China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1728)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the "**Board**") of China ZhengTong Auto Services Holdings Limited 中國正通汽車服務控股有限公司 (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 June 2017 – unaudited
(Expressed in RMB'000)

		Six months ended 30 June	
	Note	**2017**	2016
Revenue	*4*	**15,627,910**	14,596,154
Cost of sales		**(13,894,194)**	(13,251,859)
Gross profit		**1,733,716**	1,344,295
Other revenue	*5*	**269,311**	186,209
Other net (loss)/income	*5*	**(48,503)**	28,876
Selling and distribution expenses		**(462,219)**	(441,172)
Administrative expenses		**(393,307)**	(484,504)
Profit from operations		**1,098,998**	633,704
Finance costs	*6(a)*	**(343,823)**	(257,923)
Share of profit of joint venture and associates		**8,290**	8,297
Profit before taxation	*6*	**763,465**	384,078
Income tax	*7*	**(237,148)**	(123,726)
Profit for the period		**526,317**	260,352
Attributable to:			
Equity Shareholders of the Company		**515,737**	253,347
Non-controlling interests		**10,580**	7,005
Profit for the period		**526,317**	260,352
Earnings per share	*8*		
– Basic (RMB cents)		**23.3**	11.5
– Diluted (RMB cents)		**23.3**	11.5

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2017 – unaudited
(Expressed in RMB'000)

	Note	Six months ended 30 June **2017**	2016
Profit for the period		**526,317**	260,352
Other comprehensive income for the period (after tax):			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of:			
– financial statements of entities outside the Mainland China		**18,888**	(4,603)
Other comprehensive income for the period		**18,888**	(4,603)
Total comprehensive income for the period		**545,205**	255,749
Attributable to:			
Equity Shareholders of the Company		**534,625**	248,744
Non-controlling interests		**10,580**	7,005
Total comprehensive income for the period		**545,205**	255,749

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2017 – unaudited
(Expressed in RMB'000)

	Note	At 30 June 2017	At 31 December 2016
Non-current assets			
Property, plant and equipment		**4,090,939**	3,912,899
Lease prepayments		**1,256,703**	1,108,570
Receivables from financial services	*10*	**1,688,517**	1,931,884
Intangible assets		**3,718,887**	3,691,704
Goodwill		**1,998,733**	1,926,551
Interest in a joint venture		**254,021**	244,114
Interest in associates		**17,359**	21,803
Deferred tax assets		**166,698**	154,912
Other financial assets		**–**	143,456
		13,191,857	13,135,893
Current assets			
Inventories	*11*	**3,255,979**	3,018,856
Trade and other receivables	*12*	**6,345,301**	6,384,103
Receivables from financial services	*10*	**1,978,017**	1,732,996
Pledged bank deposits and balances with central bank		**1,579,904**	1,831,934
Time deposits		**298,000**	–
Cash and cash equivalents	*13*	**3,004,258**	1,625,128
		16,461,459	14,593,017
Current liabilities			
Loans and borrowings for financial services	*14*	**2,900,000**	3,252,885
Loans and borrowings for non-financial services	*14*	**6,026,188**	5,392,584
Obligations under finance leases		**269,226**	101,720
Trade and other payables	*15*	**4,997,524**	5,501,303
Income tax payables		**1,222,496**	1,129,926
		15,415,434	15,378,418
Net current assets/(liabilities)		**1,046,025**	(785,401)
Total assets less current liabilities		**14,237,882**	12,350,492

	Note	At 30 June 2017	At 31 December 2016
Non-current liabilities			
Loans and borrowings for non-financial services	*14*	**3,735,986**	224,000
Bonds payable		**297,130**	2,314,703
Other financial liability		**30,136**	–
Deferred tax liabilities		**880,474**	869,628
		4,943,726	3,408,331
NET ASSETS		**9,294,156**	8,942,161
Capital and reserves			
Share capital		**188,788**	188,788
Reserves		**9,010,958**	8,669,543
Total equity attributable to equity shareholders of the Company		**9,199,746**	8,858,331
Non-controlling interests		**94,410**	83,830
TOTAL EQUITY		**9,294,156**	8,942,161

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1 GENERAL INFORMATION

China ZhengTong Auto Services Holdings Limited (the "Company") was incorporated in the Cayman Islands on 9 July 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in 4S dealership business, supply chain business, and financial services business in the People's Republic of China (the "PRC").

2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report is unaudited, but has been reviewed by the Company's auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the HKICPA.*

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements for the year ended 31 December 2016 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those statutory financial statements in their report dated 21 March 2017.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the group. None of these developments has had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE

The Group is mainly engaged in sales of passenger motor vehicles, motor spare parts, provision of maintenance services, provision of logistics services, sales of lubricant oil and financial services. Revenue represents the sales of goods, services income rendered to customers and interest income.

The amount of each significant category of revenue recognised during the period is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Sales of passenger motor vehicles	**13,215,237**	12,400,453
Sales of motor spare parts	**290,865**	348,847
Provision of maintenance services	**1,526,570**	1,370,267
Provision of logistics services	**249,408**	188,674
Sales of lubricant oil	**102,536**	111,211
Interest and service income from financial services	**243,294**	176,702
	15,627,910	14,596,154

5 OTHER REVENUE AND NET (LOSS)/INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Other revenue:		
Service income	**256,588**	171,688
Interest income from bank deposits	**12,391**	13,678
Others	**332**	843
	269,311	186,209
Other net (loss)/income:		
Net gain on disposal of property, plant and equipment	**14,791**	11,509
Net (loss)/gain on derivative financial instruments	**(73,998)**	9,521
Others	**10,704**	7,846
	(48,503)	28,876

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Note	Six months ended 30 June 2017 RMB'000	2016 RMB'000
(a) Finance costs:			
Interest on loans and borrowings and bonds payable		**343,827**	247,287
Other finance costs	*(i)*	**20,590**	26,631
Less: interest capitalised		**(20,594)**	(15,995)
		343,823	257,923
(b) Staff costs:			
Salaries, wages and other benefits		**367,493**	327,218
Contributions to defined contribution retirement plans	*(ii)*	**26,724**	23,732
		394,217	350,950

(i) It mainly represents the interest expenses arising from discount of bills.

