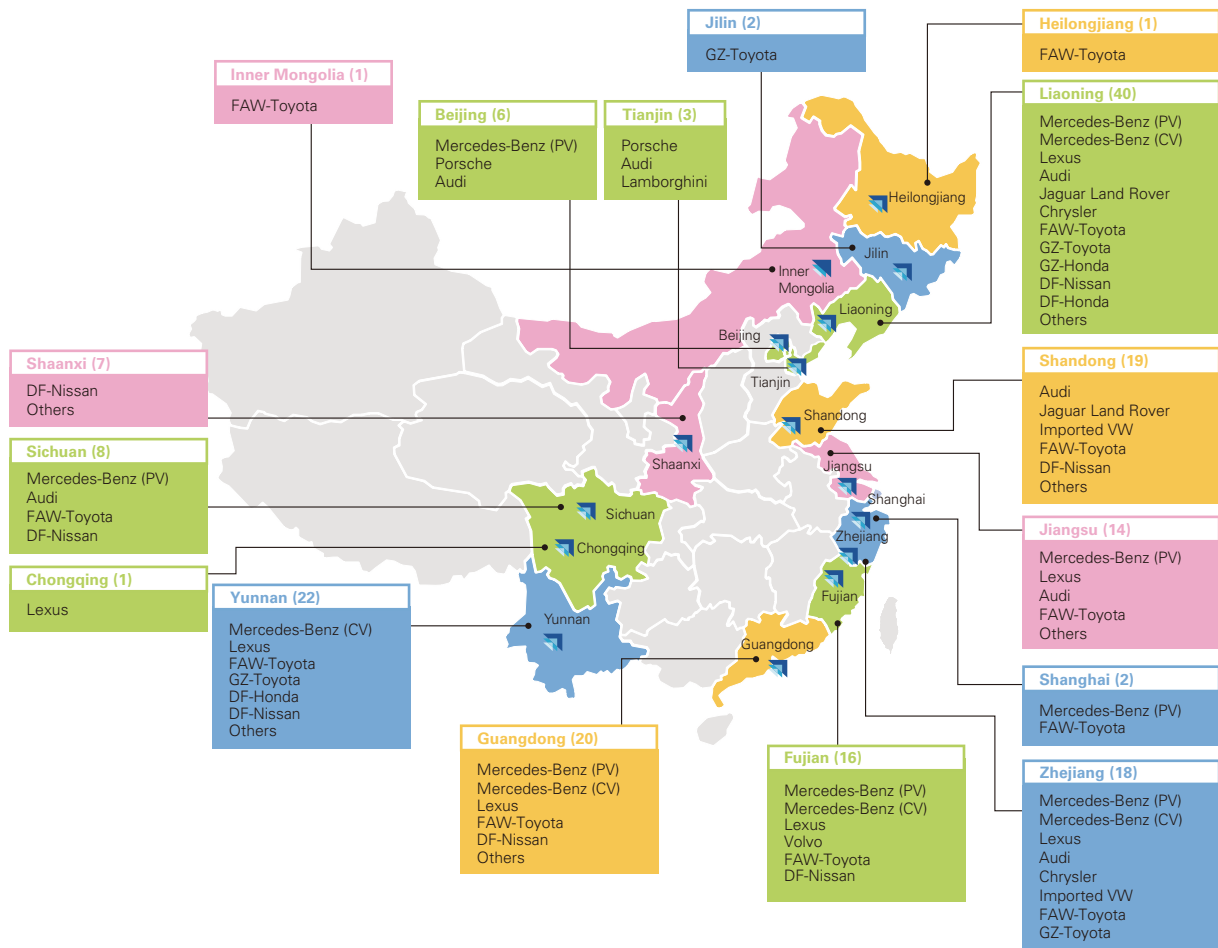
CEO Statement

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:



CEO Statement

	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
Total	70	110	180

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.

CEO Statement

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.

Li Guoqiang

President and Chief Executive Officer

Hong Kong, 25 August 2014



Management Discussion and Analysis

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%).

Management Discussion and Analysis

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.

Management Discussion and Analysis

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:

	For the six months ended 30 June	
	2014	2013
Average inventory turnover days	54.5	48.3

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.

