CHINA ZHENGTONG AUTO SERVICES HOLDINGS LIMITED
中國正通汽車服務控股有限公司

正通

Stock Code 股份代號：1728

4S DEALERSHIP STORE

中期報告
INTERIM REPORT 2012

Contents

Chief Executive Officer's Statement

DEAR SHAREHOLDERS,

In the first half of 2012, despite the fluctuation in the overall economic environment and the slowdown in the overall sales market of automobiles in the PRC, China ZhengTong Auto Services Holdings Limited (the "Company" or "ZhengTong" or "ZhengTong Auto") and its subsidiaries (collectively the "Group") recorded better results than the average level of the industry, by way of proper strategic positioning and management efficiency enhancement, etc. For the six months ended 30 June 2012, the Group recorded a total turnover of approximately RMB13,683 million, representing an increase of approximately 127.4% over approximately RMB6,016 million in the corresponding period of last year. The Group's gross profit amounted to approximately RMB1,195 million, representing an increase of approximately 89.7% over approximately RMB630 million in the corresponding period of last year. Due to the increased supply by automobile manufacturers and the ever increasingly intense competition in the market in the first half of 2012, the Group recorded a gross profit margin of 8.7%, representing a decrease of 1.8 percentage point as compared to 10.5% in the corresponding period of last year. Profit for the period amounted to approximately RMB351 million, representing a year-on-year increase of approximately 13.2%. Basic earnings per share was RMB15.0 cents, representing an increase of approximately 2.0% over the same period last year.

In the first half of 2012, revenue from the sales of new premium and ultra premium branded automobiles amounted to approximately RMB10,897 million, representing an increase of 150.5% as compared with the corresponding period of last year. Percentage of revenue from such business also increased to 88.0% from 80.7% of the corresponding period of last year. In the first half of 2012, despite the only increase of 7.1% in the sales of passenger vehicles as compared with the corresponding period of last year in China, the premium and ultra premium branded automobile market was not affected by policies and economic situation, and continued its fast growth. Of which, sales of Audi, BMW/MINI and Jaguar/Land Rover increased by 37.8%, 30.7% and 100.0%, respectively. Obviously, the premium and ultra premium branded automobile market maintained a growth much higher than the average level in the industry, this was one of the reasons why ZhengTong Auto achieved the rapid growth by positioning itself in the premium and ultra premium branded automobile market.

In the first half of 2012, the Group's after-sales services business maintained a steady growth, and recorded a turnover of approximately RMB1,052 million, representing an increase of 148.1% over approximately RMB424 million in the corresponding period of last year. Gross profit amounted to approximately RMB474 million, representing an increase of 157.6% over approximately RMB184 million in the corresponding period of last year. Percentage of revenue and gross profit from such service has also been increasing, of which, percentage of revenue increased to 7.7% from 7.0%, while percentage of gross profit increased to 39.7% from 29.2%. Gross profit margin also increased by 1.5 percentage point to 45.0% from 43.5% of the corresponding period of last year, and is expected to continue its growth, in view of the expanding customer base of after-sales services and the Group's optimisation on the business structure of after-sales services. In the light of the current volatility in macro-economy, since the after-sales services have high profit margin and are less subject to the impact of economic situation, it will bring about stable profit and income for the Group in the future and also play an increasingly important role in the Company's overall business in the future.

As sales volume and number of automobile owners in China's passenger automobile market further increased, extended service business became the Group's third largest business subsequent to automobile sales business and after-sales services business, which brought about stable profit and income for the Group. Currently, the Company has launched extended service businesses including sale of accessories, registration of plate for customers and insurance agency. These services maintained a good momentum of development and, by rapid expansion of the business scales, accounted for an increasingly great proportion of the overall businesses of the Company. To further develop extended service business, the Company proposes to set up a professional company, which will operate the extended service business more professionally. In addition, the Company is also optimistic about the potentiality of the automobile financing business and is in the process of establishing an independent company specialising in the automobile financing business.

During 2011, the Company has conducted a series of acquisitions in which twenty-six 4S dealership stores, including Top Globe Limited and its subsidiaries ("SCAS Group") and a repair center were acquired. With rapid expansion in its dealership network, the Company became a core dealer of the five major premium brands, namely BMW/MINI, Audi, Land Rover, Jaguar and Volvo. In the first half of 2012, the Group adopted measures such as unified operation management system, financial management system, optimisation of remuneration system and introduction of advanced business operation model to integrate those 4S dealership stores acquired, strengthening the Group's advantages on scale and synergies upon mergers and acquisitions.

Despite the disappointing global economic environment, we are optimistic about the long-term development of automobile market in China, especially the premium and ultra premium branded automobile market. With dedication of all staff, we are striving to develop at the right direction and deeply believe that we will bring about considerable return for our shareholders.

The Group's remarkable results for the first half of 2012 were attributable to the efforts and dedication of all its staff and business partners. I would like to thank the shareholders, business partners and customers on behalf of the Board for their long-term support and trust. At the same time, I would also like to express my heartfelt gratitude to the staff of the Group for their loyalty, efforts and contributions over the previous half of the year.

WANG Kunpeng
Chief Executive Officer and Executive Director

26 August 2012

Management Discussion and Analysis

MARKET REVIEW

In the first half of 2012, Chinese economy slowed down but maintained a steady growth in the whole. According to the statistics released by the National Bureau of Statistics of China, in the first half of 2012, the gross domestic products (GDP) of China recorded a year-on-year growth rate of approximately 7.8%. Meanwhile, the passenger automobile market in China also continued a moderate growth, a similar trend witnessed in the second half of 2011. In the first half of 2012, the sales volume of China's passenger automobile market reached 7.6 million, representing a growth of 7.1% over the same period last year. The sales of the premium and ultra premium branded automobiles remained robust in Chinese market and higher than the average level of the passenger automobile market in the PRC. The sales volume of Audi branded automobiles in China reached 193,871 in the first half of 2012, representing a growth of 37.8% over the same period last year, the BMW group sold a total of 158,956 BMW and MINI branded automobiles in Chinese mainland market, representing an increase of 30.7% over the same period last year, and the total sales volume of Jaguar and Land Rover branded automobiles in the PRC reached 36,451 in the first half of 2012, representing a growth of 100.0% over the same period last year.

As at the end of June 2012, motor vehicle ownership in the PRC reached 233 million and it increased by 3.67% or 8.26 million as compared with that at the end of 2011. Among which, automobiles reached approximately 114 million and they increased by 7.66% or 8.11 million as compared with that at the end of 2011. The automobile ownership in each of 17 cities across the country has exceeded one million. Among them, the automobile ownership in each of five cities including Beijing, Chengdu, Tianjin, Shenzhen and Shanghai, has exceeded two million. Private automobile ownership reached approximately 86 million, and it accounted for 75.62% of the total automobile ownership and increased by 1.21 percentage point as compared with that at the end of 2011. The ownership of automobiles continued to maintain a strong growth trend, providing reasonable guaranty for the rapid growth of the Group's after-sales services business.

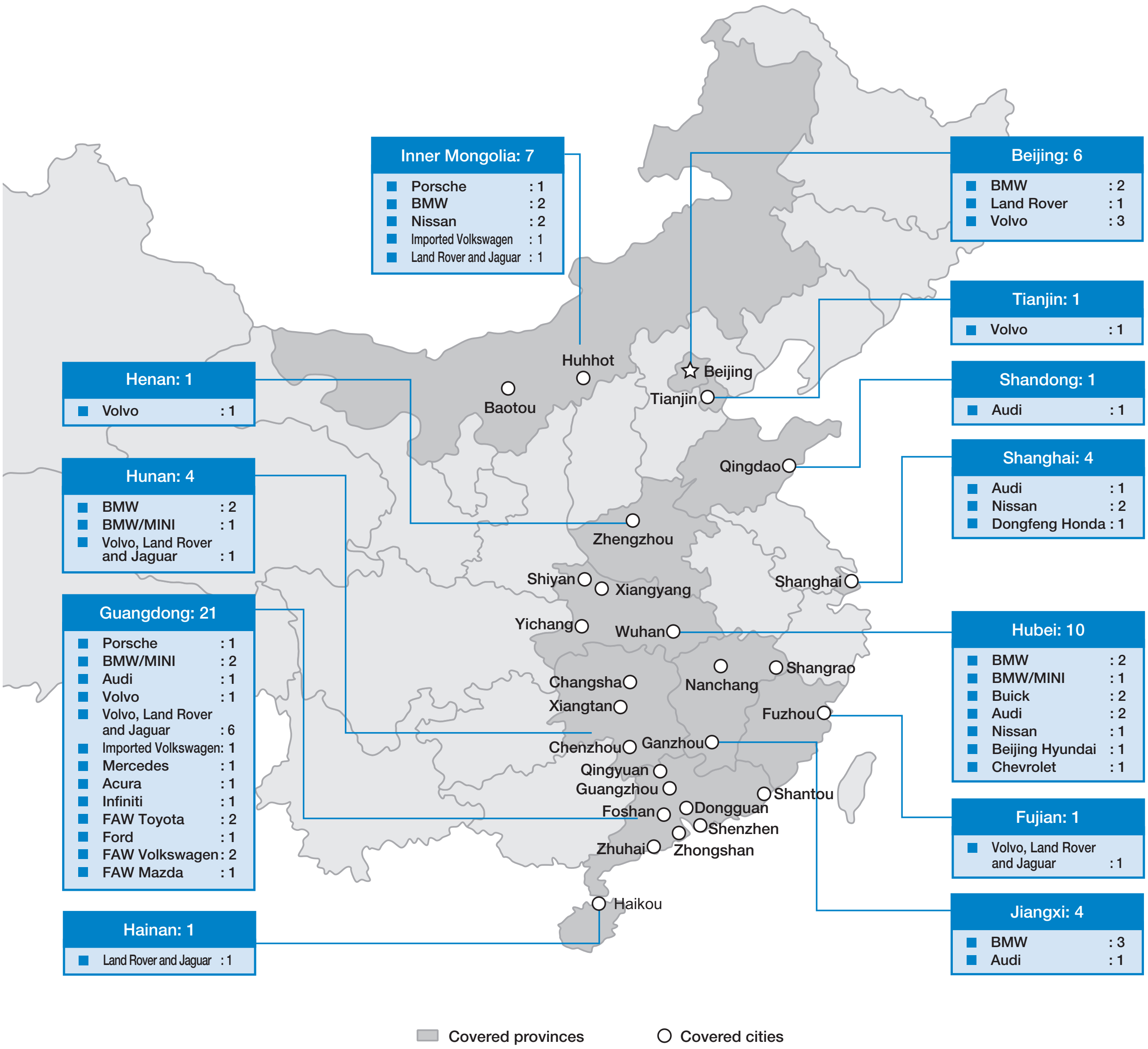
As Chinese economy slowed down and automobile manufacturers substantially increased the supply of new automobiles in the first half of 2012, resulting in the supply of new automobiles exceeding their demand. As a result, the gross profit margin for automobile dealers' sales of new automobiles was affected to a certain extent.

