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中升集團控股有限公司
Zhongsheng Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 881)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

GROUP FINANCIAL HIGHLIGHTS

- New car sales volume for the six-month period ended 30 June 2015 increased by 7.8% to 104,236 units as compared to the same period of 2014
- Revenue for the six-month period ended 30 June 2015 increased by 0.4% to RMB26,887 million as compared to the same period of 2014
- Gross profit margin for the six-month period ended 30 June 2015 was 8.5%, decreased by 1.1 percentage point as compared to 9.6% for the same period of 2014 while increased by 0.6 percentage point as compared to 7.9% for the second half of 2014
- Income from other value added services for the six-month period ended 30 June 2015 increased by 24.1% to RMB416.3 million as compared to the same period of 2014
- Profit attributable to owners of the parent for the six-month period ended 30 June 2015 was RMB310 million, decreased by 46.5% as compared to RMB580 million for the same period of 2014 while increased by 81.3% as compared to RMB171 million for the second half of 2014

MARKET REVIEW

Both the domestic and global economy were full of uncertainties during the first half of 2015 and were subjected to more intense downward pressure. The GDP for the first half of the year maintained a growth rate of 7.0% and the operation of the national economy remained on the reasonable track.

In the first half of 2015, the production and sales volume of automobiles in China reached 12.095 million units and 11.8503 million units respectively, representing a year-on-year increase of 2.64% and 1.43% respectively, a decrease of 6.96 and 6.93 percentage points from the growth ratio of the same period of last year respectively. In particular, the production and sales volume of passenger vehicles were 10.3278 million units and 10.0956 million units respectively, representing a year-on-year increase of 6.38% and 4.80% respectively, a decrease of 5.67 and 6.38 percentage points from the growth ratio of the same period of last year respectively.

Over the last 30 years, the automobile market in China was in its robust development stage, with the market capacity significantly increasing from 0.3 million units 30 years ago to 24 million units last year, representing an expansion of market size by 80 times. In recent years, however, with constant changes in the market conditions, the growth rate of passenger vehicles market reduced to 4.5% in the first half of this year, while the market of sedans, the core products of passenger vehicles, even recorded a negative growth rate. Under such severe market conditions, China Association of Automobile Manufacturers has lowered its predicted growth rate of automobile production and sales industry for this year to a level of 3%.

In addition to new automobiles, the trading volume of second-hand automobiles in China in the first half of 2015 was approximately 4.61 million units, representing a year-on-year increase of 6%, indicating an enormous room for development in second-hand automobile industry.

The first half of 2015 has seen a positive signal of stable development in the national economy. The further reveal of the effect of steady growth policy and reform measures, along with intensified adjustment and integration of automobile industry, would have a positive effect on the future development of automobile industry.