Management Discussion and Analysis

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.

Gearing Ratio

As at 30 June 2014, the gearing ratio of our Group was 59.5%, which was calculated from net debt divided by the sum of net debt and total equity.

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. 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. There was no conversion of the convertible bonds as at the date of this interim report.

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.



Consolidated Interim Statement of Profit or Loss

For the six months ended 30 June 2014

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

The notes on pages 23 to 42 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

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

The notes on pages 23 to 42 form an integral part of these condensed interim consolidated financial statements.

Consolidated Interim Statement of Financial Position

30 June 2014

	Notes	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
NON-CURRENT ASSETS			
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
Total non-current assets		15,011,375	13,918,945
CURRENT ASSETS			
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
Total current assets		22,827,345	19,816,233
CURRENT LIABILITIES			
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
Total current liabilities		21,515,836	22,695,271
Net current assets/(liabilities)		1,311,509	(2,879,038)
Total assets less current liabilities		16,322,884	11,039,907

The notes on pages 23 to 42 form an integral part of these condensed interim consolidated financial statements.

Consolidated Interim Statement of Financial Position

30 June 2014

	Notes	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
NON-CURRENT LIABILITIES			
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
Total non-current liabilities		4,097,552	1,342,781
Net assets		12,225,332	9,697,126
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	186	168
Equity component of convertible bonds		203,729	-
Reserves		10,750,597	8,214,698
Proposed final dividend		-	204,106
		10,954,512	8,418,972
Non-controlling interests		1,270,820	1,278,154
Total equity		12,225,332	9,697,126

The notes on pages 23 to 42 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												
	Share capital RMB'000	Share premium RMB'000	Equity component of		Statutory reserve RMB'000	Merger reserve RMB'000	Other 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
			convertible bonds RMB'000	Discretionary reserve fund RMB'000									
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
At 1 January 2014	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
Total comprehensive income for the period	-	-	-	-	-	-	-	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)
At 30 June 2014	186	6,430,760	203,729	37,110	540,316	(1,386,176)	(129,732)	(57,353)	5,315,672	-	10,954,512	1,270,820	12,225,332

The notes on pages 23 to 42 form an integral part of these condensed interim consolidated financial statements.

Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2014

	Notes	Unaudited	
		For the six months ended 30 June 2014 RMB'000	For the six months ended 30 June 2013 RMB'000
Operating activities			
Profit before tax		833,799	729,350
Adjustments for:			
– Share of profits and losses of joint ventures		(2,254)	(2,771)
– Depreciation and impairment of property, plant and equipment	5(c)	233,918	213,680
– Depreciation and impairment of investment properties	5(c)	590	197
– Amortisation of land use rights	5(c)	14,637	17,096
– Amortisation of intangible assets	5(c)	63,128	62,486
– Interest income	4(b)	(36,994)	(34,368)
– Net loss on disposal of items of property, plant and equipment	4(b)	25,070	9,896
– Net gain on disposal of land use rights	4(b)	(3,333)	–
– Finance costs	6	529,685	502,371
– Fair value losses, net			
– Listed equity investments held for trading		8,179	14,335
		1,666,425	1,512,272
Decrease in pledged bank deposits		24,609	26,365
Decrease/(increase) in cash in transit		35,912	(170,525)
Increase in trade receivables		(14,543)	(112,221)
Increase in prepayments, deposits and other receivables		(173,671)	(107,739)
(Increase)/decrease in inventories		(1,770,436)	78,752
(Decrease)/increase in trade and bills payables		(122,112)	54,627
Decrease in other payables and accruals		(94,461)	(142,450)
(Increase)/decrease in amounts due from related parties – trade related		(128)	16
(Decrease)/increase in amounts due to related parties – trade related		(21)	674
Cash (used in)/generated from operations		(448,426)	1,139,771
Tax paid		(194,966)	(116,107)
Net cash (used in)/generated from operating activities		(643,392)	1,023,664

The notes on pages 23 to 42 form an integral part of these condensed interim consolidated financial statements.

Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2014

	Unaudited	
	For the six months ended 30 June 2014 RMB'000	For the six months ended 30 June 2013 RMB'000
Investing activities		
Purchase of items of property, plant and equipment	(970,644)	(862,145)
Proceeds from disposal of items of property, plant and equipment	211,242	202,779
Purchase of land use rights	(94,565)	(46,864)
Purchase of intangible assets	(8,099)	-
Proceeds from disposal of land use rights	8,253	-
Prepayments for the potential acquisitions of equity interests from third parties	(333,249)	(96,152)
Acquisitions of subsidiaries	(193,510)	(94,906)
(Increase)/decrease in prepayments, deposits and other receivables	(281,323)	46,675
Dividends received from a joint venture	-	12,000
Interest received	36,559	33,694
Net cash used in investing activities	(1,625,336)	(804,919)
Financing activities		
Proceeds from issue of new share	2,026,503	-
Proceeds from issue of convertible bonds	2,455,238	-
Net proceeds from issue of bonds payable	598,200	-
Proceeds from bank loans and other borrowings	15,322,354	12,883,490
Repayments of bank loans and other borrowings	(14,863,661)	(12,737,800)
Decrease/(increase) in pledged bank deposits	82,123	(304,154)
Decrease in bills payables	(392,125)	-
Acquisitions of non-controlling interests	-	(11,754)
Repayment of senior notes	(1,250,000)	-
Repayment of short term bonds	(400,000)	(400,000)
Interest paid for bank loans and other borrowings	(510,032)	(495,657)
Interest paid for senior notes	(29,688)	(29,686)
Interest paid for short term bonds	(17,700)	(22,800)
Capital element of finance lease rental payments	(32,882)	(21,630)
Dividends paid to the non-controlling shareholders	-	(2,940)
Net cash generated from/(used in) financing activities	2,988,330	(1,142,931)
Net increase/(decrease) in cash and cash equivalents	719,602	(924,186)
Cash and cash equivalents at beginning of each period	3,654,041	4,096,803
Effect of foreign exchange rate changes, net	338	(317)
Cash and cash equivalents at end of each period	4,373,981	3,172,300

The notes on pages 23 to 42 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 (“**HKFRS**”).

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

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 2013, except for the adoption of the new and amended standards and interpretations as of 1 January 2014, noted below:

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

The adoption of these new and amended standards and interpretations 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> ⁴
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and amendments to HKFRS 9,</i> <i>HKFRS 7 and HKAS 39</i> ⁴
HKFRS 11 Amendments	Amendments to HKFRS 11 – <i>Accounting for Acquisitions of</i> <i>Interests in Joint Operations</i> ²
HKFRS 14	<i>Regulatory Deferral Accounts</i> ²
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 – <i>Clarification of Acceptable Methods of</i> <i>Depreciation and Amortisation</i> ²
HKAS 19 Amendments	Amendments to HKAS 19 <i>Employee Benefits</i> – <i>Defined Benefit Plans: Employee Contributions</i> ¹
HKAS 16 and HKAS 41 Amendments	Amendments to HKAS 16 and HKAS 41 – <i>Agriculture: Bearer Plants</i> ²
HKAS 27 Amendments	Amendments to HKAS 27 – <i>Equity Method in Separate Financial Statements</i> ²
<i>Annual Improvements</i> <i>2010–2012 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 ¹
<i>Annual Improvements</i> <i>2011–2013 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 ¹

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

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

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

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

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

(b) Other income and gains, net

	Unaudited	
	For the six months ended 30 June 2014 RMB'000	For the six months ended 30 June 2013 RMB'000
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
	396,651	321,204

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

5. PROFIT BEFORE TAX

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

	Unaudited	
	For the six months ended 30 June 2014 RMB'000	For the six months ended 30 June 2013 RMB'000
(a) Employee benefit expense (including directors' remuneration)		
Wages and salaries	679,646	575,937
Pension scheme contributions	91,027	77,535
Other welfare	41,380	36,246
	812,053	689,718
(b) Cost of sales and services		
Cost of sales of motor vehicles	22,343,780	20,792,360
Others	1,873,106	1,506,109
	24,216,886	22,298,469
(c) Other items		
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	(3,333)	–

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

6. FINANCE COSTS

	Unaudited	
	For the six months ended 30 June 2014 RMB'000	For the six months ended 30 June 2013 RMB'000
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)
	529,685	502,371