BUSINESS REVIEW

Steady growth in sales of premium and ultra premium branded automobiles

In the first half of 2012, the market for premium and ultra premium branded automobiles in the PRC had maintained a relatively rapid growth trend. As the Group's strategies focus on premium and ultra premium brands, benefiting from the above market trends, in the first half of 2012, the sales revenue of premium and ultra premium branded automobiles for the Group was approximately RMB10,897 million, representing an increase of approximately 150.5% over the same period last year. The sales revenue of premium and ultra premium branded automobiles accounted for approximately 88.0% of the sales revenue of new automobiles (first half of 2011: approximately 80.7%). The surge of the Group's sales revenue of premium and ultra premium branded automobiles was due to the fact that the relatively rapid growth of the premium and ultra premium branded automobiles continued to be maintained in the first half of 2012 as well as the expansion of the Group's sales network and improvement in operation efficiency.

In the first half of 2012, the Group set up an Audi 4S store in Wuhan and a Porsche 4S store in Huhhot. A Jaguar/Land Rover 4S store in Shantou and a BMW M centre in Beijing, which were put in trial operation in 2011, commenced operation in January and March 2012 respectively. As of the date of this announcement, the Group had 61 dealership outlets, including 45 premium and ultra premium branded dealership stores and 16 mid-to-high-end branded dealership stores. In addition, the Group had franchise of 13 manufacturers involving brands like Lamborghini, Land Rover, BMW, Audi, Benz, Volvo, Cadillac and Imported Volkswagen.


Inner Mongolia: 7
Porsche : 1
BMW : 2
Nissan : 2
Imported Volkswagen : 1
Land Rover and Jaguar : 1
Beijing: 6
BMW : 2
Land Rover : 1
Volvo : 3
Tianjin: 1
Volvo : 1
Henan: 1
Volvo : 1
Shandong: 1
Audi : 1
Hunan: 4
BMW : 2
BMW/MINI : 1
Volvo, Land Rover and Jaguar : 1
Shanghai: 4
Audi : 1
Nissan : 2
Dongfeng Honda : 1
Guangdong: 21
Porsche : 1
BMW/MINI : 2
Audi : 1
Volvo : 1
Volvo, Land Rover and Jaguar : 6
Imported Volkswagen: 1
Mercedes : 1
Acura : 1
Infiniti : 1
FAW Toyota : 2
Ford : 1
FAW Volkswagen: 2
FAW Mazda : 1
Hubei: 10
BMW : 2
BMW/MINI : 1
Buick : 2
Audi : 2
Nissan : 1
Beijing Hyundai : 1
Chevrolet : 1
Fujian: 1
Volvo, Land Rover and Jaguar : 1
Jiangxi: 4
BMW : 3
Audi : 1
Hainan: 1
Land Rover and Jaguar : 1
Huhhot
Baotou
Beijing
Tianjin
Qingdao
Zhengzhou
Shiyan
Xiangyang
Shanghai
Yichang
Wuhan
Nanchang
Shangrao
Changsha
Xiangtan
Fuzhou
Chenzhou
Ganzhou
Qingyuan
Guangzhou
Shantou
Dongguan
Foshan
Shenzhen
Zhuhai
Zhongshan
Haikou
Covered provinces
Covered cities

Significant upgrade of after-sales services business

In the first half of 2012, the Group's after-sales services business contributed turnover of approximately RMB1,052 million, up by approximately 148.1% from the turnover of approximately RMB424 million over the same period last year. Gross profit generated from the after-sales services increased from approximately RMB184 million in the first half of 2011 to approximately RMB474 million, representing a growth of 157.6%. The gross profit margin of after-sales services also increased to 45.0% (first half of 2011: 43.5%). Moreover, since the Group is committed to improving customer satisfaction and perfecting structure of after-sales services business, there is further room for improvement of the gross profit margin of after-sales services. Revenue and gross profit from the Group's after-sales services have risen fast, and the percentage of revenue and gross profit from such service has also been increasing since the Group was listed. In the first half of 2012, the percentage of revenue and gross profit from after-sales services rose to 7.7% and 39.7% from 7.0% and 29.2% in the first half of 2011 respectively. The after-sales services have become another pillar of the Group's business in addition to the sales of new automobiles. Benefiting from the innovation of the after-sales services mode by the Group as well as the Group's customer-oriented principle, the profitability of after-sales services business has increased. The Group raised the number of automobiles using after-sales services via enhancement on customer care, invitation, self-experience and commencement of marketing campaigns for after-sales services. Quality of after-sales services is enhanced via active optimisation of the flow of after-sales services, reasonable introduction of informationisation and management tools by segments, and satisfaction on customer services was enhanced, thereby nurturing loyalty among customer base. In addition, the customer base of the Group's after-sales services was rapidly expanded with the rising number of its dealership stores and the accumulative new automobiles sold. Since the after-sales services are less subject to the impact of overall economic situation, it will bring about stable profit and income for the Group in the future and also play an increasingly important role in the Group's overall business in the future.

Further development of extended service business

As sales volume and number of automobile owners in China's passenger automobile market further increased, extended service business became the Group's third largest business behind automobile sales business and after-sales services business. Extended service business represents all relevant service businesses (including sale of accessories for automobile, automobile financing, insurance agency and registration of plate for customers) derived from the two operating businesses, i.e. automobile sales and after-sales services.

Sale of accessories for automobile, being the current largest extended service business of the Group, has become its new profit growth point. During the first half of 2012, after the Group established a centralised procurement center for automobile accessories, the decentralised procurement of automobiles by each 4S store was turned into a centralised procurement by the Group, which substantially reduced its purchase cost and improved gross profit margin for sale of accessories for automobiles. In the meantime, the Group also established a dedicated electronic management system for sale of automobile accessories to improve its operating efficiency and ensure faster response to customer's feedback.

During the first half of 2012, the Group launched more extended service projects, both by its independent development and in collaboration with other service institutions, to satisfy customers' different requirements. Currently, the Group has launched extended service businesses including sale of accessories, registration of plate for customers and insurance agency. The revenue contribution from extended service business has been increasing over time. In view of this, the Group is preparing to set up a professional company, which will operate independently the extended service business, to operate and manage the Group's extended service business as a whole. In addition, the Group is also optimistic about the automobile financing business and is in the process of establishing of a company specialising in the automobile financing business.

Business integration upon mergers and acquisitions

During 2011, the Group has conducted a series of mergers and acquisitions for business expansion and competitiveness improvement. As a result, it acquired twenty-six 4S dealership stores, including SCAS Group, and a repair center. The Group's operation points also increased to 59, and it became a core dealer of the five major premium brands, namely BMW/MINI, Audi, Land Rover, Jaguar and Volvo.

In order to realize its advantages on scale and synergies after mergers and acquisitions of SCAS Group and other 4S dealership stores, the Group adopted the following measures to complete the integration of mergers and acquisitions of SCAS Group and other 4S dealership stores in the first half of 2012:

(i) the Group applied its advanced management system, management tools and management philosophy to SCAS Group in order to comprehensively improve SCAS Group's operational efficiency.

(ii) the Group retained the original management of SCAS Group in office, optimised the remuneration and performance system for SCAS Group's employees, and strengthened the incentive roles of such system to improve the efficiency of SCAS Group's employees.

(iii) the Group applied its advanced business operation model to SCAS Group. For example, the Group turned the decentralised procurement mode into centralised procurement one in terms of automobile accessories to reduce its procurement costs and improve the gross profit of sales of automobile accessories.