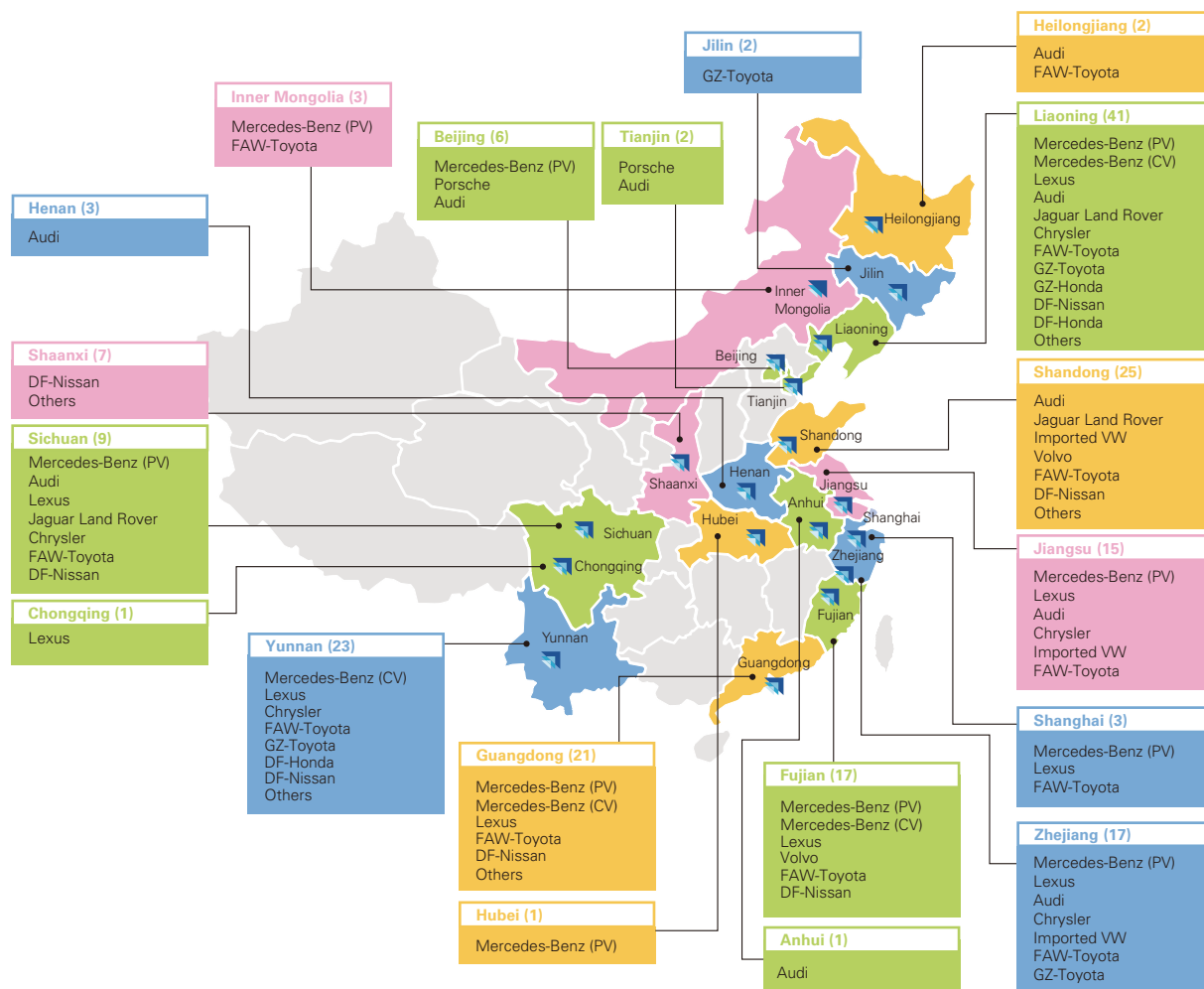
BUSINESS REVIEW

Focus on regional network coverage and combination advantages

Although the overall growth of passenger vehicle production and sales has slowed down in the first half of 2015, the performance of each region and brand in various periods were different. For example, by successfully launching new models of automobiles, Mercedes-Benz showed a significant growth in sales volume in China by over 20% in the first half of 2015 amid the market downturn. As such, the Group would keep focusing on regional network coverage of the dealerships and combination advantages and continue to strengthen and expand to new regions leveraging on its current regional advantages.

As at 30 June 2015, the total number of dealerships of the Group increased to 199, including 90 luxury brands dealerships and 109 mid-to-high-end brands dealerships, mainly locating in the region with strong purchasing power or high automobile purchasing potential, covering 19 provinces and regions and over 70 cities across China.

The nationwide coverage of Zhongsheng Group’s dealerships as at 30 June 2015 is as follows:



	Luxury brand	Mid-to-high-end brand	Total
Northeastern China region	12	33	45
Northern China region	8	–	8
Eastern China region	36	25	61
Southern China region	20	18	38
Southwestern and Northwestern inland regions	14	33	47
Total	90	109	199

Currently, the Group's existing brand portfolio covers luxury brands such as Mercedes-Benz, Audi, Lexus, Jaguar Land Rover, Porsche, Chrysler, Volvo and Imported Volkswagen, as well as mid-to-high-end brands such as Toyota and Nissan. The diversified brand portfolio with various geographic locations can meet the demands of different customer groups.

In-depth exploration and layout in the entire industrial chain

As of the mid of 2015, the automobile ownership for civilian use in China exceeded 150 million units, and it is expected that the size of the overall after-sales market will exceed RMB766 billion in 2015. The ownership of automobile in China is expected to exceed 200 million units in 2020. With the increasing ownership of private cars in China, automobiles are not simply a transport vehicle, but a kind of high-end commodity representing cultural taste. The automobile after-sales market is becoming a new growth point in the entire industrial chain. The value chain of automobile products does not end in the sales section. In contrast, it can be extended with greater coverage. After-sales services and extended service platform have already become an important industrial chain.

Facing complex and volatile market, Zhongsheng Group has strengthened its footholds, enhanced quality management and operating efficiency and formulated a sound and steady business layout, including:

I. Enhancing quality management and operating efficiency

In recent years, Zhongsheng Group has been continuously learning from overseas the advanced concepts of dealerships management and industry standards, and has begun to introduce the industry standards for dealerships since 2014 by introducing more items into the original assessment indicators. Meanwhile, Zhongsheng Group further improved the implementation of ranking mechanism which can retain the best dealerships and eliminate the worst and continually enhanced the Group's operational efficiency and management level.

II. After-sales services business

We have been continuing to develop new services, products and programs as well as to further improve the quality of our services. In addition, we value customised products and services. By continuously optimizing our procurement and controlling costs and expenses, we have been aiming to provide our customers with high quality products and services at a reasonable price.

III. Automobile financing services

Zhongsheng Group has established strategic cooperation partnership with financial department of its major cooperating automobile, major banks and financial institutions successively in order to increase the penetration rate of automobile financing. In June 2015, the penetration rate of new automobile financing of the Group reached 35%. In addition, we are dedicated to building Yi Hui Finance platform (易惠金融) in order to fully utilize the Group's extensive resources of high-quality and active customers. Meanwhile, we would further strengthen the cooperation with platform institutions which have financial strengths, so as to fully explore the enormous development potentials in financial services business.

IV. Insurance service business

Taking advantage of its self-owned professional insurance agency license, Zhongsheng Group has further promoted its professionalism in intra-group insurance business. By way of regionalized promotion and internet+ technologies, we have enhanced the management standard of insurance business, keeping consistent with the national guidance on professionalism in financial and insurance business, while further refining internal management. At the same time, we have been continuing to strengthen and deepen the cooperation with various major insurers to design and establish Zhongsheng Group's exclusive insurance products, together with after-sales market services and products, in order to gain larger market share through differentiated services.

V. Second-hand automobile business

Zhongsheng Group has officially launched Yi Hui Second-hand Automobile Authentication System (易惠二手車認證體系), targeting at existing automobile owners who have upgrading demand and focusing on cross-brand upgrades and purchases within the brands offered by the Group. We have also actively responded to strategies for the second-hand automobile business of our cooperating brands and strengthened the business expansion in authentication of second-hand automobiles in dealerships' showroom.

In addition, we have activated the B2B auction system Yi Hui Pai(易惠拍), B2C website Yi Hui Car and ERP sales management system to optimize online and offline connection. Since the activation in 2015 and up to the end of June 2015, 6,238 units of automobiles were put up for online auction and 1,885 units were traded online, with a total trading amount of approximately RMB240 million. In the future, we will continue to optimize our business mode by leveraging on our own strengths in customer resources to provide customers with true and reliable information on second-hand automobiles and all related services.

VI. Financial leasing platform business

In April 2015, Zhongsheng Yi Hui Financial Leasing Company Limited (中升易惠融資租賃有限公司, "Zhongsheng Yi Hui"), which is established and 100% owned by Zhongsheng Group, completed the business registration procedures and was successfully set up in Shanghai Free Trade Zone. The establishment of Zhongsheng Yi Hui has exploited new development potentials of Zhongsheng Group and provided Zhongsheng Group with more opportunities in cross-border financing and domestic and overseas business collaboration. This has further enhanced the Company's market competitiveness and provided a wider range of car purchasing choices as well as more comprehensive and high quality services to a variety of customers.