(ii) Employees of the Group's PRC subsidiaries are required to participate in defined contribution retirement schemes administered and operated by the local municipal governments where the subsidiaries are registered. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the respective local municipal government to the schemes to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits other than the annual contributions described above.

	Six months ended 30 June 2017 RMB'000	2016 RMB'000
(c) Other items:		
Cost of inventories	**13,643,106**	13,011,828
Cost of interests*	**47,435**	65,842
Depreciation	**141,164**	143,334
Amortisation of lease prepayments	**12,018**	11,398
Amortisation of intangible assets	**50,949**	50,747
Operating lease charges	**175,215**	154,894
Net foreign exchange (gain)/loss	**(56,081)**	48,175

* The cost of interests is the borrowing costs for financial services, and is recognized in the cost of sales.

7 INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current tax:		
Provision for PRC income tax for the period	**257,671**	147,466
Deferred tax:		
Origination of temporary differences	**(20,523)**	(23,740)
	237,148	123,726

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(ii) No provision for Hong Kong Profits Tax was made for the Group's subsidiaries located in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the period. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(iii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax rate of 25%.

Taxation for the Group's PRC subsidiaries is calculated using the estimated annual effective rates of taxation that are expected to be applicable.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on the profit attributable to shareholders of the Company for the six months of RMB515,737,000 (30 June 2016: RMB253,347,000) and the weighted average number of ordinary shares of 2,210,200,440 (30 June 2016: 2,210,200,440) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2017 is based on the profit attributable to ordinary equity shareholders of the Company of RMB515,737,000 (30 June 2016: RMB253,347,000) and the weighted average number of ordinary shares of 2,213,262,950 (30 June 2016: 2,212,507,194) in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's pre-IPO employee share option scheme.

Weighted average number of shares (diluted)

	Six months ended 30 June	
	2017	2016
	Number of shares	*Number of shares*
Weighted average number of ordinary shares	**2,210,200,440**	2,210,200,440
Effect of deemed issue of shares under the pre-IPO employee share option scheme	**3,062,510**	2,306,754
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,213,262,950**	2,212,507,194

9 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three major operating segments:

1 4S dealership business

4S dealership business mainly includes sales of motor vehicles, motor spare parts and provision of maintenance services through the Group's network of 4S dealership in the PRC.

2 Supply chain business

Supply chain business mainly includes provision of motor-related logistics services and trading of lubricant oil.

3 Financial services business

Financial services business mainly includes providing financial services to auto customers and dealers.

(a) Information about profit or loss, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

- The measure used for reporting segment profit is profit before taxation. To arrive at profit before taxation, the Group's earnings are adjusted for items not specifically attributed to individual segments, such as head office and corporate administration costs, other revenue, other net income and finance costs.

- Segment assets include all current and non-current assets with the exception of intangible assets, goodwill, deferred tax assets and unallocated head office assets. Segment liabilities include all current and non-current liabilities with the exception of income tax payables, deferred tax liabilities and unallocated head office liabilities.

- In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter-segment sales), loans and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

	4S dealership business		**Supply chain business**		**Financial services business**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**15,032,672**	14,116,028	**351,944**	299,885	**243,294**	180,241	**15,627,910**	14,596,154
Inter-segment revenue	**–**	–	**–**	–	**19,753**	11,051	**19,753**	11,051
Reportable segment revenue	**15,032,672**	14,116,028	**351,944**	299,885	**263,047**	191,292	**15,647,663**	14,607,205
Reportable segment profit	**655,075**	371,445	**17,624**	24,169	**184,408**	99,101	**857,107**	494,715
Depreciation and amortisation for the period	**182,393**	187,549	**10,448**	13,011	**11,290**	4,919	**204,131**	205,479
Reportable segment assets as at 30 June 2017/ 31 December 2016	**15,660,458**	16,175,278	**265,496**	234,729	**4,755,622**	4,413,169	**20,681,576**	20,823,176
Additions to non-current segment assets during the period	**623,948**	287,062	**10,481**	2,452	**67,071**	111,528	**701,500**	401,042
Reportable segment liabilities as at 30 June 2017/ 31 December 2016	**(13,003,097)**	(12,523,755)	**(165,629)**	(144,001)	**(3,205,682)**	(3,531,114)	**(16,374,408)**	(16,198,870)
Investment in a joint venture and associates as at 30 June 2017/31 December 2016	**–**	–	**254,021**	247,314	**17,359**	18,603	**271,380**	265,917

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Reportable segment profit	**857,107**	494,715
Elimination of inter-segment profits	**(17,006)**	(8,342)
Unallocated head office gain/(expenses)	**46,379**	(59,457)
Other revenue	**269,311**	186,209
Other net (loss)/income	**(48,503)**	28,876
Finance costs	**(343,823)**	(257,923)
Consolidated profit before taxation	**763,465**	384,078

(c) Geographic information

As the Group solely operates in the PRC, no geographical segment information has been presented.