(iv) the Group configured unified financial management software for SCAS Group, and unified financial rules and financial management mode to improve the efficiency of financial management.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2012, the Group generated turnover of approximately RMB13,683 million, representing an increase of approximately 127.4% over the turnover of approximately RMB6,016 million in the first half of 2011. The increase in turnover was mainly due to the strong growth in the income from the Group's sales and after-sales services business for premium and ultra premium branded automobiles. The Group adopted a number of strategies, such as expanding its dealership network, to enhance its operating efficiency and take advantage of market opportunities in a timely manner. Turnover grew rapidly as a result.

	For the six months ended 30 June			
	2012		2011	
Source of turnover	**Turnover (RMB'000)**	**Contribution (%)**	Turnover (RMB'000)	Contribution (%)
Sales of new automobiles	**12,377,760**	**90.5%**	5,392,638	89.6%
After-sales services	**1,052,474**	**7.7%**	423,791	7.0%
Logistics and lubricant oil	**252,478**	**1.8%**	199,947	3.4%
Total	**13,682,712**	**100%**	6,016,376	100%

The Group generated most of its revenue from the sales of new automobiles, whereas the remaining was from the provision of after-sales services and other business. During the first half of 2012, revenue from the sales of new automobiles amounted to approximately RMB12,378 million, representing an increase of RMB6,985 million or approximately 129.5% over the first half of 2011, and accounted for approximately 90.5% of the total revenue of the first half of 2012; whereas revenue from the provision of after-sales services amounted to approximately RMB1,052 million, representing an increase of approximately 148.1% over the first half of 2011, and accounted for approximately 7.7% of the total revenue of the first half of 2012.

For the six months ended 30 June 2012, turnover from premium and ultra premium branded automobiles was approximately RMB10,897 million, representing a growth of approximately RMB6,547 million or approximately 150.5% over the first half of 2011, and accounted for approximately 88.0% of the revenue from the sales of new automobiles.

	For the six months ended 30 June			
	2012		2011	
Source of turnover from sales of new automobiles	**Turnover (RMB'000)**	**Contribution (%)**	Turnover (RMB'000)	Contribution (%)
Premium and ultra premium branded automobiles	**10,896,517**	**88.0%**	4,350,076	80.7%
Middle market branded automobiles	**1,481,243**	**12.0%**	1,042,562	19.3%
Total	**12,377,760**	**100%**	5,392,638	100%

For the six months ended 30 June 2012, revenue from the Group's logistics service business and lubricant oil trading business amounted to approximately RMB252 million (first half of 2011: approximately RMB200 million).

Cost of sales

For the six months ended 30 June 2012, cost of sales of the Group amounted to approximately RMB12,488 million, representing an increase of approximately RMB7,102 million or approximately 131.9% over the first half of 2011. Such increase was mainly due to the increase in the cost of sales for new automobiles. In the first half of 2012, the cost of sales for new automobiles of the Group rose by approximately 134.6% to approximately RMB11,698 million from approximately RMB4,986 million for the first half of 2011.

The increase in cost of sales was also partially due to the increase in cost of sales for after-sales services by approximately 140.8% from approximately RMB240 million in the first half of 2011 to approximately RMB578 million, which was in line with the increase in turnover of after-sales services.

Gross Profit

For the six months ended 30 June 2012, the Group's gross profit was approximately RMB1,195 million, representing an increase of approximately 89.7% over approximately RMB630 million for the first half of 2011. In particular, gross profit generated from the sales of premium and ultra premium branded automobiles increased from approximately RMB333 million in the first half of 2011 to approximately RMB657 million, representing a growth of 97.3%. Gross profit generated from the provision of after-sales services increased from approximately RMB184 million in the first half of 2011 to approximately RMB474 million, representing an increase of 157.6%.

	For the six months ended 30 June			
	2012		2011	
Source of gross profit	**Gross profit (RMB'000)**	**Contribution (%)**	Gross profit (RMB'000)	Contribution (%)
Sales of new automobiles	**680,243**	**56.9%**	406,553	64.6%
After-sales services	**473,610**	**39.7%**	184,299	29.2%
Logistics and lubricant oil	**41,177**	**3.4%**	39,235	6.2%
Total	**1,195,030**	**100%**	630,087	100%

For the six months ended 30 June 2012, the gross profit margin of the Group was approximately 8.7%, representing a decrease of approximately 1.8 percentage point as compared with approximately 10.5% for the first half of 2011. The gross profit margin for the sales of new automobiles was 5.5% (first half of 2011: 7.5%), among which, the gross profit margin for the sales of premium and ultra premium branded new automobiles was 6.0% (first half of 2011: 7.7%). The decrease in the gross profit margin for sales of new automobiles was mainly due to the fact that automobile manufacturers substantially increased the supply of new automobiles in the first half of 2012, resulting in the supply of new automobiles exceeding their demand. The gross profit margin for after-sales services was 45.0% (first half of 2011: 43.5%). The increase in the gross profit margin for the after-sales services was due to the improvement in the operating efficiency of the Group's after-sales services and perfection of structure of the Group's after-sales services business.

For the six months ended 30 June 2012, the gross profit from the Group's logistics and lubricant oil trading business was approximately RMB41 million (first half of 2011: RMB39 million).

Selling and distribution expenses

For the six months ended 30 June 2012, the Group's selling and distribution expenses amounted to approximately RMB304 million, representing an increase of approximately 166.7% over approximately RMB114 million for the first half of 2011. Such increase was primarily because of the expansion of the Group's sales network resulting from a series of acquisitions that were completed in 2011.

Administrative expenses

For the six months ended 30 June 2012, the Group's administrative expenses amounted to approximately RMB336 million, representing an increase of approximately 192.2% over approximately RMB115 million for the first half of 2011. Such increase was primarily due to the increase in staff remuneration, salary expenses as well as staff benefits resulting from the Group's acquisition of SCAS Group and newly-established 4S stores in 2011 and the amortisation of intangible assets – car dealerships.

Profit from operations

For the six months ended 30 June 2012, the Group's profit from operations amounted to approximately RMB686 million, representing an increase of approximately 52.8% as compared with approximately RMB449 million for the first half of 2011. The operating profit margin was approximately 5.0%, a decrease of approximately 2.5 percentage point over that in the first half of 2011.

Income tax expenses

For the six months ended 30 June 2012, the Group's income tax expenses amounted to approximately RMB144 million and the effective tax rate was approximately 29.1%.

Profit for the period

For the six months ended 30 June 2012, the Group's profit for the period was approximately RMB351 million, representing an increase of approximately 13.2% over approximately RMB310 million for the first half of 2011. The net profit margin for the period was approximately 2.6%, representing a decrease of approximately 2.6 percentage point over that in the first half of 2011.

Interim dividend

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2012.

Contingent liabilities

As at 30 June 2012, the Group had no material contingent liabilities or guarantees save as those assets pledged to the bank.

Current assets and current liabilities

As at 30 June 2012, the Group's current assets amounted to approximately RMB9,795 million, representing an increase of RMB1,328 million as compared to current assets of approximately RMB8,467 million as at 31 December 2011. Such increase was primarily attributable to the increase in inventories for the Group's newly added 4S dealership stores and the expansion of the existing 4S dealership store business.

As at 30 June 2012, the Group's current liabilities amounted to approximately RMB9,936 million, representing an increase of approximately RMB1,253 million as compared to approximately RMB8,683 million as at 31 December 2011. Such increase was mainly due to the increase in borrowing for liquidity for the Group's newly added 4S dealership stores and the expansion of the existing 4S dealership store business, as well as the increase in bills payable used for the purchase of inventories.

Cash flow

As at 30 June 2012, the Group has cash and cash equivalents amounting to approximately RMB1,262 million, representing an increase of approximately RMB165 million over approximately RMB1,097 million as at 31 December 2011.

The Group's transactions and monetary assets are principally conducted in RMB. During the first half of 2012, the Group's working capital or liquidity did not face any material difficulties or material impacts as a result of the movement in exchange rate.

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 normal 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 2012, the Group had net cash outflow of approximately RMB541 million in its operating activities.

Capital expenditure and investment

For the six months ended 30 June 2012, the Group's capital expenditure and investment was approximately RMB514 million.

Inventory analysis

The Group's inventories included vehicles, which primarily consisted of new automobiles kept in its dealership stores and warehouses as well as automobiles in transit of which the titles and risks had been transferred to the Group. The Group's inventories also included automobile spare parts. Generally, 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 also monitors the inventories within its whole dealership network and, subject to the consent of automobile manufacturers, may also transfer automobiles from one dealership store to another to rebalance inventory levels. The Group utilizes its information technology systems to manage its inventory.

The inventories of the Group increased from approximately RMB3,244 million as at 31 December 2011 to approximately RMB4,334 million as at 30 June 2012, which was primarily attributable to the Group's newly added 4S dealership stores and the increase in inventories with various models and colors of automobiles proactively to meet the diversified demands of customers.

The following table sets forth the average inventory turnover days of the Group for the half-year periods indicated:

	For the six months ended 30 June	
	2012	2011
Average inventory turnover days	**54.6**	33.7

Exchange risks

The Group conducts its business primarily in Renminbi and the majority of its monetary assets and liabilities are denominated in Renminbi. Accordingly, the Directors consider that the Group is not exposed to any material foreign exchange risks. The Group does not use any financial instruments for hedging purposes.

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 2012, the Group's cash and bank deposits were approximately RMB2,365 million (including: restricted bank deposits of approximately RMB1,103 million and cash and cash equivalents), representing an increase of approximately RMB88 million, from approximately RMB2,277 million as at 31 December 2011.