Since its establishment, Zhongsheng Yi Hui has gradually constructed a good risk management system and financial system. It has also established 13 branches across the country and achieved a nationwide business layout.

FUTURE STRATEGIES AND OUTLOOK

We believe that Zhongsheng Group's strategic layout and arrangement in every segment of business is to help us to build up a complete industrial chain of "new automobiles – finance – insurance – after-sales and accessories – second-hand automobile". With the intensified adjustment in the automobile industry, we continue to build a more solid foundation for rapid growth again after the adjustment of the industry in the future.

Looking forward, confronted with the challenges posed by the transformation and upgrading of automobile market in China as well as the integration of automobile dealership industry, Zhongsheng Group is committed to grasping the opportunities brought forward by the era and achieving an ever-lasting development with its twenty years of experience in the industry, through a solid management foundation, sufficient capital level, comprehensive dealership network, all-round brand portfolio and ever-expanding industrial chain.

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 2015 as follows:

Consolidated Interim Statement of Profit or Loss

For the six months ended 30 June 2015

		Unaudited	
		For the six months ended 30 June 2015 RMB'000	For the six months ended 30 June 2014 RMB'000
	<i>Notes</i>		
REVENUE	<i>4(a)</i>	26,886,974	26,785,696
Cost of sales and services provided	<i>5(b)</i>	<u>(24,611,351)</u>	<u>(24,216,886)</u>
Gross profit		2,275,623	2,568,810
Other income and gains, net	<i>4(b)</i>	501,397	396,651
Selling and distribution costs		(1,245,427)	(1,132,799)
Administrative expenses		<u>(464,546)</u>	<u>(471,432)</u>
Profit from operations		1,067,047	1,361,230
Finance costs	<i>6</i>	(610,940)	(529,685)
Share of profits of joint ventures		<u>859</u>	<u>2,254</u>
Profit before tax	<i>5</i>	456,966	833,799
Income tax expense	<i>7</i>	<u>(135,650)</u>	<u>(217,148)</u>
Profit for the period		<u>321,316</u>	<u>616,651</u>
Attributable to:			
Owners of the parent		310,405	580,435
Non-controlling interests		<u>10,911</u>	<u>36,216</u>
		<u>321,316</u>	<u>616,651</u>
Earnings per share attributable to ordinary equity holders of the parent			
Basic			
– For profit for the period (RMB)	<i>9</i>	<u>0.14</u>	<u>0.27</u>
Diluted			
– For profit for the period (RMB)	<i>9</i>	<u>0.14</u>	<u>0.27</u>

The notes on pages 13 to 29 form an integral part of these condensed interim consolidated financial statements.

Consolidated Interim Statement of Comprehensive Income
For the six months ended 30 June 2015

	Unaudited	
	For the six months ended 30 June 2015 RMB'000	For the six months ended 30 June 2014 RMB'000
Profit for the period	321,316	616,651
Other comprehensive (loss)/income		
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(3,596)	9,773
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(3,596)	9,773
Other comprehensive (loss)/income for the period, net of tax	(3,596)	9,773
Total comprehensive income for the period	317,720	626,424
Attributable to:		
Owners of the parent	306,809	590,208
Non-controlling interests	10,911	36,216
	317,720	626,424

The notes on pages 13 to 29 form an integral part of these condensed interim consolidated financial statements.

Consolidated Interim Statement of Financial Position
30 June 2015

	<i>Notes</i>	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		7,589,393	7,460,041
Investment properties		47,676	48,266
Land use rights		2,415,417	2,185,744
Prepayments		832,938	1,152,084
Intangible assets		2,993,696	2,675,267
Goodwill		2,569,874	2,432,635
Investments in joint ventures		43,322	43,263
Deferred tax assets		336,474	285,347
		<hr/>	<hr/>
Total non-current assets		16,828,790	16,282,647
CURRENT ASSETS			
Inventories	10	7,563,276	8,319,367
Trade receivables	11	604,261	631,451
Prepayments, deposits and other receivables		7,411,412	7,376,013
Amounts due from related parties	22(b)(i)	1,400	1,288
Available-for-sale investments		43,100	84,050
Financial assets at fair value through profit or loss		–	36,033
Pledged bank deposits		1,782,121	1,887,427
Cash in transit		218,013	198,755
Cash and cash equivalents		3,245,943	4,091,220
		<hr/>	<hr/>
Total current assets		20,869,526	22,625,604
CURRENT LIABILITIES			
Bank loans and other borrowings	12	14,905,165	16,844,969
Trade and bills payables	13	3,393,916	3,085,791
Short term bonds	14	402,268	–
Bonds payable, current portion	15	601,063	23,129
Convertible bonds, current portion	16	12,553	12,810
Other payables and accruals		1,261,671	1,595,188
Amounts due to related parties	22(b)(ii)	401	3,895
Income tax payable		692,161	637,809
Dividends payable		158,471	9
		<hr/>	<hr/>
Total current liabilities		21,427,669	22,203,600
		<hr/>	<hr/>
Net current (liabilities)/assets		(558,143)	422,004
		<hr/>	<hr/>
Total assets less current liabilities		16,270,647	16,704,651

The notes on pages 13 to 29 form an integral part of these condensed interim consolidated financial statements.