(d) Reconciliations of reportable segment assets and liabilities

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Assets:		
Reportable segment assets	**20,681,576**	20,823,176
Intangible assets	**3,718,887**	3,691,704
Goodwill	**1,998,733**	1,926,551
Deferred tax assets	**166,698**	154,912
Unallocated head office assets	**3,755,389**	2,356,499
Elimination of inter-segment receivables	**(667,967)**	(1,223,932)
Consolidated total assets	**29,653,316**	27,728,910
Liabilities:		
Reportable segment liabilities	**(16,374,408)**	(16,198,870)
Income tax payables	**(1,222,496)**	(1,129,926)
Deferred tax liabilities	**(880,474)**	(869,628)
Unallocated head office liabilities	**(2,549,749)**	(1,812,257)
Elimination of inter-segment payables	**667,967**	1,223,932
Consolidated total liabilities	**(20,359,160)**	(18,786,749)

10 RECEIVABLES FROM FINANCIAL SERVICES

	At 30 June 2017 ***RMB'000***	At 31 December 2016 *RMB'000*
Current		
Receivable from retail customers	**1,820,844**	1,618,481
Receivable from auto dealers	**176,541**	143,046
Less: allowance for doubtful debts	**(19,368)**	(28,531)
	1,978,017	1,732,996
Non-Current		
Receivable from retail customers	**1,692,446**	1,939,492
Less: allowance for doubtful debts	**(3,929)**	(7,608)
	1,688,517	1,931,884
Net receivables from financial services	**3,666,534**	3,664,880

Receivable from retail customers are expected to be recovered within one to five years. Receivable from auto dealers are expected to be recovered within one year.

11 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	At 30 June 2017 ***RMB'000***	At 31 December 2016 *RMB'000*
Motor vehicles	**3,004,626**	2,765,645
Motor spare parts	**222,785**	229,487
Others	**28,568**	23,724
	3,255,979	3,018,856

12 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Within 3 months	**672,148**	676,669
Over 3 months but within 1 year	**15,167**	26,404
Over 1 year	**9,718**	10,755
Less: allowance for doubtful debts	**–**	–
Trade debtors and bills receivable	**697,033**	713,828
Prepayments	**697,396**	1,054,354
Other receivables and deposits	**4,950,872**	4,615,921
Less: allowance for doubtful debts	**–**	–
Trade and other receivables	**6,345,301**	6,384,103

All of the trade and other receivables are expected to be recovered within one year.

Credit risk in respect of trade receivables is limited since credit sales are offered in rare cases subject to high level management's approval, for which management has a credit policy in place and the exposures to the credit risks are monitored on an ongoing basis.

The Group grants credit to its customers of the major segments as below:

Reportable segments	*Credit terms in general*
4S dealership business	Cash on delivery to 180 days
Supply chain business	30 to 90 days

13 CASH AND CASH EQUIVALENTS

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Deposit with banks within 3 months of maturity	**5,700**	13,400
Cash at banks and on hand	**2,998,558**	1,611,728
Cash and cash equivalents in the consolidated statements of financial position	**3,004,258**	1,625,128

14 LOANS AND BORROWINGS

The analysis of the carrying amount of loans and borrowings is as follows:

	At 30 June 2017 ***RMB'000***	At 31 December 2016 *RMB'000*
Current		
Loans and borrowings for financial services		
Unsecured bank loans	**2,900,000**	3,064,885
Secured long-term bank loans repayable within 1 year	**–**	68,000
Unsecured long-term bank loans repayable within 1 year	**–**	120,000
	2,900,000	3,252,885
Loans and borrowings for non-financial services		
Unsecured bank loans	**4,164,129**	3,927,766
Unsecured long-term bank loans repayable within 1 year	**84,000**	56,000
Unsecured short-term commercial paper	**400,000**	700,000
Unsecured borrowings from other financial institutions	**13,156**	–
	4,661,285	4,683,766
Secured bank loans	**867,292**	417,529
Secured borrowings from other financial institutions	**497,611**	291,289
	6,026,188	5,392,584
Sub-total	**8,926,188**	8,645,469
Non-current		
Loans and borrowings for non-financial services		
Unsecured bank loans	**3,735,986**	224,000
Sub-total	**3,735,986**	224,000
Total	**12,662,174**	8,869,469

15 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Within 3 months	**3,339,126**	3,831,245
Over 3 months but within 6 months	**28,747**	271,299
Over 6 months but within 12 months	**1,727**	1,957
Total creditors and bills payable	**3,369,600**	4,104,501
Receipts in advance	**498,478**	503,332
Other payables and accruals	**1,119,896**	887,826
Payables due to third parties	**4,987,974**	5,495,659
Payables due to related parties	**9,550**	5,644
Trade and other payables	**4,997,524**	5,501,303

16 CONTINGENT LIABILITIES

As of 30 June 2017, the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

For the first half of 2017, China's gross domestic production (GDP) grew by 6.9%, year-on-year, indicating an overall trend of stability and growth for the national economy. Per capita disposable income was RMB12,932, grew by 8.8%, year-on-year, and after deducting the price factor, the actual growth was 7.3%, comparing with GDP grew by 0.4 percentage point, which is over the GDP growth for the first half of the year.