As at 30 June 2012, total borrowings of the Group (including bank loans, other borrowings and bills payable) amounted to approximately RMB8,621 million (31 December 2011: approximately RMB7,086 million).

As at 30 June 2012, gearing ratio of the Group was 49.1% (31 December 2011: 44.3%). Gearing ratio was calculated as total borrowings divided by total assets.

Outstanding borrowings of the Group will become due within one year.

Pledged assets of the Group

The Group has pledged its corporate 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 2012, the pledged assets of the Group amounted to approximately RMB4,013 million (31 December 2011: approximately RMB3,882 million).

Investments held in foreign currency and hedging

For the six months ended 30 June 2012, the Group did not hold any investments denominated in foreign currencies. Furthermore, the Group's working capital or liquidity did not face any material difficulties or material impacts as a result of the movement in exchange rate. Currently, the Group does not employ any financial instruments for hedging purposes.

Employees and remuneration policies

As at 30 June 2012, the Group had a total of 6,318 employees in China (31 December 2011: 7,107 employees).

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 provides good working environment and diversified training program.

The Company has adopted share option schemes and a restricted share award scheme for granting shares to eligible employees as incentives or rewards for their contribution to the Group.

Future prospects and strategy

The Group anticipates that the high growth of the market for premium and ultra premium branded automobiles in China in the future will also be maintained. Therefore, the Group that focuses on the sales of premium and ultra premium branded automobiles will benefit from it and maintain the momentum of sustained growth of revenue and profit. Leveraging on the geographical distribution of its dealership network and the advantages of its brand portfolio, the Group will further enhance its leading position in the market for premium and ultra premium branded automobiles in China.

The Group will provide great support to the after-sales services business and the extended business while consolidating the sales of new automobiles. The continuous expansion in the sales of new automobiles of the Group and rapid growth in customer base for after-sales services resulting from consolidation of original customers of SCAS Group laid a solid foundation for rapid development of the after-sales services business of the Group in future. On one hand, the Group's after-sales services business becomes mature gradually; on the other hand, the Group also makes great efforts to develop the extended business. It features a high gross profit margin and a stable customer base, and is a new profit point of the Group in the future. As the after-sales services business or the extended business is less subject to economic fluctuation, the two can provide stable revenue and profit for the Group and play a more important role in the course of the Group's development in the future.

The PRC government expressed that it would continue to implement active financial policies and stable monetary policies in order to reinforce and improve macro adjustment and control continuously, adjust the economic structure, eliminate the backward production capacity and seek new economic growth points, giving it the new vitality. It is more possible that the macro-economic environment will become positive in the second half of the year. Based on the past experience, it is expected that the second half of the year is traditionally a peak season of automobile sales, which will result in a moderate growth of the passenger automobile market in China. At the same time, the State's Twelfth Five-Year Plan has clearly put forward the necessity to learn from mature international experience in accelerating and improving relevant policies, regulations and systems during the "Twelfth Five-Year" planning period and adopting effective measures to foster the rapid and healthy development of the automobile distribution sector, and the PRC government will foster three to five large-scale automobile dealership groups with revenue from principal business of over RMB100 billion during the Twelfth Five-Year planning period, resulting in accelerated integration and consolidating in the automobile dealership industry, and creating new opportunities for the Group's development. Therefore, the Group is confident about the sales of premium and ultra premium branded automobiles and the steady growth of after-sales business for automobiles in the PRC automobile market for the second half of the year.

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

As at 30 June 2012, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(i) Long positions in the shares and underlying shares of the Company:

Name of Director	Capacity/nature of interest	Number of Shares/ underlying Shares	Approximate percentage of shareholding
Wang Muqing	Settlor of The Grand Glory Trust	1,372,516,820 (Note 1)	62.16%
Wang Kunpeng	Beneficial Owner	1,230,000 (Note 2)	0.056%
Li Zhubo	Beneficial Owner	1,550,000 (Note 3)	0.070%

Notes:

1. These shares are directly held by Joy Capital Holdings Limited ("Joy Capital"). The entire issued share capital of Joy Capital is owned by Grand Glory Enterprises Limited ("Grand Glory"), whose entire issued share capital is the trust asset of The Grand Glory Trust, which was founded by Mr. Wang Muqing as settlor and managed by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Grand Glory Trust, which is a trust established in accordance with the Purpose Trust Act 2004 of Bahamas. The discretionary beneficiaries of The Grand Glory Trust include Mr. Wang and his family members.

2. These represent the maximum number of shares which may be allotted and issued to Mr. Wang Kunpeng upon the exercise of the options under a pre-initial public offering share option scheme ("Pre-IPO Share Options") granted to him. The Pre-IPO Share Options may be exercised in three tranches: (i) The first tranche represents 50% of the total number of shares which may be subscribed for upon the exercise of the Pre-IPO Share Options, and is exercisable during the period between 1 January 2012 to 10 August 2017. (ii) The second tranche represents 25% of the total number of shares which may be subscribed for upon the exercise of the Pre-IPO Share Options, and is exercisable during the period between 1 January 2013 to 10 August 2017. (iii) The third tranche represents 25% of the total number of shares which may be subscribed for upon the exercise of the Pre-IPO Share Options, and is exercisable during the period between 1 January 2014 to 10 August 2017. The exercise price for subscription of each share upon the exercise of the Pre-IPO Share Options is RMB1.5.

3. Mr. Li Zhubo has a total of 1,550,000 shares, among which 320,000 shares were purchased in the market, and the remaining 1,230,000 shares represent the maximum number of shares which may be allotted and issued to Mr. Li upon the exercise of the options under the Pre-IPO Share Options granted to him. The Pre-IPO Share Options may be exercised in three tranches: (i) The first tranche represents 50% of the total number of shares which may be subscribed for upon the exercise of the Pre-IPO Share Options, and is exercisable during the period between 1 January 2012 to 10 August 2017. (ii) The second tranche represents 25% of the total number of shares which may be subscribed for upon the exercise of the Pre-IPO Share Options, and is exercisable during the period between 1 January 2013 to 10 August 2017. (iii) The third tranche represents 25% of the total number of shares which may be subscribed for upon the exercise of the Pre-IPO Share Options, and is exercisable during the period between 1 January 2014 to 10 August 2017. The exercise price for subscription of each share upon the exercise of the Pre-IPO Share Options is RMB1.5.

(ii) Long Positions in the associated corporations of the Company:

Name of Director	Name of associated corporation	Capacity	Approximate percentage of equity interest
Wang Muqing	Joy Capital	Settlor of The Grand Glory Trust (Note 1)	100%
Wang Muqing	Shantou Hongxiang Materials Co., Ltd. ("Shantou Hongxiang") (Note 2)	Interest of controlled corporation (Note 3)	80% (Note 8)
Wang Muqing	Shanghai Shenxie Automobile Trading Co., Ltd. ("Shanghai Shenxie") (Note 2)	Interest of controlled corporation (Note 4)	100% (Note 8)
Wang Muqing	Shanghai Shenxie Shentong Automobile Sales Services Co., Ltd. ("Shenxie Shentong") (Note 2)	Interest of controlled corporation (Note 5)	100% (Note 8)
Wang Muqing	Shanghai Luda Automobile Sales Services Co., Ltd. ("Shanghai Luda") (Note 2)	Interest of controlled corporation (Note 6)	100% (Note 8)
Wang Muqing	Shanghai Aohui Automobile Sales Services Co., Ltd. ("Shanghai Aohui") (Note 2)	Interest of controlled corporation (Note 7)	100% (Note 8)

Notes:

1. Joy Capital is the direct owner of 1,372,516,820 shares of the Company. The entire issued share capital of Joy Capital is owned by Grand Glory, whose entire issued share capital is the trust asset of The Grand Glory Trust, which was founded by Mr. Wang Muqing as settlor and managed by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Grand Glory Trust, which is a trust established in accordance with the Purpose Trust Act 2004 of Bahamas. The discretionary beneficiaries of The Grand Glory Trust include Mr. Wang and his family members.

2. This entity is one of the Group's operating entities in the PRC in which the Group does not have direct shareholding. By a series of contracts entered into by, among others, this entity and certain wholly-owned subsidiaries of the Company, the Group is given effective control over the financial and operational policies of this entity and is vested with the economic benefits and associated risks in connection with the operation and business of this entity. Details and effects of and rationale for these contracts or contracts of similar nature with respect to the operating entity of the Group in the PRC are set out in the section headed "Contractual Arrangements" of the prospectus dated 29 November 2010 published by the Company. By virtue of the legal rights and relationship created by these contracts, this entity constitutes a subsidiary of the Group and an associated corporation of the Company even though the Group does not have direct shareholding in it.

3. Shantou Hongxiang is held as to 80% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shantou Hongxiang held by Hubei Shengze, which is his controlled corporation.

4. Shanghai Shenxie is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Shenxie held by Hubei Shengze, which is his controlled corporation.

5. Shenxie Shentong is held as to 100% by Shanghai Shenxie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shenxie Shentong held by Shanghai Shenxie which is held by Hubei Shengze, both of which are his controlled corporations.

6. Shanghai Luda is held as to 100% by Shanghai Shenxie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Luda held by Shanghai Shenxie which is held by Hubei Shengze, both of which are his controlled corporations.

7. Shanghai Aohui is held as to 100% by Shanghai Shenxie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Aohui held by Shanghai Shenxie which is held by Hubei Shengze, both of which are his controlled corporations.