Consolidated Interim Statement of Financial Position (Continued)
30 June 2015

	<i>Notes</i>	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	12	378,003	557,516
Bonds payable	15	–	598,678
Convertible bonds	16	2,308,123	2,275,711
Deferred tax liabilities		979,076	891,818
		<hr/>	<hr/>
Total non-current liabilities		3,665,202	4,323,723
		<hr/>	<hr/>
Net assets		12,605,445	12,380,928
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	186	186
Treasury shares		–	(2,964)
Reserves		11,275,239	10,971,394
Proposed final dividend		–	150,181
		<hr/>	<hr/>
		11,275,425	11,118,797
		<hr/>	<hr/>
Non-controlling interests		1,330,020	1,262,131
		<hr/>	<hr/>
Total equity		12,605,445	12,380,928
		<hr/>	<hr/>

The notes on pages 13 to 29 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 2015

Unaudited
Attributable to owners of the parent

	Equity											Non-controlling interests	Total equity	
	Share capital	Share premium	Treasury shares	component of convertible bonds	Discretionary reserve fund	Statutory reserve	Merger reserve	Other reserve	Exchange fluctuation	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	RMB'000
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 expense	-	(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
At 1 January 2015	186	6,280,579	(2,964)	203,729	37,110	643,021	(1,386,176)	(129,732)	(60,574)	5,383,437	150,181	11,118,797	1,262,131	12,380,928
Profit for the period	-	-	-	-	-	-	-	-	-	310,405	-	310,405	10,911	321,316
Other comprehensive loss for the period:														
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(3,596)	-	-	(3,596)	-	(3,596)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(3,596)	310,405	-	306,809	10,911	317,720
Cancellation of shares	-	(2,964)	2,964	-	-	-	-	-	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	(1,193)	-	-	-	1,193	-	-	-	-
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	-	-	-	75,521	75,521
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(18,543)	(18,543)
Final 2014 dividend declared	-	-	-	-	-	-	-	-	-	-	(150,181)	(150,181)	-	(150,181)
At 30 June 2015	186	6,277,615	-	203,729	37,110	641,828	(1,386,176)	(129,732)	(64,170)	5,695,035	-	11,275,425	1,330,020	12,605,445

The notes on pages 13 to 29 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 2015

	Unaudited	
	For the six months ended 30 June 2015 RMB'000	For the six months ended 30 June 2014 RMB'000
Net cash generated from/(used in) operating activities	<u>2,551,041</u>	<u>(643,392)</u>
Net cash used in investing activities	<u>(794,508)</u>	<u>(1,625,336)</u>
Net cash (used in)/generated from financing activities	<u>(2,601,705)</u>	<u>2,988,330</u>
Net (decrease)/increase in cash and cash equivalents	(845,172)	719,602
Cash and cash equivalents at beginning of each period	4,091,220	3,654,041
Effect of foreign exchange rate changes, net	<u>(105)</u>	<u>338</u>
Cash and cash equivalents at end of each period	<u>3,245,943</u>	<u>4,373,981</u>

The notes on pages 13 to 29 form an integral part of these condensed interim consolidated financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2015

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 31 August 2015. 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 2015 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

As at 30 June 2015, the Group had net current liabilities of approximately RMB558,143,000. The directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the condensed consolidated interim financial statements are prepared on a going concern basis.

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 consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015, noted below.

The following new standard and amendment to standards are mandatory for the first time for the financial year beginning 1 July 2014.

HKAS 19 Amendments	Amendments to HKAS 19 – <i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs

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

Notes to the Condensed Consolidated Interim Financial Statements (Continued)
30 June 2015

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 2015, 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	For the six
	months ended	months ended
	30 June 2015	30 June 2014
	RMB'000	RMB'000
Revenue from the sale of motor vehicles	23,241,798	23,265,323
Others	3,645,176	3,520,373
	<u>26,886,974</u>	<u>26,785,696</u>

(b) Other income and gains, net

	Unaudited	
	For the six	For the six
	months ended	months ended
	30 June 2015	30 June 2014
	RMB'000	RMB'000
Commission income	416,346	335,501
Rental income	16,479	22,724
Government grants	1,812	2,963
Interest income	29,497	36,994
Net loss on disposal of items of property, plant and equipment	(24,167)	(25,070)
Net gain on disposal of listed equity investments	3,891	–
Net loss on disposal of subsidiaries	(9,469)	–
Net gain on disposal of land use rights	37,387	3,333
Others	29,621	20,206
	<u>501,397</u>	<u>396,651</u>

Notes to the Condensed Consolidated Interim Financial Statements (Continued)
30 June 2015

5. PROFIT BEFORE TAX

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

	Unaudited	
	For the six months ended 30 June 2015 RMB'000	For the six months ended 30 June 2014 RMB'000
(a) Employee benefit expense (including directors' remuneration)		
Wages and salaries	657,380	679,646
Pension scheme contributions	100,001	91,027
Other welfare	43,973	41,380
	801,354	812,053
(b) Cost of sales and services		
Cost of sales of motor vehicles	22,618,211	22,343,780
Others	1,993,140	1,873,106
	24,611,351	24,216,886
(c) Other items		
Depreciation and impairment of property, plant and equipment	280,571	233,918
Depreciation and impairment of investment properties	590	590
Amortisation of land use rights	17,305	14,637
Amortisation of intangible assets	60,525	63,128
Business promotion and advertisement expenses	268,835	196,240
Office expenses	78,261	78,904
Lease expenses	83,306	69,849
Logistics expenses	81,058	69,269
Reversal of inventory provision	(1,310)	–
Net loss on disposal of items of property, plant and equipment	24,167	25,070
Net gain on disposal of listed equity investments	(3,891)	–
Net loss on disposal of subsidiaries	9,469	–
Net gain on disposal of land use rights	(37,387)	(3,333)

Notes to the Condensed Consolidated Interim Financial Statements (Continued)
30 June 2015

6. FINANCE COSTS

	Unaudited	
	For the six months ended 30 June 2015 RMB'000	For the six months ended 30 June 2014 RMB'000
Interest expense on bank borrowings wholly repayable within five years	536,758	470,827
Interest expense on senior notes	–	20,508
Interest expense on short-term bonds	3,868	34,163
Interest expense on bonds payable	21,256	1,996
Interest expense on convertible bonds	67,598	24,126
Interest expense on other borrowings	48,561	38,788
Interest expense on finance leases	2,458	1,440
Less: Interest capitalised	(69,559)	(62,163)
	610,940	529,685

7. INCOME TAX EXPENSE

	Unaudited	
	For the six months ended 30 June 2015 RMB'000	For the six months ended 30 June 2014 RMB'000
Current Mainland China corporate income tax	189,781	244,968
Deferred tax	(54,131)	(27,820)
	135,650	217,148

8. DIVIDENDS

The directors of the Company proposed not to declare any interim dividend for the six months ended 30 June 2015.