According to statistics released by the China Association of Automobile Manufacturers, sales of passenger automobiles in China during the first half of 2017 increased by 1.9%, year-on-year, to 11,253,000 units, representing a lower growth rate by 7.62 percentage points as compared to the corresponding period of last year. While the overall market of the passenger automobiles saw a steady growth year-on-year, the market of the luxury-branded automobiles experienced growth to varying extents, but the competition also intensified. Among the major brands under the Group's dealership, for the first half of the year, the sales volume of BMW and MINI branded automobiles in China reached 293,280 units, representing a year-on-year growth of 18.4% (same period of 2016: 247,644 units); the sales volume of Audi branded automobiles in China was 253,635 units, representing a year-on-year negative growth of 12.6% (same period of 2016: 290,126 units); the sales volume of Benz branded automobiles in China was 304,017 units, representing a year-on-year growth of 41.1% (same period of 2016: 215,527 units); the sales volume of Jaguar and Land Rover branded automobiles in China was 67,103 units, representing a year-on-year growth of 26.2% (same period of 2016: 53,156 units); the sales volume of Volvo branded automobiles in China was 51,914 units, representing a year-on-year growth of 27.6% (same period of 2016: 40,688 units); and the sales volume of Porsche branded automobiles in China was35,864 units, representing a year-on-year growth of 17.8% (same period of 2016: 30,440 units). As a core dealer group for many leading luxury brands in China, the Group continues to collaborate closely with respective automobile manufacturers to expand China's market and strives to identify industry dynamics and maximize service opportunities fostered by changing trend of automotive consumer habit. In addition to further improving its existing services, the Group also actively explored innovative service models to further enhance customers' service experience leveraging on its diversified brand portfolios, efficient and optimal sales network and well- rounded sales and services platform.

During the first half of 2017, while strengthening the traditional after-sale services for automobiles such as repair, maintenance and sale of accessories, the Group made full use of its unique characteristics to develop new businesses. In particular, the introduction of financial services business had made a significant progress that financial cooperation with manufacturers was consolidated to provide customers with additional services. The Group offered customers more personalized and competitive auto finance solutions, which were significantly supported by the growth of the sales of new and pre-owned automobiles, financial leasing and customer relationship development.

In future, the auto service industry will focuse more on high quality, personalized and integrated services, based on the existing business network, the Group will further expand its business presence and improve the profitability of new outlets. In order to enrich the personalized automobile-related services for customers, the Group will continue to invest in innovation. The Group will also strive to enhance internal management efficiency and service platform and explore customer base and consolidate its competitive strengths. The Group is also committed to providing quality, convenient and comprehensive automobile-related services in order to create greater values for the shareholders and employees of the Group as well as the society.

The Group's remarkable performance in the first half of 2017 is attributable to the dedication of employees as well as the trust and support of its business partners and shareholders. On behalf of the Board, I would like to express my sincere gratitude to our shareholders, business partners and customers for their long-term support and trust, as well as our loyal staff for their hard work and valuable contributions to the Group over the first half of 2017.

BUSINESS REVIEW

In the first half of 2017, the Group continued concentrating on sales of luxury and ultra-luxury branded automobiles and its traditional after-sales services, while making significant efforts to its high value-added after-market businesses in the sectors of auto financing, financial leasing, insurance brokerage, pre-owned automobiles, etc. For the six months ended 30 June 2017, the Group achieved revenue of approximately RMB15,628 million, representing a year-on-year increase of approximately 7.1%, and gross profit of approximately RMB1,734 million, representing a year-on-year increase of approximately 29.0%. Profit attributable to shareholders of the Company was approximately RMB516 million with basic earnings per share of approximately RMB23.3 cents, with a year-on-year growth of 104.0% and 102.6% respectively.

(1) Sales of new automobiles business

In the first half of 2017, the Group achieved steady growth in the sales volume of new automobiles despite growing competition, largely attributed to its emphasis on unlocking in same-store sales and consolidating its existing regional competitive strengths as well as thoughtful network expansion. For the six months ended 30 June 2017, the Group reported the sales volume of new automobiles of 46,050, representing a year-on-year increase of approximately 3.5%, including 34,021 luxury and ultra-luxury branded automobiles with a year-on-year increase of 8.1%. During the first half of the year, the auto manufacturers of major brands under the Group's dealership continued to strengthen their product offerings with new models, the average selling prices continued a stable upward trend, and respective brands' margin diverge as the competition landscape shifts.

For the first half of 2017, the Group's gross profit from the sales of new automobiles amounted to RMB634 million, representing a year-on-year increase of approximately 62.6%, the gross profit margin of sales of new automobiles is grew by approximately 1.7 percentage point, from 3.1% for the first half of 2016, to 4.8% for the first half of 2017.

(2) After-sales services business

The steady growing car ownership in China continued to contribute to the expansion in after-sales services in the automobile market. Regulation and policy changes related to spare parts and components foster both new growth opportunities and competition. For the first half of 2017, the Group provided services to 526,823 vehicles, representing a year-on-year growth of 10.8%. The Group made great efforts to enhance our customer loyalty, while ensuring positive growth in revenue and gross profit for the after- sales service business by increasing the overall throughputs in response to adjustments in the prices of spare parts and components. Meanwhile, the Group was actively engaged in the research, development and marketing of new products and services. For example, in terms of the marketing, the Group enhanced the development of customized solutions in maintenance, repairing, warranty renewal and extension by leveraging our favorable strengths, in order to further increase our product penetration rate. In terms of service experience, the Group provided more efficient services to customers through instant appointment and express bodywork. Our loaner vehicle services included loaner vehicle insurance and loaner vehicle subsidies for customers. Regarding cost control, the Group reorganized its departments and optimized its centralized procurement channels and management of inventory and spare parts to facilitate stringent control over costs.

(3) Finance and insurance business

In the first half of 2017, the Group made focused efforts to forge a financial business segment with Shanghai Dongzheng Automotive Finance Co., Ltd. ("Dongzheng AFC") as the core to build a personalized and diversified financial service platform, on which the Group develops and provides differentiated, diversified and customer-oriented financial products and services, including loan products of Dongzheng AFC, financial leasing products of Shanghai Zhengtong Dingze Financial Leasing Co., Ltd. and other financial products collaborated with auto manufacturer partner.