8. The percentage shareholding shown is the equity interest in the relevant subsidiary attributable to Hubei Shengze (or its wholly owned subsidiary). Wang Muqing is interested in approximately 70.4% of the entire registered capital in Hubei Shengze.

Save as disclosed above, as at 30 June 2012, none of the Directors or any of their associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the interests or short positions of the substantial shareholders (other than the Directors) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO were as follows:

Long positions in the shares of the Company:

Name of Shareholders	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding
Joy Capital	Beneficial owner (Note 1)	1,372,516,820	62.16%
Grand Glory	Interest of controlled corporation (Note 1)	1,372,516,820	62.16%
Value Partners Group Limited	Interest of controlled corporation (Note 2)	222,528,500	10.07%
Cheah Capital Management Limited	Interest of controlled corporation (Note 2)	222,528,500	10.07%
Cheah Cheng Hye	Founder of a discretionary trust (Note 2)	222,528,500	10.07%
Cheah Company Limited	Interest of controlled corporation (Note 2)	222,528,500	10.07%
Hang Seng Bank Trustee International Limited	Trustee (Note 2)	222,528,500	10.07%
To Hau Yin	Interest of spouse (Note 3)	222,528,500	10.07%

Notes:

1. Joy Capital is the direct owner of 1,372,516,820 shares of the Company. The entire issued share capital of Joy Capital is owned by Grand Glory, whose entire issued share capital is the trust asset of The Grand Glory Trust, which was founded by Mr. Wang Muqing as settlor and managed by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Grand Glory Trust, which is a trust established in accordance with the Purpose Trust Act 2004 of Bahamas. The discretionary beneficiaries of The Grand Glory Trust include Mr. Wang and his family members.

2. These shares are held by Value Partners Limited, which is a wholly-owned subsidiary of Value Partners Hong Kong Limited, a wholly-owned subsidiary of Value Partners Group Limited. Cheah Capital Management Limited is wholly-owned by Cheah Company Limited which is in turn wholly owned by Hang Seng Bank Trustee International Limited as the trustee of The C H Cheah Family Trust. Mr. Cheah Cheng Hye is the founder of The C H Cheah Family Trust.

3. Ms. To Hau Yin is the spouse of Mr. Cheah Cheng Hye and is deemed to be interested in the shares held by Mr. Cheah Cheng Hye.

SHARE OPTION SCHEMES

(A) Share Option Scheme

The Company has adopted a share option scheme ("Share Option Scheme") pursuant to a resolution in writing passed by the Shareholders on 17 November 2010, which enables the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. The Share Option Scheme became effective on 10 December 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption.

Eligible participants of the Share Option Scheme include the following:

(i) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the Company's subsidiaries or any entity (the "Invested Entity") in which the Group holds an equity interest;

(ii) any non-executive directors (including independent non-executive directors) of the Company, any of the Company's subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group, and for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

As of the date of this report, the total number of shares of the Company available for issue under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue on the day on which trading of the shares commence on the Stock Exchange, i.e. 200,000,000 shares, representing 9.055% of the issued share capital of the Company as at the date of this report.

The maximum number of shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant (other than a substantial shareholder, chief executive or Director as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of share options in excess of the Individual Limit is subject to Shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding any independent non-executive director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, in the 12-month period up to and including the date of grant, are subject to shareholders' approval in general meeting.

The offer of a grant of share options may be accepted by a participant within 21 days from the date of offer upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the board of Directors, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the options subject to the provisions for early termination under the Share Option Scheme.

The subscription price for shares under the Share Option Scheme shall be a price determined by the board of Directors, but shall not be less than the highest of (i) the closing price of shares of the Company as stated in the daily quotation sheets of the Stock Exchange on the date of the offer of the grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the shares of the Company.

Subject to the earlier termination of the Share Option Scheme in accordance with the Share Option Scheme rules, the Share Option Scheme will expire on 16 November 2020.

No options have been granted under the Share Option Scheme since its adoption.

(B) Pre-IPO Share Option Scheme

The Company has, based on a framework plan formulated on 9 August 2010, formally adopted a pre-initial public offering share option scheme ("Pre-IPO Share Option Scheme") pursuant to a resolution in writing passed by the shareholders on 17 November 2010, which enables the Company to recognise and reward the contribution of certain Directors, senior management and employees of the Group to the growth and development of the Group and the Listing.

Details of movements in the Pre-IPO Share Option Scheme during the six months ended 30 June 2012 are as follows:

Grantees	Date of grant	Exercise price per share (RMB)	Exercise period	Outstanding as at 1 January 2012	Granted during the period	Exercised during the period (Note 1)	Lapsed during the period	Outstanding as at 30 June 2012
Directors								
Wang Kunpeng	10/8/2010	1.50	01/01/2012-10/08/2017	1,025,000	0	820,000	0	205,000
	10/8/2010	1.50	01/01/2013-10/08/2017	512,500	0	0	0	512,500
	10/8/2010	1.50	01/01/2014-10/08/2017	512,500	0	0	0	512,500
				2,050,000	0	820,000	0	1,230,000
Li Zhubo	10/8/2010	1.50	01/01/2012-10/08/2017	1,025,000	0	820,000	0	205,000
	10/8/2010	1.50	01/01/2013-10/08/2017	512,500	0	0	0	512,500
	10/8/2010	1.50	01/01/2014-10/08/2017	512,500	0	0	0	512,500
				2,050,000	0	820,000	0	1,230,000
Liu Dongli (Note 2)	10/8/2010	1.50	01/01/2012-10/08/2017	1,025,000	0	820,000	205,000	0
	10/8/2010	1.50	01/01/2013-10/08/2017	512,500	0	0	512,500	0
	10/8/2010	1.50	01/01/2014-10/08/2017	512,500	0	0	512,500	0
				2,050,000	0	820,000	1,230,000	0
Sub-total				6,150,000	0	2,460,000	1,230,000	2,460,000

Grantees	Date of grant	Exercise price per share (RMB)	Exercise period	Outstanding as at 1 January 2012	Granted during the period	Exercised during the period (Note 1)	Lapsed during the period	Outstanding as at 30 June 2012
Employees and former employees	10/8/2010	1.50	01/01/2012-10/08/2017	5,550,650	0	5,069,320	363,350	117,980
	10/8/2010	1.50	01/01/2013-10/08/2017	2,775,325	0	0	795,625	1,979,700
	10/8/2010	1.50	01/01/2014-10/08/2017	2,775,325	0	0	795,625	1,979,700
				11,101,300	0	5,069,320	1,954,600	4,077,380
	10/8/2010	2.00	01/04/2012-10/08/2017	1,005,700	0	483,300	14,280	508,120
	10/8/2010	2.00	01/04/2013-10/08/2017	502,850	0	0	17,850	485,000
	10/8/2010	2.00	01/04/2014-10/08/2017	502,850	0	0	17,850	485,000
				2,011,400	0	483,300	49,980	1,478,120
	10/8/2010	2.50	01/07/2012-10/08/2017	685,000	0	0	0	685,000
	10/8/2010	2.50	01/07/2013-10/08/2017	342,500	0	0	0	342,500
	10/8/2010	2.50	01/07/2014-10/08/2017	342,500	0	0	0	342,500
				1,370,000	0	0	0	1,370,000
	20/8/2010	2.50	01/07/2012-20/08/2017	911,400	0	0	727,400	184,000
	20/8/2010	2.50	01/07/2013-20/08/2017	455,700	0	0	363,700	92,000
	20/8/2010	2.50	01/07/2014-20/08/2017	455,700	0	0	363,700	92,000
				1,822,800	0	0	1,454,800	368,000

Grantees	Date of grant	Exercise price per share (RMB)	Exercise period	Outstanding as at 1 January 2012	Granted during the period	Exercised during the period (Note 1)	Lapsed during the period	Outstanding as at 30 June 2012
	17/11/2010	2.50	01/07/2012-17/11/2017	104,000	0	0	52,000	52,000
	17/11/2010	2.50	01/07/2013-17/11/2017	52,000	0	0	26,000	26,000
	17/11/2010	2.50	01/07/2014-17/11/2017	52,000	0	0	26,000	26,000
				208,000	0	0	104,000	104,000
Sub-total				16,513,500	0	5,552,620	3,563,380	7,397,500
Total				22,663,500	0	8,012,620	4,793,380	9,857,500

Notes:

1. The weighted average closing price of the Company's shares immediately prior to the date of exercise of Pre-IPO Share Option Scheme during the period was HK$7.77.

2. Mr. Liu Dongli resigned as an executive director of the Company with effect from 1 June 2012. Pursuant to the Pre-IPO Share Option Scheme, Mr. Liu ceased to be eligible employee of the Company and his outstanding share options will lapse and not be exercisable on the date of his resignation.

DIRECTORS' COMPLIANCE WITH THE MODEL CODE FOR 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors of the Company, all Directors of the Company confirmed that they had complied with the Securities Dealing Code and the Model Code throughout the six months ended 30 June 2012.

REVIEW OF INTERIM REPORT

The Group's interim report for the six months ended 30 June 2012 have been reviewed by the audit committee of the Company ("Audit Committee"), which comprises all independent non-executive directors, namely Dr. Wong Tin Yau, Kelvin (Chairman of the Audit Committee), Mr. Zhang Yansheng and Mr. Tan Xiangyong.

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

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 2012.