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 2,146,506,957 (six months ended 30 June 2014: 2,116,558,770) 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 2015

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 2015 RMB'000	For the six months ended 30 June 2014 RMB'000
<u>Earnings</u>		
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	310,405	580,435
Interest on convertible bonds	67,598	24,126
	<hr/>	<hr/>
Profit attributable to equity holders of the parent before interest on convertible bonds	378,003	604,561
	<hr/>	<hr/>
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,146,506,957	2,116,558,770
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	238,560,258	87,472,095
	<hr/>	<hr/>
Weighted average number of ordinary shares used in diluted earnings per share calculation	2,385,067,215	2,204,030,865
	<hr/>	<hr/>
<u>Earnings per share (RMB)</u>		
Basic	0.14	0.27
Diluted	0.14*	0.27*

* 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, the diluted earnings per share amounts are based on the profit for the period attributable to owners of the parent of RMB310,405,000 and the weighted average number of ordinary shares of 2,146,506,957 in issue during six months period ended 30 June 2015.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)
30 June 2015

10. INVENTORIES

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 <i>RMB'000</i>
Motor vehicles	6,947,181	7,650,794
Spare parts and others	619,519	673,307
	7,566,700	8,324,101
Less: provision for inventories	3,424	4,734
	7,563,276	8,319,367

11. TRADE RECEIVABLES

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 <i>RMB'000</i>
Trade receivables	604,261	631,451

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 end of reporting period (based on the invoice date) is as follows:

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 <i>RMB'000</i>
Within 3 months	500,714	530,582
More than 3 months but less than 1 year	34,135	33,521
Over 1 year	69,412	67,348
	604,261	631,451

Notes to the Condensed Consolidated Interim Financial Statements (Continued)
30 June 2015

12. BANK LOANS AND OTHER BORROWINGS

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Bank loans and overdrafts repayable		
–within one year or on demand	14,368,244	16,214,395
–in the second year	173,820	267,949
–in the third to fifth years	202,805	287,996
	14,744,869	16,770,340
Other borrowings repayable		
–within one year	528,965	598,134
Finance lease payables		
–within one year	7,956	32,440
–in the second year	1,210	1,246
–in the third year	168	325
	9,334	34,011
Total bank loans and other borrowings	15,283,168	17,402,485
Less: Portion classified as current liabilities	(14,905,165)	(16,844,969)
Long-term portion	378,003	557,516

13. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Trade payables	1,011,394	688,148
Bills payable	2,382,522	2,397,643
Trade and bills payables	3,393,916	3,085,791

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

Notes to the Condensed Consolidated Interim Financial Statements (Continued)
30 June 2015

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 2015 RMB'000	Audited 31 December 2014 RMB'000
Within 3 months	2,933,994	2,762,233
3 to 6 months	437,985	311,366
6 to 12 months	13,286	3,401
Over 12 months	8,651	8,791
	<u>3,393,916</u>	<u>3,085,791</u>

14. SHORT TERM BONDS

As at 30 June 2015, outstanding short term bonds are summarised as follows:

	Face value RMB'000	Maturity	Fixed interest rate	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Short term bonds	400,000	2016	5.92%	<u>402,268</u>	<u>–</u>

The short term bonds were issued for working capital purpose.

15. BONDS PAYABLE

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Non-current	–	598,678
Current	<u>601,063</u>	<u>23,129</u>
	<u>601,063</u>	<u>621,807</u>

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	<u>(1,800)</u>
	<u>598,200</u>

Notes to the Condensed Consolidated Interim Financial Statements (Continued)
30 June 2015

15. BONDS PAYABLE (Continued)

The movements in the carrying amount of the bonds payable during the period/year are as follows:

	Unaudited	Audited
	30 June	31 December
	2015	2014
	RMB'000	RMB'000
At the beginning of the period/year	621,807	–
Issuance of the bonds payable	–	598,200
Add: interest expense (<i>note 6</i>)	21,256	23,607
Less: interest paid	(42,000)	–
	<hr/>	<hr/>
At the end of the period/year	601,063	621,807
	<hr/>	<hr/>

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 2015

16. CONVERTIBLE BONDS (Continued)

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

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Nominal value of convertible bonds issued during year 2014	2,455,238	2,455,238
Equity component	(204,139)	(204,139)
Direct transaction costs attributable to the liability component	(4,520)	(4,520)
	<hr/>	<hr/>
Liability component at the issuance date	2,246,579	2,246,579
Interest expense	159,189	91,591
Interest paid	(69,720)	(34,908)
Exchange realignment	(15,372)	(14,741)
	<hr/>	<hr/>
Liability component at the end of the period/year	2,320,676	2,288,521
Less: portion classified as current liabilities	12,553	12,810
	<hr/>	<hr/>
Long-term portion	2,308,123	2,275,711
	<hr/>	<hr/>

17. SHARE CAPITAL

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Authorised:		
1,000,000,000,000 shares of HK\$0.0001 each (HK\$'000)	100,000	100,000
Issued and fully paid:		
2,146,506,957 (2014: 2,147,041,457) ordinary shares	215	215
Equivalent to RMB'000	186	186

During the six months ended 30 June 2015, the Company cancelled a total of 534,500 treasury shares, which were repurchased at an aggregate consideration of HK\$3,755,000 (RMB2,964,000 in equivalent) on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2014. An amount of RMB2,964,000 was transferred from treasury shares to share premium account.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)
30 June 2015

18. BUSINESS COMBINATION

As part of the Group's plan to expand its motor vehicle sales and service business in Shandong province, the Group acquired 70% of the equity interests of the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from a third party on 31 January 2015 at a total consideration of RMB315,081,000. The purchase consideration for the acquisition was in the form of cash, with RMB313,841,000 paid during the period.