Internet auto finance platform fostering competitive strengths in differentiation

China's auto consumer finance market is embracing a period of rapid growth. During the first half of 2017, by fully leveraging on the Group's unique competitive strengths in product design, risk control and marketing channels, Dongzheng AFC reported rapid growth in high quality loan assets in relation to numerous automobile brands across the country in a relatively short period of time.

Dongzheng AFC will further identify different types of customer demands and embark on extensive strategic cooperation with OEMs or dealership groups to broaden the channels for its retail loan business. In the meantime, it will also explore potential financing demands relating to automotive logistics commercial vehicles and pre-owned automobiles.

The Internet auto finance platform has been taking shape. In terms of customer resources, part of the Dongzheng AFC's customers are from the 4S stores, and the rest are from the main auto consumption websites. In terms of risk control, the big-data intelligent risk control platform has been completed. In terms of asset exchange platform, Xiamen International Financial Asset Exchange Co., Limited, invested by the Group, is a new internet circulation and information exchange platform combined with ABS factory, ABS database and ABS research institution.

We have already established a well-rounded web-based ecosystem to facilitate online to offline customer acquisition, big-data based risk control management system, and ABS related online auto finance transaction platform.

On 1 June 2017, Dongzheng AFC received the Approval from the Shanghai Office of The China Banking Regulatory Commission to approve the increase of the registered capital of Dongzheng AFC from RMB0.5 billion to RMB1.6 billion with the original shareholders and the shareholding proportion to be remained unchanged.

With the further improvement on consumers' credit record and the further awareness on the use of personal consumer credit services in the PRC, the penetration of the automobile consumer finance services has grown rapidly and the market size has experienced a fast expansion in the PRC. The Company has seen a rapid growth in its automobile financing business for the past two years. The Capital Increase will substantially improve Dongzheng AFC's capital adequacy ratio and financing capacity and reduce its finance costs, which will facilitate its expansion of business scale and the enhancement of its profitability, and will in turn further enhance the Company's overall competitiveness in the financial services sector and increase return on the shareholders' investment.

Growing maturity of the insurance brokerage business

For the insurance brokerage business, the Group further increased its penetration rate for insurance renewal in the first half of 2017 while sustaining a currently high penetration rate for new insurance policy. In the context of the reform of auto insurance rates in China, the Group is developing e-platform for its insurance brokerage business to facilitate online interaction and offline cooperation among the insurers, insurance brokers, customers and staff to increase the service quality and efficiency of the insurance brokerage business. In the future, the Group will continue to develop its insurance brokerage business by enhancing its e-platform and product display as well as distinctive product portfolios, such that insurance brokerage will become a more independent business segment.

(4) Supply chain business

The Group's supply chain business segment mainly consists of automobile logistics business and trading of auto maintenance supplies. The automobile logistics business enjoys a cutting-edge and comprehensive proprietary logistics management system with national "5A" logistic enterprise qualifications, and its scope of business covers the full supply chain for automobile logistics from procurement logistics, production logistics, distribution processing, distribution logistics and vehicle logistics to logistics-related consulting services. The trading of auto maintenance supplies mainly includes trading of lubricant oil. Our automobile logistics business provides services primarily to mainstream automobile groups in China through a service network that covers 25 provinces and municipalities in China. As an automobile logistics service platform with leading technologies in China, the segment has enormous potential for future growth, aiming to develop into one of the largest independent third-party automobile logistics service providers in China owned by non-OEMs.

In order to further support the rapid development of the supply chain business, under the strong support from the government of Wuhan City, the Company proposed to establish an automobile supply chain platform with coverage in China's major cities. On 29 June 2017, the Company and Wuhan Economic and Technological Development Zone officially signed a cooperation agreement for Shengze Jietong logistics base project.

The proposed base is located at upper stream of Wuhan Vessel Trading Centre, Dengnan Operations Area of Hannan Port Area in Wuhan Economic and Technological Development Zone, with land area of approximate 256 acres. The proposed base is only 150 meters away from the Yangtze River enjoying resources of 460 meters shoreline, the base is adjacent to Wuhan-Jianli Expressway, Beijing-Zhuhai Expressway and Shanghai-Chengdu Expressway as well as it is around 80 kilometers away from Tianhe Airport and high-speed railway. The base can be direct access to Junshan Line Railway Station for the line from Dongxihu and Zhuankou, which is subsequent plan by the government. The main construction of the project would be included 4 quay berths, 200,000 square meters multi-storey automobiles warehouse integrated with intelligent logistics platform, 150,000 square meters spare parts warehouse as well as office and living supporting facilities area. Leveraging on the current supply chain network of Dongfeng and GAC Group, together with FAW Group's five major production base and two distribution center supply chain network, it is strategically positioned as multimodal transport system with railway and vessel, so called "three vertical and four horizontal", and riding on the existing mutual transportation mode between truck transportation and short-distance regional transfer, in order to build the largest regional logistics hub in Central China, to be one of the largest express logistics channel network in China. The project is scheduled to be completed in 2019, be fully operated in 2020, it is estimated that the handling capacity can reach 800,000 vehicles.

(5) Network development

Balanced and reasonable deployment of the nationwide dealership network for luxury brands complemented by ongoing optimization to enhance overall profitability

As a leading dealership group of luxury brands in China, the Group focuses on dealership of luxury and ultra-luxury branded automobiles, such as Porsche, Benz, BMW, Audi, Jaguar and Land Rover, Volvo, Infiniti and Cadillac. The Group also operates dealership stores of middle market brands, such as FAW-Volkswagen, Buick, Nissan, Toyota, Honda and Hyundai.