RESTRUCTURING

During the first half of 2012, the Group was in the process of restructuring some of its operating subsidiaries in the PRC (the "Restructuring"), which were controlled through Contractual Arrangements. Please refer to the Company's prospectus dated 29 November 2010 ("Prospectus") for the definition of the term of "Contractual Arrangements" and the detailed arrangements mentioned in such Prospectus.

At the time of the issue of the Prospectus in late 2010, the Group operated 22 automobile dealership stores (the "Original Dealership Stores"). Since the listing of the Company's shares on the Stock Exchange, the Group has operated and controlled 7 more dealership stores through Contractual Arrangement. These new dealership stores together with the Original Dealership Stores are referred to as the "PRC Operating Entities" below.

Prior to the Restructuring, the equity interests in the PRC Operating Entities were held by Hubei Shengze, a PRC company in which Mr. Wang Muqing (a director and one of the controlling shareholders) has about 70.4% equity interest.

Under the exclusive option agreements which form part of the Contractual Arrangements, in respect of each PRC Operating Entity, Rising Wave Development Limited ("Rising Wave") has been granted options (the "Options") (by the equity-holders of the relevant PRC Operating Entity, other than any independent third party(ies) which hold(s) minority interests therein) to acquire, directly or through one or more nominees, any part of the equity interest in the PRC Operating Entities at nil consideration or the minimum amount as permitted under the applicable PRC laws.

Since March 2012, Rising Wave has exercised the Options to acquire the equity interests in the PRC Operating Entities through its nominee, an indirect wholly-owned PRC subsidiary of the Company (the "Holding Subsidiary") at the minimum amount as permitted under the applicable PRC laws. During the first half of 2012, the transfers of the equity interests in 24 PRC Operating Entities to the Holding Subsidiary and the registrations with the relevant PRC authorities were completed. As of the date of this report, the transfers of the equity interests in all PRC Operating Entities (except one) were completed.

Hubei Shengze has separately undertaken to the Group that it shall bear the tax liabilities (if any) arising from or in connection with the above transfers. The Directors confirm that the Group has not incurred (nor will it incur) any material cost in connection with the Restructuring.

Upon completion of the Restructuring, the PRC Operating Entities will no longer be controlled by the Group through Contractual Arrangements, but through equity-ownership of the Group over the PRC Operating Entities.

CORPORATE GOVERNANCE

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices/Corporate Governance Code in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2012, except for the deviation from code provisions A.2.1 and A.6.7 mentioned below:

The Company has not yet appointed the Chairman of the Board and Mr. Wang Kunpeng, the Chief Executive Officer, usually chairs the meetings of the Board. In performing his role as chairman of the meetings, Mr. Wang provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practices. The Board considers that the current arrangement does not impair the balance of power and authority between the management of the Board and the management of the business of the Company.

Due to other commitments, the Non-executive Director and all Independent Non-executive Directors did not attend the 2012 annual general meeting of the Company.

CHANGES IN DIRECTORS' INFORMATION

The following are the changes in the information of Directors since the date of the 2011 Annual Report of the Company, which are required to be disclosed pursuant to Rules 13.51(2) and 13.51B of the Listing Rules:

Mr. Liu Dongli resigned as an executive director and a member of the nomination committee of the Company with effect from 1 June 2012.

Mr. Shao Yong Jun was appointed as a member of the nomination committee of the Company with effect from 1 June 2012.

Dr. Wong Tin Yau, Kelvin, independent non-executive director of the Company, was appointed as a director of Hong Kong Sports Institute Limited with effect from 1 April 2012 and ceased to serve as a Board Director of Business Environment Council with effect from 18 April 2012.

Mr. Zhang Yansheng, independent non-executive director of the Company, was appointed as a doctoral supervisor of Renmin University of China and Huazhong University of Science and Technology. Mr. Zhang was also appointed as an independent director of Hankou Bank Co., Ltd.

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 Kunpeng
Chief Executive Officer and Executive Director

26 August 2012

As at the date of this report, the Board of the Company comprises Mr. WANG Kunpeng (Chief Executive Officer), Mr. LI Zhubo, Mr. SHAO Yong Jun and Mr. CHEN Tao as Executive Directors; Mr. WANG Muqing as Non-Executive Director; and Dr. WONG Tin Yau, Kelvin, Mr. TAN Xiangyong and Mr. ZHANG Yansheng as Independent Non-Executive Directors.

Independent Review Report

Review Report to the Board of Directors of
China ZhengTong Auto Services Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 25 to 42 which comprises the consolidated balance sheet of China ZhengTong Auto Services Holdings Limited as of 30 June 2012, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as of 30 June 2012 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 August 2012

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012 - unaudited
(Expressed in RMB'000)

	Note	Six months ended 30 June 2012	2011
Turnover	4	**13,682,712**	6,016,376
Cost of sales		**(12,487,682)**	(5,386,289)
Gross profit		**1,195,030**	630,087
Other revenue	5	**92,507**	38,111
Other net income	5	**38,302**	10,008
Selling and distribution expenses		**(304,265)**	(113,825)
Administrative expenses		**(335,606)**	(115,016)
Profit from operations		**685,968**	449,365
Finance costs	6(a)	**(200,373)**	(45,368)
Share of profit of a jointly controlled entity		**9,681**	7,340
Profit before taxation	6	**495,276**	411,337
Income tax	7	**(144,465)**	(100,898)
Profit for the period		**350,811**	310,439
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of foreign operations		**(1,231)**	1,004
Other comprehensive income for the period, net of tax		**(1,231)**	1,004
Total comprehensive income for the period		**349,580**	311,443
Profit attributable to:			
Shareholders of the Company		**330,221**	293,322
Non-controlling interests		**20,590**	17,117
Profit for the period		**350,811**	310,439
Total comprehensive income attributable to:			
Shareholders of the Company		**328,990**	294,326
Non-controlling interests		**20,590**	17,117
Total comprehensive income for the period		**349,580**	311,443
Earnings per share	8		
– Basic (RMB cents)		**15.0**	14.7
– Diluted (RMB cents)		**15.0**	14.7

The notes on pages 29 to 42 form part of this interim financial report.

Consolidated Balance Sheet

At 30 June 2012 - unaudited
(Expressed in RMB'000)

	Note	At 30 June 2012	At 31 December 2011
Non-current assets			
Property, plant and equipment	10	**1,253,042**	984,188
Lease prepayments		**262,916**	176,453
Intangible assets		**4,172,583**	4,271,997
Goodwill		**1,926,551**	1,926,551
Interest in a jointly controlled entity		**151,283**	141,602
Deferred tax assets	17	**14,156**	21,270
		7,780,531	7,522,061
Current assets			
Inventories	11	**4,333,907**	3,244,023
Trade and other receivables	12	**3,096,076**	2,945,858
Pledged bank deposits	13	**1,086,012**	1,168,909
Time deposits		**16,963**	11,800
Cash and cash equivalents	14	**1,262,308**	1,096,771
		9,795,266	8,467,361
Current liabilities			
Loans and borrowings	15	**5,585,839**	4,220,370
Trade and other payables	16	**4,086,911**	4,156,397
Income tax payables		**263,101**	305,935
		9,935,851	8,682,702
Net current liabilities		**(140,585)**	(215,341)
Total assets less current liabilities		**7,639,946**	7,306,720
Non-current liabilities			
Deferred tax liabilities	17	**961,250**	984,801
		961,250	984,801
NET ASSETS		**6,678,696**	6,321,919
Equity			
Share capital	18	**188,611**	187,959
Reserves		**6,363,802**	6,022,445
Equity attributable to shareholders of the Company		**6,552,413**	6,210,404
Non-controlling interests		**126,283**	111,515
TOTAL EQUITY		**6,678,696**	6,321,919

Approved and authorised for issue by the board of directors on 26 August 2012.

Wang Kunpeng
Director, CEO

Li Zhubo
Director, CFO

The notes on pages 29 to 42 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012 - unaudited
(Expressed in RMB'000)

	Attributable to shareholders of the Company									
	Share capital	Share premium	Capital reserves	PRC statutory reserves	Exchange reserves	Discretionary surplus reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2011	171,420	2,852,840	487,324	50,527	3,854	4,459	444,359	4,014,783	58,208	4,072,991
Capital contribution by shareholder of the company	–	–	10,000	–	–	–	–	10,000	–	10,000
Equity settled share-based transactions	–	–	7,744	–	–	–	–	7,744	–	7,744
Total comprehensive income for the period	–	–	–	–	1,004	–	293,322	294,326	17,117	311,443
Dividends	–	–	–	–	–	–	–	–	(10,404)	(10,404)
Balance at 30 June 2011	171,420	2,852,840	505,068	50,527	4,858	4,459	737,681	4,326,853	64,921	4,391,774
Balance at 1 January 2012	**187,959**	**4,520,356**	**467,671**	**93,307**	**11,028**	**4,459**	**925,624**	**6,210,404**	**111,515**	**6,321,919**
Shares issued pursuant to pre-IPO employee share option scheme (note 18)	**652**	**18,977**	**(7,327)**	**–**	**–**	**–**	**–**	**12,302**	**–**	**12,302**
Equity settled share-based transactions	**–**	**–**	**717**	**–**	**–**	**–**	**–**	**717**	**–**	**717**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(1,231)**	**–**	**330,221**	**328,990**	**20,590**	**349,580**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,822)**	**(5,822)**
Balance at 30 June 2012	**188,611**	**4,539,333**	**461,061**	**93,307**	**9,797**	**4,459**	**1,255,845**	**6,552,413**	**126,283**	**6,678,696**

The notes on pages 29 to 42 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2012 - unaudited
(Expressed in RMB'000)

	Note	Six months ended 30 June 2012	2011
Net cash (used in)/generated from operating activities		**(540,634)**	40,718
Net cash used in investing activities		**(408,794)**	(436,924)
Net cash generated from financing activities		**1,117,648**	326,197
Net increase/(decrease) in cash and cash equivalents		**168,220**	(70,009)
Cash and cash equivalents at beginning of the period		**1,096,771**	3,432,060
Effect of foreign exchange rate changes		**(2,683)**	1,004
Cash and cash equivalents at end of the period	14	**1,262,308**	3,363,055

The notes on pages 29 to 42 form part of this 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, Cap 22 (Law 3 of 1961, as consolidated and revised) 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, motor-related logistics business and lubricant oil trading business in the People’s Republic of China (the “PRC”).