Company Name	Acquired equity interest %
青島富茂投資管理有限公司 (Qingdao Fumao Investment Management Co., Ltd.)	70%
青島富豪汽車銷售服務有限公司 (Qingdao Fuhao Automobile Sales & Service Co., Ltd.)	70%
青島富融汽車銷售服務有限公司 (Qingdao Furong Automobile Sales & Service Co., Ltd.)	70%
煙台富豪汽車銷售服務有限公司 (Yantai Fuhao Automobile Sales & Service Co., Ltd.)	70%
臨沂富豪汽車銷售服務有限公司 (Linyi Fuhao Automobile Sales & Service Co., Ltd.)	70%
威海富豪汽車銷售服務有限公司 (Weihai Fuhao Automobile Sales & Service Co., Ltd.)	70%
濟南華泰汽車銷售有限公司 (Jinan Huatai Automobile Sales Co., Ltd.)	70%
青島捷路汽車銷售服務有限公司 (Qingdao Jielu Automobile Sales & Service Co., Ltd.)	70%

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*	94,673
Intangible assets*	372,257
Deferred tax assets	3,135
Inventories	208,687
Trade receivables	6,985
Prepayments, deposits and other receivables	112,173
Pledged bank deposits	194,497
Cash in transit	11,173
Cash and cash equivalents	15,661
Trade and bills payables	(422,485)
Accruals and other payables	(173,192)
Bank borrowings	(70,000)
Income tax payable	(8,763)
Deferred tax liabilities*	(93,064)
	<hr/>
Total identifiable net assets	251,737
	<hr/>
Non-controlling interests arising from business combination	75,521
	<hr/>
Goodwill on acquisition*	138,865
	<hr/>
Total purchase consideration	315,081
	<hr/>

Notes to the Condensed Consolidated Interim Financial Statements (Continued)
30 June 2015

18. BUSINESS COMBINATION (Continued)

An analysis of the cash flows in respect of the acquisition of these subsidiaries is as follows:

Cash consideration paid	(313,841)
Cash and cash equivalents acquired	<u>15,661</u>
Net cash outflow	<u>(298,180)</u>

Since the acquisition, the acquired business contributed RMB657,875,000 to the Group's revenue and RMB32,063,000 to the consolidated profit for the six months ended 30 June 2015.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the period would have been RMB27,071,633,000 and RMB320,372,000, 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 these companies. However, the valuation was not finalized and hence the initial accounting for the business combination of these companies was incomplete by the date of this announcement. Therefore, these amounts recognized in the Group's interim financial statements for the six months ended 30 June 2015 in relation to the acquisition of these companies were on a provisional basis.

19. DISPOSAL OF SUBSIDIARIES

	<i>Note</i>	Unaudited 30 June 2015 RMB'000
Net assets disposed of:		
Property, plant and equipment		2,463
Intangible assets		2,769
Cash and cash equivalents		2,471
Cash in transit		306
Trade receivables		136
Prepayments, deposits and other receivables		13,990
Inventories		30,100
Deferred tax assets		1,072
Bank borrowings		(13,980)
Trade payables		(148)
Accruals and other payables		(15,311)
Deferred tax liabilities		<u>(739)</u>
		23,129
Goodwill		1,626
Loss on disposal of subsidiaries	4(b)	<u>(9,469)</u>
Total Consideration		<u>15,286</u>
Satisfied by:		
Cash		<u>8,462</u>

Notes to the Condensed Consolidated Interim Financial Statements (Continued)
30 June 2015

19. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Unaudited 30 June 2015 RMB'000
Cash consideration received	8,462
Cash and bank balances disposed of	<u>(2,471)</u>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>5,991</u>

20. CONTINGENT LIABILITIES

As at 30 June 2015, neither the Group nor the Company had any significant contingent liabilities.

21. COMMITMENTS

(a) Capital commitments

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Contracted, but not provided for land use rights and buildings	339,164	202,678
Contracted, but not provided for potential acquisitions	<u>91,023</u>	<u>289,063</u>
	<u>430,187</u>	<u>491,741</u>

(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 2015		Audited 31 December 2014	
	Properties RMB'000	Land RMB'000	Properties RMB'000	Land RMB'000
Within one year	92,423	77,605	85,298	75,853
After 1 year but within 5 years	278,693	250,005	230,810	217,658
After 5 years	<u>238,599</u>	<u>414,366</u>	<u>214,559</u>	<u>448,377</u>
	<u>609,715</u>	<u>741,976</u>	<u>530,667</u>	<u>741,888</u>

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 2015

22. 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 2015:

	Unaudited	
	For the six months ended 30 June 2015 RMB'000	For the six months ended 30 June 2014 RMB'000
(i) Sales of goods to joint ventures:		
– Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	9,966	6,703
– Zhongsheng Tacti Automobile Services (Dalian) Co., Ltd.	–	351
	9,966	7,054
(ii) Purchase of goods or services from joint ventures:		
– Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	1,682	2,301
– Zhongsheng Tacti Automobile Services (Dalian) Co., Ltd.	–	1,434
– TAC Automobile Accessories Trading (Shanghai) Co., Ltd.	555	578
	2,237	4,313

Notes to the Condensed Consolidated Interim Financial Statements (Continued)
30 June 2015

22. 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 2015:

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
(i) Due from related parties:		
Trade related		
Joint ventures		
– Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	<u>1,400</u>	<u>1,288</u>
(ii) Due to related parties:		
Trade related		
Joint ventures		
– Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	9	3,669
– Zhongsheng Tacti Automobile Services (Dalian) Co., Ltd.	220	226
– TAC Automobile Accessories Trading (Shanghai) Co., Ltd.	<u>172</u>	<u>–</u>
	<u>401</u>	<u>3,895</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:

	Unaudited For the six months ended 30 June 2015 RMB'000	For the six months ended 30 June 2014 RMB'000
Short term employee benefits	10,677	10,711
Post-employee benefits	<u>261</u>	<u>240</u>
Total compensation paid to key management personnel	<u>10,938</u>	<u>10,951</u>

Notes to the Condensed Consolidated Interim Financial Statements (Continued)
30 June 2015

23. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Unaudited 30 June 2015		Audited 31 December 2014	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets				
Loans and receivables				
Trade receivables	604,261	604,261	631,451	631,451
Financial assets included in prepayments, deposits and other receivables	4,021,042	4,021,042	3,542,798	3,542,798
Amounts due from related parties	1,400	1,400	1,288	1,288
Pledged bank deposits	1,782,121	1,782,121	1,887,427	1,887,427
Cash in transit	218,013	218,013	198,755	198,755
Cash and cash equivalents	3,245,943	3,245,943	4,091,220	4,091,220
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fair value profit or loss				
Financial assets at fair value through profit or loss	–	–	36,033	36,033
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Available-for-sale investments				
Available-for-sale investments	43,100	43,100	84,050	84,050
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current	9,915,880	9,915,880	10,473,022	10,473,022
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	9,915,880	9,915,880	10,473,022	10,473,022
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial liabilities				
Financial liabilities at amortised cost				
Bank loans and other borrowings	378,003	378,003	557,516	557,516
Bonds payable	–	–	598,678	598,678
Convertible Bonds	2,308,123	2,308,123	2,275,711	2,275,711
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total non-current	2,686,126	2,686,126	3,431,905	3,431,905
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial liabilities at amortised cost				
Trade and bills payables	3,393,916	3,393,916	3,085,791	3,085,791
Financial liabilities included in other payables and accruals	377,356	377,356	758,177	758,177
Amounts due to related parties	401	401	3,895	3,895
Bank loans and other borrowings	14,905,165	14,905,165	16,844,969	16,844,969
Short term bonds	402,268	402,268	–	–
Bonds payable	601,063	601,063	23,129	23,129
Convertible Bonds	12,553	12,553	12,810	12,810
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current	19,692,722	19,692,722	20,728,771	20,728,771
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	22,378,848	22,378,848	24,160,676	24,160,676
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the Condensed Consolidated Interim Financial Statements (Continued)
30 June 2015

23. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2015				
Financial assets at fair value through profit or loss:				
Listed equity investments-Hong Kong	—	—	—	—
31 December 2014				
Financial assets at fair value through profit or loss:				
Listed equity investments-Hong Kong	36,033	—	—	36,033

During the six-months period ended 30 June 2015, 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 2015 and 31 December 2014, respectively.

24. EVENTS AFTER THE REPORTING PERIOD

As a part of the plan to expand automobile sales and service business, as of the date of this announcement, the Group had acquired 75% equity interests in Beijing Baoli Xinghui Automobile Sales & Services Co., Ltd., 100% equity interests in Hangzhou Jiexiang Lexus Automobile Sales & Services Co., Ltd., 100% equity interests in Quanzhou Jiahua Lexus Automobile Sales & Services Co., Ltd. and 100% equity interests in Dongguan Huitong Jiahua Lexus Automobile Sales & Services Co., Ltd., respectively, from a third party.

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2015 was RMB26,887 million, representing an increase of RMB101 million or 0.4% as compared to the corresponding period in 2014. Revenue from new automobile sales amounted to RMB23,242 million, representing a decrease of RMB25 million or 0.1% as compared to the corresponding period in 2014. Revenue from after-sales and accessories business amounted to RMB3,645 million, representing an increase of RMB125 million or 3.5% as compared to the corresponding period in 2014.

Our new automobile sales business accounted for a substantial portion of our revenue, representing 86.4% (corresponding period in 2014: 86.9%) of our revenue for the six months ended 30 June 2015. The remaining portion of our revenue during the period was generated by our after-sales and accessories business which increased from 13.1% of our total revenue for the six months ended 30 June 2014 to 13.6% for the corresponding period of this year. Almost all of our revenue is derived from our business located in the PRC.

For the six months ended 30 June 2015, revenue from sales of our luxury brand automobiles amounted to RMB15,975 million (corresponding period in 2014: RMB 15,205 million), accounting for 68.7% (corresponding period in 2014: 65.4%) of our revenue from new automobile sales. Revenue from sales of mid-to-high-end brand automobiles amounted to RMB7,267 million (corresponding period in 2014: RMB 8,061 million), accounting for 31.3%(corresponding period in 2014: 34.6%) of our revenue from new automobile sales.

Cost of Sales and Services

Cost of sales and services for the six months ended 30 June 2015 amounted to RMB24,611 million, representing an increase of RMB394 million or 1.6% as compared to the corresponding period in 2014. Costs attributable to our new automobile sales business amounted to RMB22,618 million for the six months ended 30 June 2015, representing an increase of RMB274 million or 1.2% as compared to the corresponding period in 2014. Costs attributable to our after-sales and accessories business amounted to RMB1,993 million for the six months ended 30 June 2015, representing an increase of RMB120 million or 6.4% as compared to the corresponding period of 2014.

Gross Profit

Our gross profit for the six months ended 30 June 2015 amounted to RMB2,276 million, representing a decrease of RMB293 million or 11.4% as compared to the corresponding period in 2014. Gross profit from new automobile sales business amounted to RMB624 million, representing a decrease of RMB298 million or 32.3% as compared to the corresponding period in 2014. Gross profit from after-sales and accessories business was RMB1,652 million,

representing an increase of RMB5 million or 0.3% as compared to the corresponding period of 2014. For the six months ended 30 June 2015, gross profit from our after-sales and accessories business accounted for 72.6% of the total gross profit (corresponding period in 2014: 64.1%).