As of 30 June 2017, the Group operated 113 dealership stores in 40 cities across 16 provinces and municipalities in China. During the first half of 2017, the Group had 5 new operating dealership stores for luxury automobiles, by opening 3 new stores namely a Porsche 4S store in Guangzhou, an Audi 4S store in Baoding and a Benz 4S store in Suzhou; simultaneously, there are increases in 2 Benz 4S stores in Zhejiang Yiwu and Yongkang through the acquisition. The Group's Benz dealership business has successfully entered the strategic market in East China.

As of the date of this report, there are 19 dealership stores under development or to be developed, which are franchised by core luxury automobile brands, such as Porsche, Benz, Audi, BMW, Jaguar and Land Rover as well as Volvo, covering first-tier cities including Beijing, Shanghai, Shenzhen and Chongqing, as well as regions with potential for rapid development, such as Yunnan, Jiangsu, Sichuan, Hubei, Hunan, Hainan and Guangdong, in further enhancement of the Group's advantage in scale and channels.

The following table sets forth the details of our dealership stores as at 30 June 2017:

	Dealership stores in operation	Authorized dealership stores to be opened	Total
5S/4S store for luxury and ultra-luxury brands	83	18	101
4S store for mid- to high-end brands	13	0	13
Urban showroom for 4S stores	11	0	11
Authorized repair service centre for luxury brands	6	0	6
Pre-owned automobile centre	0	1	1
Total	113	19	132

As a leading strategic partner of manufacturers of luxury brands and ultra-luxury brands in the PRC, the Group will continue its network expansion strategies with its focus on a balanced layout of dealership stores of core luxury brands and a refined brand structure in its pursuit of prudent development. Meanwhile, the Group will seek appropriate merger opportunities to rapidly enlarge its business scale and enhance its profitability.

Innovation of Expansion Model – Strategic Operation Management Cooperation Scheme ("SOMCS")

On 4 August 2017, the Board of the Company announced that the Company's wholly-owned subsidiary ZhengTong Automobile Services Co., Ltd and two natural persons, Ms. Li Wangxing and Mr. Lin Yihao, have entered into a framework agreement regarding SOMCS of BMW vehicles dealership, vehicles repair and other related business in China (the "**Framework Agreement**"). The cooperation covers Shenzhen, Guangzhou, Foshan and Jieyang with a total of 6 BMW 4S stores, 1 MINI 4S store, 2 BMW showrooms and 1 repair centre (the "**Target Vehicles Dealership Outlets**"). The Target Vehicles Dealership Outlets are wholly-owned by Ms Li and Mr. Lin, who are the ultimate controlling shareholders. Both parties intend to carry out substantial cooperation with respect to BMW vehicles dealership network. The Company shall take initiatives to enhance the existing operation quality and profitability of the Target Vehicles Dealership Outlets in all aspects.

SOMCS shall further enhance the Group's network on the BMW brand, escalate profitability on BMW brand through leveraging on Group's auto extended and integrated value-added platforms, initiate an industrial standard for future management outsourcing by the Group, and optimize our capital deployment and capital structure, in order to effectively enhance the return of shareholders' equity.

At the date of the report, the respective due diligence of the SOMCS is working in progress. The terms of the SOMCS shall be determined through negotiation by both parties to the Framework Agreement upon due diligence review on the Target Vehicles Dealership Outlets by the accountants appointed by the Company. Further announcement will be duly made in relation to the particulars of the SOMCS in accordance with the Listing Rules.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2017, the Group recorded a revenue of approximately RMB15,628 million, representing an increase of approximately 7.1% as compared to the revenue of approximately RMB14,596 million in the first half of 2016. The increase was mainly due to an increase in number of dealership stores, a pickup in sales of new automobiles and rapid increase in automobile financing revenue in the period under review.

Revenues of the Group were derived from the sales of new automobiles, the after-sales services, financial services and other business. In the first half of 2017, revenue from the sales of new automobiles amounted to approximately RMB13,215 million, representing an increase of approximately 6.6% as compared to approximately RMB12,400 million in the first half of 2016, and accounted for approximately 84.6% and 85.0% of the total revenue in the first half of 2017 and 2016 respectively.

Revenue from the after-sales services business was approximately RMB1,817 million, representing a growth of approximately 5.7% as compared to approximately RMB1,719 million in the first half of 2016. The revenue from luxury and ultra- luxury branded automobiles increased by approximately 9.0% to RMB11,767 million from approximately RMB10,797 million in the first half of 2016, accounting for 89.0% and 87.1% of revenue from the sales of new automobiles for the first half of 2017 and 2016 respectively. In the first half of 2017, revenue from the after-sales services business accounted for approximately 11.6% of our total revenue, representing a decrease of approximately 0.2 percentage point in revenue from the after-sales services business.

Cost of sales

For the six months ended 30 June 2017, the Group's cost of sales increased by approximately 4.8%, which was lower than the increase in revenue, to approximately RMB13,894 million as compared to approximately RMB13,252 million in the first half of 2016. In the first half of 2017, the cost of sales for new automobiles increased by approximately 4.8% to approximately RMB12,582 million from approximately RMB12,010 million in the first half of 2016. Cost of the after-sales services business increased by approximately 4.2% to approximately RMB950 million from approximately RMB912 million in the first half of 2016.

Gross profit and gross profit margin

For the six months ended 30 June 2017, the Group's gross profit increased by approximately 29.0% to RMB1,734 million from approximately RMB1,344 million in the first half of 2016, and the Group's gross profit margin grew by approximately 1.9 percentage point to approximately 11.1% from 9.2% in the first half of 2016.