In August 2011, the Group entered into a share purchase agreement with Exactwin Limited, an independent third party, to acquire 100% equity interest in Top Globe Limited at a total consideration of RMB5,500,000,000, which qualified as a very substantial acquisition under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Top Globe Limited and its subsidiaries are principally engaged in the business of automobile dealership and after-sales services. Its major assets mainly consist of 22 dealership stores, mainly including Volvo, Land Rover and Jaguar, in the PRC. The above acquisition was approved by the Company’s shareholders at the extraordinary general meeting held on 22 December 2011 and was completed on the same date.

2 BASIS OF PREPARATION

The Company has a financial year end date of 31 December. The interim financial report has been prepared in accordance with the applicable disclosure provisions of 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 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 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 judgments, 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 annual financial statements for the year ended 31 December 2011 which were issued on 26 March 2012. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report for the six months ended 30 June 2012 is unaudited, and it was authorised for issue on 26 August 2012. The interim financial report 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. KPMG’s independent review report to the board of directors is included on page 24.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those statutory financial statements in their report dated 26 March 2012.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. None of these developments are relevant to the Group's interim financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 TURNOVER

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

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Sales of passenger motor vehicles	**12,377,760**	5,392,638
Sales of motor spare parts	**177,650**	100,690
Provision of maintenance services	**874,824**	323,101
Provision of logistics services	**84,400**	67,817
Sales of lubricant oil	**168,078**	132,130
	13,682,712	6,016,376

5 OTHER REVENUE AND NET INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Other revenue:		
Commission income	**83,028**	25,880
Interest income from bank deposits	**9,158**	11,690
Others	**321**	541
	92,507	38,111
Other net income:		
Net gain on disposal of property, plant and equipment	**29,695**	8,406
Others	**8,607**	1,602
	38,302	10,008

6 PROFIT BEFORE TAXATION

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

		Note	Six months ended 30 June 2012 RMB'000	2011 RMB'000
(a)	**Finance costs:**			
	Interest on loans and borrowings wholly repayable within 5 years		**172,430**	12,133
	Other finance costs	(i)	**31,871**	33,235
	Less: interest capitalised		**(3,928)**	–
			200,373	45,368
(b)	**Staff costs:**			
	Salaries, wages and other benefits		**214,925**	93,977
	Contributions to defined contribution retirement plans	(ii)	**13,706**	6,367
	Equity settled share-based transactions		**717**	7,744
			229,348	108,088

(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 2012 RMB'000	2011 RMB'000
(c)	**Other items:**		
	Cost of inventories	**12,373,215**	5,321,494
	Depreciation	**74,416**	25,880
	Amortisation of lease prepayments	**3,164**	1,420
	Amortisation of intangible assets	**99,414**	2,477
	Operating lease charges	**70,981**	18,822
	Net foreign exchange (gain)/loss	**(1,189)**	1,869

7 INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Current tax:		
Provision for PRC income tax for the period	**160,902**	97,893
Deferred tax:		
(Origination)/reversal of temporary differences (note 17)	**(16,437)**	3,005
	144,465	100,898

(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) According to the PRC corporate income tax laws and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC enterprises.

The Group's subsidiaries in the PRC are directly or indirectly held by the Group's intermediate holding companies, Rising Wave Development Limited and Wealth Fame Holdings Limited, both of which are Hong Kong tax residents. Since the Group can control the quantity and timing of distribution of profits of the Group's PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2012 was based on the profit attributable to shareholders of the Company for the six months of RMB330,221,000 (30 June 2011: RMB293,322,000) and the weighted average number of ordinary shares of 2,206,823,282 (30 June 2011: 2,000,000,000) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2012 is based on the profit attributable to shareholders of the Company of RMB330,221,000 (30 June 2011: RMB293,322,000) and the weighted average number of ordinary shares of 2,207,951,754 (30 June 2011: 2,000,000,000) in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's pre-IPO employee share option scheme.

(c) Weighted average number of shares (diluted)

	Six months ended 30 June	
	2012 Number of shares	2011 Number of shares
Weighted average number of ordinary shares	**2,206,823,282**	2,000,000,000
Effect of deemed issue of shares under the pre-IPO employee share option scheme	**1,128,472**	–
	2,207,951,754	2,000,000,000

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 Logistics business

Logistics business mainly includes provision of motor-related logistics services.

3 Lubricant oil business

Lubricant oil business mainly includes trading of lubricant oil.

As neither of logistics business nor lubricant oil business has exceeded the quantitative threshold for determining a reportable segment, they are grouped together to form one reportable segment. Consequently, the Group has two reportable segments, namely "4S dealership business" and "Logistics and lubricant oil businesses".

9 SEGMENT REPORTING (CONTINUED)

(a) Segment results, 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		Logistics and lubricant oil businesses		Total	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
For six months ended 30 June						
Turnover from external customers	**13,430,234**	5,816,429	**252,478**	199,947	**13,682,712**	6,016,376
Inter-segment turnover	**–**	–	**307**	4,725	**307**	4,725
Reportable segment turnover	**13,430,234**	5,816,429	**252,785**	204,672	**13,683,019**	6,021,101
Reportable segment profit	**538,981**	374,641	**38,556**	40,182	**577,537**	414,823
Depreciation and amortisation for the period	**174,111**	27,680	**2,883**	2,097	**176,994**	29,777
Reportable segment assets as at 30 June 2012/ 31 December 2011	**10,118,277**	8,720,709	**1,571,380**	1,161,123	**11,689,657**	9,881,832
Additions to non-current segment assets during the period	**508,198**	209,984	**5,655**	337	**513,853**	210,321
Reportable segment liabilities as at 30 June 2012/ 31 December 2011	**(9,518,183)**	(8,489,035)	**(1,017,418)**	(642,530)	**(10,535,601)**	(9,131,565)
Interest in a jointly controlled entity as at 30 June 2012/ 31 December 2011	**–**	–	**151,283**	141,602	**151,283**	141,602

9 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment turnover, profit before taxation, assets and liabilities

	Six months ended 30 June 2012 RMB'000	Six months ended 30 June 2011 RMB'000
Turnover:		
Reportable segment turnover	**13,683,019**	6,021,101
Elimination of inter-segment turnover	**(307)**	(4,725)
Consolidated turnover	**13,682,712**	6,016,376
Profit before taxation:		
Reportable segment profit	**577,537**	414,823
Unallocated head office expenses	**(12,697)**	(6,237)
Other revenue	**92,507**	38,111
Other net income	**38,302**	10,008
Finance costs	**(200,373)**	(45,368)
Consolidated profit before taxation	**495,276**	411,337

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Assets:		
Reportable segment assets	**11,689,657**	9,881,832
Intangible assets	**4,172,583**	4,271,997
Goodwill	**1,926,551**	1,926,551
Deferred tax assets	**14,156**	21,270
Unallocated head office assets	**651,493**	643,620
Elimination of inter-segment receivables	**(878,643)**	(755,848)
Consolidated total assets	**17,575,797**	15,989,422
Liabilities:		
Reportable segment liabilities	**(10,535,601)**	(9,131,565)
Income tax payables	**(263,101)**	(305,935)
Deferred tax liabilities	**(961,250)**	(984,801)
Unallocated head office liabilities	**(15,792)**	(1,050)
Elimination of inter-segment payables	**878,643**	755,848
Consolidated total liabilities	**(10,897,101)**	(9,667,503)

(c) Geographic information

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

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with original costs of RMB424,226,000 in aggregate (30 June 2011: RMB165,673,000).

11 INVENTORIES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Motor vehicles	**4,095,716**	3,039,142
Motor spare parts	**230,474**	199,173
Others	**7,717**	5,708
	4,333,907	3,244,023

12 TRADE AND OTHER RECEIVABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade receivables	**300,518**	291,207
Bills receivable	**5,592**	7,887
	306,110	299,094
Prepayments	**654,106**	1,374,323
Deposit within an escrow account	**300,000**	300,000
Other receivables and deposits	**1,827,083**	972,159
Receivables due from third parties	**3,087,299**	2,945,576
Receivables due from related parties (note 21(c))	**8,777**	282
Trade and other receivables	**3,096,076**	2,945,858

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.

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Current	**264,668**	279,644
Less than 3 months past due	**33,694**	7,201
3 to 12 months past due	**7,062**	10,055
1 year past due	**686**	2,194
Total amount past due	**41,442**	19,450
	306,110	299,094

13 PLEDGED BANK DEPOSITS

Guarantee deposits in respect of:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Bank loans	**101,756**	18,554
Bills payable	**984,256**	1,150,355
	1,086,012	1,168,909

The pledged bank deposits will be released upon the settlement of relevant bank loans and bills payable.