Our gross profit margin for the six months ended 30 June 2015 was 8.5% (corresponding period in 2014: 9.6%).

Other Income and Gains, Net

Our other income and gains, net for the six months ended 30 June 2015 amounted to RMB501 million, representing an increase of RMB104 million or 26.2% as compared to the corresponding period in 2014. Our other income and gains mainly consisted of commission income from automobile insurance agency and automobile financing agency services, gains from second-hand automobile trading business, rental income and interest income, etc.

Profit from Operations

Our profit from operations for the six months ended 30 June 2015 amounted to RMB1,067 million, representing a decrease of RMB294 million or 21.6% as compared to the corresponding period in 2014. Our operating profit margin for six months ended 30 June 2015 was 4.0% (corresponding period in 2014: 5.1%).

Profit for the Period

Our profit for the six months ended 30 June 2015 amounted to RMB321 million, representing a decrease of RMB295 million or 47.9% as compared to the corresponding period in 2014. Our profit margin for six months ended 30 June 2015 was 1.2% (corresponding period in 2014: 2.3%).

Profit Attributable to Owners of the Parent

Our profit attributable to owners of the parent for the six months ended 30 June 2015 was RMB310 million, representing a decrease of RMB270 million or 46.5% as compared to the corresponding period in 2014. However, the adjusted profit attributable to owners of the parent under non-HKFRSs measures for the six-month period ended 30 June 2015 was RMB343 million, decreased by 42.1% as compared to RMB592 million for the same period of 2014.

Non-HKFRSs measures – Adjusted net profit attributable to owners of the parent

In addition to our consolidated financial statements which are presented in accordance with HKFRSs, we also provide further information based on the adjusted net profit attributable to owners of the parent as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of our business performance. We also believe that these non-HKFRSs measures provide additional information to investors and others, helping them to understand and evaluate our consolidated results of operations in the same manner as our management and to compare financial results across accounting periods and with those of our peer companies.

We define adjusted net profit attributable to owners of the parent as net income or loss attributable to owners of the parent excluding the interest expense of convertible bonds recognised under HKFRSs using the effective interest rate method and adding back the interest expense of convertible bonds calculated based on coupon interest rate for the six months ended 30 June 2015.

	For the six months ended 30 June 2015 RMB'000	For the six months ended 30 June 2014 RMB'000
Profit for the period attributable to owners of the parent	310,405	580,435
Add:		
Interest expense of convertible bonds recognized under HKFRSs using the effective interest rate method	67,598	24,126
Less:		
Interest expense of convertible bonds calculated based on coupon interest rate	34,747	12,650
Adjusted net profit attributable to owners of the parent	343,256	591,911

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, to establish new dealerships and acquire additional 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 Generated from Operating Activities

For the six months ended 30 June 2015, our net cash generated from operating activities was RMB2,551 million. We generated RMB1,388 million net cash from operating profit before working capital movement and tax payment.

Cash Flow Used in Investing Activities

For the six months ended 30 June 2015, our net cash used in investing activities was RMB795 million.

Cash Used in Financing Activities

For the six months ended 30 June 2015, our net cash used in financing activities was RMB2,602 million.

Net Current Liabilities

As at 30 June 2015, we had net current liabilities of RMB558 million, representing a decrease of RMB980 million from our net current assets as at 31 December 2014.

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 2015, our total capital expenditures were RMB959 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 decreased from RMB8,319 million as at 31 December 2014 to RMB7,563 million as at 30 June 2015, primarily derived by all kinds of measures carried out to reduce the inventory level in the first half of 2015.

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

	For the six months ended 30 June	
	2015	2014
Average inventory turnover days	<u>53.7</u>	<u>54.5</u>

Our average inventory turnover days in the first half of 2015 decreased to 53.7 days from 54.5 days in the first half of 2014.

Bank Loans and Other Borrowings

As at 30 June 2015, our bank loans and other borrowings, short term bonds and bonds payable amounted to RMB16,286 million, and our convertible bonds liability portion amounted to RMB2,321 million. Our bank loans and other borrowings decreased during the period under review of which was mainly due to more efficient of inventory turnover and the continuously optimizing of the working capital utilization.

Interest Rate Risk and Foreign Exchange Rate Risk

The Group 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 risk exposure.

Employee and Remuneration Policy

As at 30 June 2015, the Group had 15,375 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 2015, the book value of the pledged group assets amounted to approximately RMB5.1 billion (31 December 2014: RMB5.1 billion).

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 2015 and up to the date of this announcement, the Company has been in compliance with the code provisions set out in the CG Code, save for one exception: code provision A.5.1 which stipulates that a nomination committee should comprise a majority of independent non-executive directors.

Since the retirement of Mr. Shigeno Tomihei as an independent non-executive director and his cessation to act as the chairman of remuneration committee and a member of nomination committee of the Company, and the resignation of Mr. Leng Xuesong as a non-executive director and his cessation to act as a member of audit committee of the Company have been effected on 16 June 2015, the number of independent non-executive directors of the Company has fallen below one-third of the Board. Moreover, the composition of the Board and its committees does not meet the requirements under the rules 3.10A, 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code. In order to comply with such requirements, the Company has identified suitable candidates to act as independent non-executive director and to fill up the vacancy of the Board committees respectively. Details of the said appointments are to be disclosed in a separate announcement dated 31 August 2015.

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 2015 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 2015 and up to the date of this announcement.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) comprises two independent non-executive directors being Mr. Ng Yuk Keung and Mr. Shen Jinjun who have reviewed the interim financial results of the Company for the six months ended 30 June 2015.

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 2015. The Audit Committee considers that the interim financial results for the six months ended 30 June 2015 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 2015.

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) and the Company (www.zs-group.com.cn).

The interim report of the Company for the six months ended 30 June 2015 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, 31 August 2015

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 director of the Company is Mr. Adam Keswick; and the independent non-executive directors of the Company are Mr. Ng Yuk Keung, Mr. Shen Jinjun and Mr. Lin Yong.