The Group's gross profit was principally generated from after-sales services, sales of new automobiles business and automobile financing services. In the first half of 2017, gross profit of sales of new automobiles increased by approximately 62.6% to approximately RMB634 million from approximately RMB390 million in the first half of 2016; gross profit margin of sales of new automobiles increased to 4.8% as compared to the first half of 2016. Gross profit of sales of luxury and ultra-luxury branded automobiles dramatically boosted by approximately 63.3% as compared to the same period last year to approximately RMB591 million, and gross profit margin of sales of luxury and ultra-luxury branded automobiles increased to 5.0% from 3.4% in the first half of 2016, such boost was mainly due to entering into the new product cycle of dealership brands. In the first half of 2017, gross profit of our after-sales services business was approximately RMB867 million, representing an increase of approximately 7.4% as compared to the same period last year, and gross profit margin of after-sales services business increased by approximately 0.8 percentage point to approximately 47.7% from approximately 46.9% in the first half of 2016. Gross profit and gross profit margin of Dongzheng AFC for the first half of 2017 were RMB205 million and 72.3% respectively.

Selling and distribution expenses

For the six months ended 30 June 2017, the Group's selling and distribution expenses increased by approximately 4.8% to approximately RMB462 million from approximately RMB441 million in the first half of 2016. Such increase was primarily due to increase in leasing charges, wages and depreciation as a result of an increase in number of dealership stores.

Administrative expenses

For the six months ended 30 June 2017, the Group's administrative expenses amounted to approximately RMB393 million, representing a decrease of approximately 19.0% over approximately RMB485 million in the first half of 2016. Such decrease was due to an exchange gain incurred from the appreciation of Renminbi since the beginning of the year during the period under review.

Profit from operations

For the six months ended 30 June 2017, the Group's profit from operations increased by approximately 73.3% to approximately RMB1,099 million from approximately RMB634 million in the first half of 2016, and the operating profit margin was approximately 7.0%, representing an increase of approximately 2.7 percentage point over approximately 4.3% in the first half in 2016.

Income tax expenses

For the six months ended 30 June 2017, the Group's income tax expenses amounted to approximately RMB237 million and the effective tax rate was approximately 31.1% (first half of 2016 : 32.2%).

Profit for the period

For the six months ended 30 June 2017, the Group's profit for the period increased by approximately 102.3% to approximately RMB526 million from approximately RMB260 million in the first half of 2016. During the period, profit margin was increased by approximately 1.6 percentage point to approximately 3.4% from approximately 1.8% in the first half of 2016.

Interim dividend

The board of directors of the Company resolved not to declare the payment of an interim dividend for the six months ended 30 June 2017.

Contingent liabilities

As at 30 June 2017, the Group has no material contingent liabilities or guarantees save as those assets pledged to the bank.

Current assets and current liabilities

As at 30 June 2017, the Group's current assets amounted to approximately RMB16,461 million, representing an increase of approximately RMB1,868 million as compared to the current assets of approximately RMB14,593 million as at 31 December 2016. Such increase was mainly due to abundant bank balances from the Group's new syndicated loans during the period.

As at 30 June 2017, the Group's current liabilities amounted to approximately RMB15,415 million, representing an increase of approximately RMB37 million as compared to the current liabilities of approximately RMB15,378 million as at 31 December 2016, which was basically flat. Such increase was mainly due to the expansion of the scale of the Group's automobile financing business.

Cash flow

As at 30 June 2017, the Group had cash and cash equivalents amounting to approximately RMB3,004 million, representing an increase of approximately RMB1,379 million over approximately RMB1,625 million as at 31 December 2016. The Group's transactions and monetary assets are principally conducted in RMB. The Group's primary uses of cash are to pay for purchases of new automobiles, spare parts and automobile accessories and automobile lubricant oil, to repay the Group's loans, borrowings and other indebtedness, to fund the Group's working capital and ordinary recurring expenses and to establish new dealership stores or to acquire dealership stores or other businesses. The Group finances its liquidity requirements through a combination of cash flows generated from the operating activities, bank loans and other financings. For the six months ended 30 June 2017, the Group had net cash inflow of approximately RMB169 million used for its operating activities (six months ended 30 June 2016: net cash outflow of approximately RMB144 million).

Capital expenditure and investment

For the six months ended 30 June 2017, the Group's capital expenditure and investment were approximately RMB623 million.

Inventory

The Group's inventories included vehicles and automobile spare parts. In general, each of the Group's dealership stores individually manages the quotas and orders for new automobiles, automobile spare parts and other inventories. In addition, the Group utilizes its information technology systems to manage its inventory, and also monitors the inventories within its whole dealership network and may transfer automobiles from one dealership store to another to rebalance inventory levels. The inventories of the Group was approximately RMB3,256 million as at 30 June 2017, increased by approximately RMB237 million when compared with RMB3,019 million as at 31 December 2016. Such increase was due to an increase in the appropriation of capital in the inventories of new automobiles by the Group based upon market situation. The Group's average inventory turnover days for the first half of 2017 decreased by 5.9 days to 40.6 days from 46.5 days for the first half of 2016. The following table sets forth our average inventory turnover days for the six-months indicated:

	For the six months ended 30 June (day)	
	2017	2016
Average inventory turnover days	**40.6**	46.5

Risks of foreign exchange fluctuation

The Group conducts its business primarily in Renminbi. Certain bank deposits, bank loans and credit enhanced bonds were denominated in foreign currencies. However, the Group's operating cash flow and liquidity has not been subject to significant influence from fluctuations in exchange rate. The Group used cross currency swap to hedge its US-dollar future borrowings. As at 30 June 2017, a financial liability of RMB30.14 million measured at fair value (31 December 2016: a financial asset of RMB143 million) was recognised by the Group on the cross currency swap.