7. INCOME TAX EXPENSE

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

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

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

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:

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

30 June 2014

10. INVENTORIES

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

11. TRADE RECEIVABLES

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

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 2014 RMB'000	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
	617,479	590,221

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

12. BANK LOANS AND OTHER BORROWINGS

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

13. TRADE AND BILLS PAYABLES

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

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

Notes to the Condensed Consolidated Interim Financial Statements

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:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
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
	3,413,286	3,915,609

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	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
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
				839,163	1,222,700

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

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

15. BONDS PAYABLE

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Non-current	598,240	-
Current	1,956	-
	600,196	-

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

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

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

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

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%.

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

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.

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

	Unaudited 30 June 2014 RMB'000	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)	–
Liability component at the issuance date	2,246,579	–
Interest expense	24,126	–
Exchange realignment	(1,143)	–
Liability component at the end of the period	2,269,562	–
Less: portion classified as current liabilities	12,634	–
Long-term portion	2,256,928	–

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

17. SHARE CAPITAL

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

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.

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

18. BUSINESS COMBINATION – ACQUISITION OF SUBSIDIARIES (continued)

(a) (continued)

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

	Recognised fair values on acquisition date RMB'000
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)
Total identifiable net assets	88,286
Goodwill on acquisition*	74,564
Total purchase consideration	162,850
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
Net cash outflow	(61,690)

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

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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:

	Recognised fair values on acquisition date RMB'000
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)
Total net identifiable assets	35,697
Goodwill on acquisition*	41,803
Total purchase consideration	77,500
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
Net cash outflow	(42,197)

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

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

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

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

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:

	Unaudited	
	For the six months ended 30 June 2014 RMB'000	For the six months ended 30 June 2013 RMB'000
(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
	7,054	4,388
(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
	4,313	6,160

Notes to the Condensed Consolidated Interim Financial Statements

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:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
(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
	798	670
(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
	793	814

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

Notes to the Condensed Consolidated Interim Financial Statements

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
Financial assets				
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
Fair value profit or loss Financial assets at fair value through profit or loss	52,148	52,148	59,794	59,794
Total current	10,209,278	10,209,278	9,229,770	9,229,770
Total	10,209,278	10,209,278	9,229,770	9,229,770
Financial liabilities				
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	-	-
Total non-current	3,273,492	3,273,492	558,106	558,106
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
Total current	19,892,066	19,892,066	21,216,922	21,216,922
Total	23,165,558	23,165,558	21,775,028	21,775,028

Notes to the Condensed Consolidated Interim Financial Statements

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	
30 June 2014				
Financial assets at fair value through profit or loss:				
Listed equity investments				
– Hong Kong	52,148	–	–	52,148
31 December 2013				
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.

Corporate Governance and Other Information

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

As at 30 June 2014, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be 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") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), were as follows:

Long positions in ordinary shares of the Company

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	289,011,504 (Long position)	13.46
	Founder of a discretionary trust/ Beneficiary of a trust	486,657,686 (Long position)	22.67
	Agreement to acquire interests	486,657,686 (Long position)	22.67
Mr. Li Guoqiang	Deemed Interest/Interest of controlled company	136,333,000 (Long position)	6.35
	Founder of a discretionary trust/ Beneficiary of a trust	486,657,686 (Long position)	22.67
	Agreement to acquire interests	639,336,190 (Long position)	29.78