14 CASH AND CASH EQUIVALENTS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Bank deposits within 3 months of maturity	**–**	5,910
Cash at banks and on hand	**1,262,308**	1,090,861
Cash and cash equivalents in condensed consolidated cash flow statements	**1,262,308**	1,096,771

15 LOANS AND BORROWINGS

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Unsecured bank loans	**2,802,486**	1,955,652
Unsecured borrowings from other financial institutions	**250,000**	–
	3,052,486	1,955,652
Secured bank loans	**1,308,093**	1,208,541
Secured borrowings from other financial institutions	**225,260**	56,177
Other secured borrowings	**1,000,000**	1,000,000
	2,533,353	2,264,718
	5,585,839	4,220,370

16 TRADE AND OTHER PAYABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade payables	**223,664**	131,339
Bills payable	**3,035,384**	2,865,830
	3,259,048	2,997,169
Receipts in advance	**339,256**	543,644
Other payables and accruals	**488,607**	615,584
Trade and other payables	**4,086,911**	4,156,397

All trade and other payables are expected to be settled within one year.

16 TRADE AND OTHER PAYABLES (CONTINUED)

An ageing analysis of trade and bills payables is as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Due within 3 months	**3,174,666**	2,981,984
Due after 3 months but within 6 months	**84,033**	14,303
Due after 6 months but within 12 months	**349**	882
	3,259,048	2,997,169

17 DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the period are as follows:

	Fair value adjustment arising from business combination RMB'000	**Depreciation allowances in excess of depreciation charges** RMB'000	**Future benefits of tax losses** RMB'000	**Inventory provision** RMB'000	**Deferred revenue** RMB'000	**Accrued expenses** RMB'000	**Capitalisation interest** RMB'000	**Total** RMB'000
Deferred tax assets/(liabilities) arising from:								
At 31 December 2011	(979,875)	(7,347)	10,380	771	6,042	6,498	–	(963,531)
Credited/(charged) to profit or loss (note 7)	24,893	(324)	438	(771)	(319)	(6,498)	(982)	16,437
At 30 June 2012	(954,982)	(7,671)	10,818	–	5,723	–	(982)	(947,094)

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Representing:		
Deferred tax assets	**14,156**	21,270
Deferred tax liabilities	**(961,250)**	(984,801)
	(947,094)	(963,531)

18 SHARE CAPITAL

The share capital of the Group represents the issued capital of the Company at the respective balance sheet dates.

Movements in the authorised share capital of the Company during the period are as follows:

	Note	2012 Number of shares (thousand)	2012 Amount HK$('000)	2011 Number of shares (thousand)	2011 Amount HK$('000)
Ordinary shares, authorised:					
Ordinary shares of HK$0.10 each		**20,000,000**	**2,000,000**	20,000,000	2,000,000
Ordinary shares, issued and fully paid:					
At 1 January		**2,200,000**	**220,000**	2,000,000	200,000
Issues of ordinary shares under placing		**–**	**–**	200,000	20,000
Shares issued pursuant to pre-IPO employee share option scheme	(i)	**8,013**	**801**	–	–
At 30 June/31 December		**2,208,013**	**220,801**	2,200,000	220,000
RMB equivalent ('000)			**188,611**		187,959

(i) During the period ended 30 June 2012, certain options were exercised to subscribe for 8,012,620 ordinary shares at HK$1.85 and HK$2.47 respectively, with a total consideration of HK$15,118,000 (equivalent to RMB12,302,000), of which HK$801,000 (equivalent to RMB652,000) was credited to share capital. The excess of the total consideration over the par value of the shares, amounting to RMB11,650,000, was credited to share premium. RMB7,327,000 has been transferred from capital reserves to share premium.

19 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding at 30 June 2012 not provided for in the condensed consolidated financial statements were as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Contracted for	**29,952**	48,738
Authorised but not contracted for	**–**	–
	29,952	48,738

19 COMMITMENTS (CONTINUED)

(b) Operating lease commitments

At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within one year	**127,885**	117,542
After 1 year but within 5 years	**300,500**	303,709
After 5 years	**237,510**	258,905
	665,895	680,156

The Group is the lessee in respect of a number of properties and land use rights held under operating leases. The leases typically run for an initial period between 1 and 20 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

20 CONTINGENT LIABILITIES

At 30 June 2012 and 31 December 2011, the Group did not have any significant contingent liabilities.

21 MATERIAL RELATED PARTY TRANSACTIONS

During the period ended 30 June 2012, the directors are of the view that the following individual/companies are related parties of the Group:

Name of party	Relationship
Wang Muqing 王木清	Controlling Shareholder
Hubei Shengze Industry Co., Ltd. ("Hubei Shengze") 湖北聖澤實業有限公司	Controlled by the Controlling Shareholder
Beijing Baoze Automobile Technology Development Co., Ltd. ("Beijing Baoze Technology") 北京寶澤汽車科技發展有限公司	Controlled by the Controlling Shareholder
Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd. ("Inner Mongolia Shengze Dingjie") 內蒙古聖澤鼎傑汽車貿易有限公司	Controlled by the Controlling Shareholder
Changsha Shengze Ruibao Electronics Trading Co., Ltd. ("Changsha Shengze Ruibao") 長沙聖澤瑞寶電子產品貿易有限公司	Controlled by the Controlling Shareholder
Wuhan Shengze Jieyun Trading Co., Ltd. ("Wuhan Jieyun") 武漢聖澤捷運貿易有限公司	Controlled by the Controlling Shareholder
Wuhan Shengze Jiezhong Logistics Co., Ltd. ("Wuhan Jiezhong") 武漢聖澤捷眾物流有限公司	Controlled by the Controlling Shareholder

21 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Recurring transactions

	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Rental expense:		
Hubei Shengze	**1,812**	1,812
Beijing Baoze Technology	**3,258**	3,258
Inner Mongolia Shengze Dingjie	**546**	546
Changsha Shengze Ruibao	**1,050**	1,050
Wuhan Jieyun	**3,150**	3,150
Wuhan Jiezhong	**750**	750
	10,566	10,566

The Company's directors are of the opinion that the above related party transactions were conducted on terms no less favourable to the Group than terms available to or from independent third parties and in the ordinary course of business.

(b) Other transactions

	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Acquisition of subsidiaries from:		
Hubei Shengze	**–**	40,000
Capital contribution by the equity holder of the Company:	**–**	10,000

(c) Balances with related parties

As at the respective balance sheet dates, the Group had the following balances with related parties:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Due from related parties:		
Beijing Baoze Technology	**3,258**	282
Hubei Shengze	**1,056**	–
Inner Mongolia Shengze Dingjie	**563**	–
Wuhan Jieyun	**3,150**	–
Wuhan Jiezhong	**750**	–
	8,777	282

22 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company of the Company to be Joy Capital Holdings Limited, which was incorporated in the British Virgin Islands.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Kunpeng *(Chief Executive Officer)*
Mr. Li Zhubo *(Chief Financial Officer)*
Mr. Chen Tao *(Vice President)*
Mr. Shao Yong Jun *(Vice President)*

Non-executive Director

Mr. Wang Muqing

Independent non-executive Directors

Dr. Wong Tin Yau, Kelvin
Mr. Tan Xiangyong
Mr. Zhang Yansheng

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS

Baoze Plaza
No. 59 West Third-Ring South Road
Beijing
PRC

PLACE OF BUSINESS IN HONG KONG

Unit 5905, 59/F
The Center
99 Queen's Road Central
Hong Kong

WEBSITE ADDRESS

www.zhengtongauto.com

COMPANY SECRETARY

Ms. Cheng Pik Yuk (FCIS, FCS (PE))

AUTHORIZED REPRESENTATIVES

Mr. Shao Yong Jun
Ms. Cheng Pik Yuk

MEMBERS OF THE OPERATION AND MANAGEMENT COMMITTEE

Mr. Wang Kunpeng *(Chairman)*
Mr. Li Zhubo
Mr. Chen Tao
Mr. Shao Yong Jun
Mr. Li Yi
Ms. Wang Guoqing
Mr. Wang Limin

Corporate Information

MEMBERS OF THE AUDIT COMMITTEE

Dr. Wong Tin Yau, Kelvin *(Chairman)*
Mr. Tan Xiangyong
Mr. Zhang Yansheng

MEMBERS OF THE NOMINATION COMMITTEE

Mr. Zhang Yansheng *(Chairman)*
Mr. Shao Yong Jun
Mr. Tan Xiangyong

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Tan Xiangyong *(Chairman)*
Mr. Wang Kunpeng
Dr. Wong Tin Yau, Kelvin

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL BANKERS

China Construction Bank Corporation
Hubei Branch
Shenzhen Development Bank
Shanghai Waitan Branch
Bank of China, Wuhan Economic
Development Zone Branch
China Merchants Bank, Liberation Park Branch
Industrial Bank, Hankou Branch
Bank of Communications, Pacific Branch

AUDITORS

KPMG
Certified Public Accountants

HONG KONG LEGAL COUNSEL

Chiu & Partners
Solicitors

CHINA ZHENGTONG
AUTO SERVICES HOLDINGS LIMITED
中國正通汽車服務控股有限公司

www.zhengtongauto.com