Liquidity and capital resources

Working capital and capital expenditures of the Group were primarily funded through cash generated from internal operation and borrowings provided by principal banks. As at 30 June 2017, the Group's cash and bank deposits were approximately RMB4,882 million (including: pledged bank deposits and balances with central bank of approximately RMB1,580 million, fixed deposits of RMB298 million and cash and cash equivalents of approximately RMB3,004 million), representing an increase of approximately RMB1,425 million, from approximately RMB3,457 million as at 31 December 2016. As at 30 June 2017, loans and borrowings, obligations under finance leases, and bonds payable of the Group amounted to approximately RMB13,229 million (31 December 2016: RMB11,286 million). Save as loans and borrowings, obligations under finance leases, and bonds payable of approximately RMB6,180 million that bore interest at fixed rates, other loans and borrowings bore interest at floating rates. As at 30 June 2017, net gearing ratio of the Group was approximately 89.8% (31 December 2016: approximately 87.5%). Net gearing ratio was calculated as loans and borrowings, obligations under finance leases, and bonds payable less cash and bank deposits divided by owner's equity. The increase in the ratio was mainly attributable to the growth in the scale of the Group's auto finance business.

Pledged assets of the group

The Group has pledged its group assets as the security for loans and borrowings as well as bank financings to be used as working capital for daily operations. As at 30 June 2017, the pledged assets of the Group amounted to approximately RMB3,230 million (31 December 2016: approximately RMB3,748 million).

Material acquisition and disposal of subsidiaries and associated companies

For the six months ended 30 June 2017, the Group acquired Yiwu Xinhui Auto Trading Company Limited ("Yiwu Xinhui") and Yongkang Guobang Auto Trading Company Limited as subsidiaries, with an increase of 2 Benz 4S stores, as a result, the Group's Benz dealership business has successfully entered the strategic market in East China..

Investments held in foreign currency and hedging

For the six months ended 30 June 2017, the Group did not hold any investments denominated in foreign currencies. Furthermore, the Group's working capital or liquidity did not encounter any material difficulties or material impacts as a result of the movement in exchange rate.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had a total of 9,343 employees in China (31 December 2016: 9,120 employees). The staff costs incurred for the six months ended 30 June 2017 was approximately RMB394.2 million (for the six months ended 30 June 2016: approximately RMB351.0 million). The Group offers competitive remuneration packages and welfare benefits, including pension, work-related compensation benefits, maternity insurance, medical and unemployment benefit plans. The Group also provided good working environment and diversified training program. The Company has adopted share option schemes for granting options to eligible employees as incentives or rewards for the contribution to the Group.

FUTURE OUTLOOK AND STRATEGIES

China's automobile market becomes increasingly mature. Due to the steady growth of household disposable income, sales of automobiles and consumption of relevant services, automobile consumption will escalate gradually. Meanwhile, there will be higher requirements for product and service quality. Due to the increasing consumption of luxury automobiles, customers will require more specialized services at various stages of consumption relating to automobiles, and will expect to enjoy one-stop integrated services which are of higher quality and convenience. The Group will take the advantage of its diversified portfolio of luxury brands, mature nationwide networks as well as customized and high value-added services in respect of finance and insurance so as to create excellent customer experience. The Group will also fully exercise its advantage in integrated platform and independent business to cater for customers' changing consumption habits. Efforts will also be made to enrich its services and products and expand its service channels to fully capture opportunities. In addition, the Group will develop traditional sales networks on a more selective basis and continue to optimize internal management and operation efficiency to create greater value to its shareholders, employees and the community.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") comprises three members, of which all are independent non-executive Directors, namely Dr. Wong Tin Yau, Kelvin (the chairman of the Audit Committee), Mr. Cao Tong and Ms. Wang Tan Tan.

The Audit Committee has reviewed the unaudited interim financial statements for six months ended 30 June 2017. KPMG, the Group's external auditor, has carried out a review of the unaudited interim financial statements for the six months ended 30 June 2017 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Redemption of Bonds

During the period, at 26 April 2017 the Company redeemed the US$335,000,000 4.5% credit enhanced bonds due 2018 in whole, and the early redemption bond prices (being early redemption bond together with the interest accrued to and unpaid on the redemption date) amounting to US$351,632,628.59.

Subsequent to the completion of the redemption, the bonds were cancelled and the listing of the bonds was withdrawn from the Stock Exchange of Hong Kong Limited.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

CORPORATE GOVERNANCE

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its shareholders.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company had complied with the code provisions set out in the CG Code throughout the six months ended 30 June 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a securities dealing code ("**Securities Dealing Code**") regarding securities transactions of the directors with standards no less exacting than that of the Model Code. In response to a specific enquiry by the Company, all Directors confirmed that they had compiled with the Securities Dealing Code and the Model Code throughout the six months ended 30 June 2017.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT

This interim results announcement is available for viewing on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.zhengtongauto.com) and the interim report for the six months ended 30 June 2017 of the Company containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management team and employees for their commitment and diligence, and would also like to thank our shareholders and business associates for their strong support to the Group.

For and on behalf of the Board of Directors of
China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司
Wang Muqing
Chairman

21 August 2017

As at the date of this announcement, the Board comprises Mr. WANG Muqing (Chairman), Mr. WANG Kunpeng, Mr. Koh Tee Choong, Ivan, Mr. LI Zhubo, Mr. WAN To and Mr. SHAO Yong Jun as executive Directors; and Dr. WONG Tin Yau, Kelvin, Dr. CAO Tong and Ms. WANG Tan Tan as independent non-executive Directors.