Save as disclosed above, as at 30 June 2014, none of the directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required to be 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 2014, the following persons (other than the directors or chief executives of the Company) had 5% or more interests or short positions in the issued shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Total Number of Ordinary Shares	Approximate Percentage of Shareholding (%)
Blue Natural Development Ltd. (Note 1)	Beneficial owner and agreement to acquire interests	1,262,326,876 (Long position)	58.79
Light Yield Ltd. (Note 2)	Beneficial owner, deemed interest/ interest of controlled company and agreement to acquire interests	1,262,326,876 (Long position)	58.79
Vest Sun Ltd. (Note 3)	Deemed interest/interest of controlled company and agreement to acquire interests	1,262,326,876 (Long position)	58.79
Mountain Bright Limited (Note 4)	Beneficial owner and agreement to acquire interests	1,262,326,876 (Long position)	58.79
RBC Trustees (CI) Limited	Deemed interest/interest of controlled company, trustee and agreement to acquire interests	1,262,326,876 (Long position)	58.79
Vintage Star Limited (Note 5)	Beneficial owner and agreement to acquire interests	1,262,326,876 (Long position)	58.79
Jardine Matheson Holdings Limited	Deemed interest/interest of controlled company	477,120,420 (Long position)	22.22
Jardine Strategic Holdings Limited	Deemed interest/interest of controlled company	477,120,420 (Long position)	22.22
JSH Investment Holdings Limited	Beneficial owner	477,120,420 (Long position)	22.22
The Capital Group Companies, Inc.	Deemed interest/interest of controlled company	206,693,000 (Long position)	9.63

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Notes:

1. 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.
2. Light Yield Ltd. is wholly-owned by Mr. Huang Yi, who is also the sole director of Light Yield Ltd.
3. Vest Sun Ltd. is wholly-owned by Mr. Li Guoqiang, who is also the sole director of Vest Sun Ltd.
4. 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.
5. 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 2014, 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

CONVERTIBLE BONDS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE COMPANY AND THE CONTROLLING SHAREHOLDERS

The Company issued HK\$3,091,500,000 2.85 per cent. convertible bonds due 2017 in April 2014.

The conditions of the Convertible Bonds provided that upon the occurrence of a Relevant Event (as defined below), the holders of the Convertible Bonds (the “**Bondholders**”) will have the right to require the Company to redeem each Convertible Bond at its principal amount, together with accrued and unpaid interest to such date. A “Relevant Event” means (1) a Delisting Event; (2) a Change of Control; or (3) a Key Business Event. A “Delisting Event” occurs when (i) the Shares cease to be traded on the Stock Exchange or (ii) trading in the Shares is suspended for more than ten consecutive days on which normal trading of securities is carried out. A “Change of Control” occurs when Mr Huang Yi and Mr Li Guoqiang, cease to be the ultimate beneficial holders of, and unconditionally control the voting rights attaching to, in aggregate more than 50 per cent. of the voting rights in the Company. A “Key Business Event” occurs if there is a substantial change in the general nature of the Company’s business or the business of any of its subsidiaries, including where the Company, or any of its subsidiaries, fails to maintain their principal dealership relationships with any of Mercedes-Benz, Toyota, Nissan and Audi.

In addition, the conditions of the Convertible Bonds provided that the Company shall not, and shall ensure that none of its subsidiaries will create, or have any outstanding, encumbrance upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any relevant indebtedness, or any guarantee or indemnity in respect of any relevant indebtedness, without at the same time or prior thereto according to the Convertible Bonds the same security as is created or subsisting to secure any such relevant indebtedness, guarantee or indemnity or such other security as shall be approved by an resolution passed by the Majority Bondholders. The Majority Bondholders refers to, at any time, any one or more holders holding Convertible Bonds or being proxies or representatives in respect of Convertible Bonds and representing, in the aggregate, more than 50 per cent of the aggregate principal amount of all Convertible Bonds then outstanding.

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 HKD1.0.

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

Corporate Governance and Other Information

SHARE OPTION SCHEME (continued)

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

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

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

CHANGE IN DIRECTORS' INFORMATION

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

1. Mr. Ng Yuk Keung, being an independent non-executive director of the Company, has been serving as the director of Cheetah Mobile Inc. since 15 July 2012. Cheetah Mobile, a subsidiary of Kingsoft Corporation Limited (stock code: 03888), has been listed on the New York Stock Exchange since 8 May 2014.
2. Mr. Leng Xuesong, being a non-executive director of the Company, has resigned as the non-executive director of Soufun Holdings Ltd. (stock code: SFUN), a company listed on the New York Stock Exchange, since 7 August 2014.

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

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 Listing Rules. Throughout the six months ended 30 June 2014 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.

Corporate Governance and Other Information

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

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2014 and up to the date of this interim report.

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 interim report.

AUDIT COMMITTEE

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

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.

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

Hong Kong
25 August 2014