INTERIM REPORT 2010

中升集團控股有限公司
ZHONGSHENG GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 881

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Yi *(Chairman)*
Mr. Li Guoqiang *(Vice-Chairman and CEO)*
Mr. Du Qingshan
Mr. Yu Guangming

Non-executive Director

Mr. Leng Xuesong

Independent Non-executive Directors

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

CORPORATE HEADQUARTERS

32nd Floor, Taikang Financial Tower
38 East Third Ring Road North Street
Chaoyang District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3504–12
35th Floor, Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Island

LEGAL ADVISERS TO HONG KONG LAW

Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

JOINT COMPANY SECRETARIES

Ms. Kam Mei Ha Wendy
Miss Mak Sze Man

AUTHORIZED REPRESENTATIVES

Mr. Huang Yi
Ms. Kam Mei Ha Wendy

AUDIT COMMITTEE

Mr. Ng Yuk Keung *(Chairman)*
Mr. Shen Jinjun
Mr. Leng Xuesong

REMUNERATION COMMITTEE

Mr. Shigeno Tomihei *(Chairman)*
Mr. Li Guoqiang
Mr. Shen Jinjun

NOMINATION COMMITTEE

Mr. Shen Jinjun *(Chairman)*
Mr. Huang Yi
Mr. Shigeno Tomihei

COMPLIANCE COMMITTEE

Mr. Du Qingshan *(Chairman)*
Mr. Huang Yi
Mr. Li Guoqiang

COMPLIANCE ADVISER

Taifook Capital Limited
25th Floor, New World Tower
16–18 Queen's Road Central
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

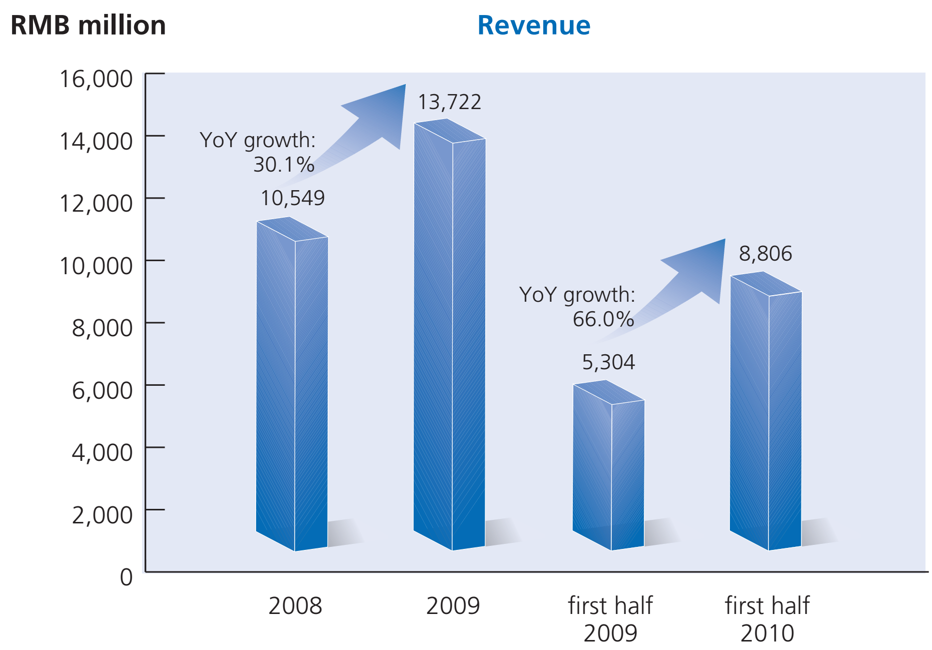
STOCK CODE

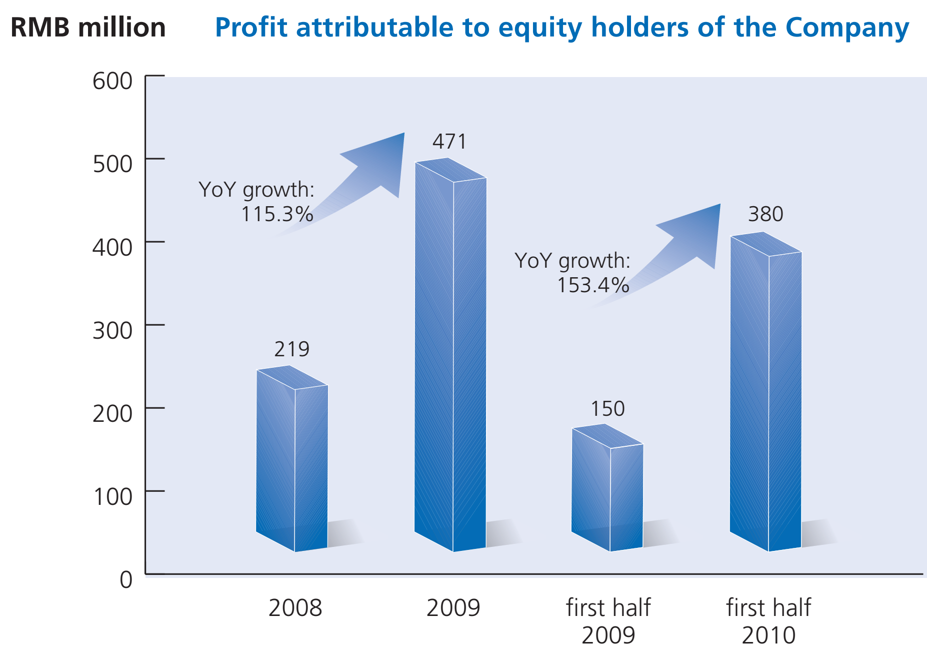
881

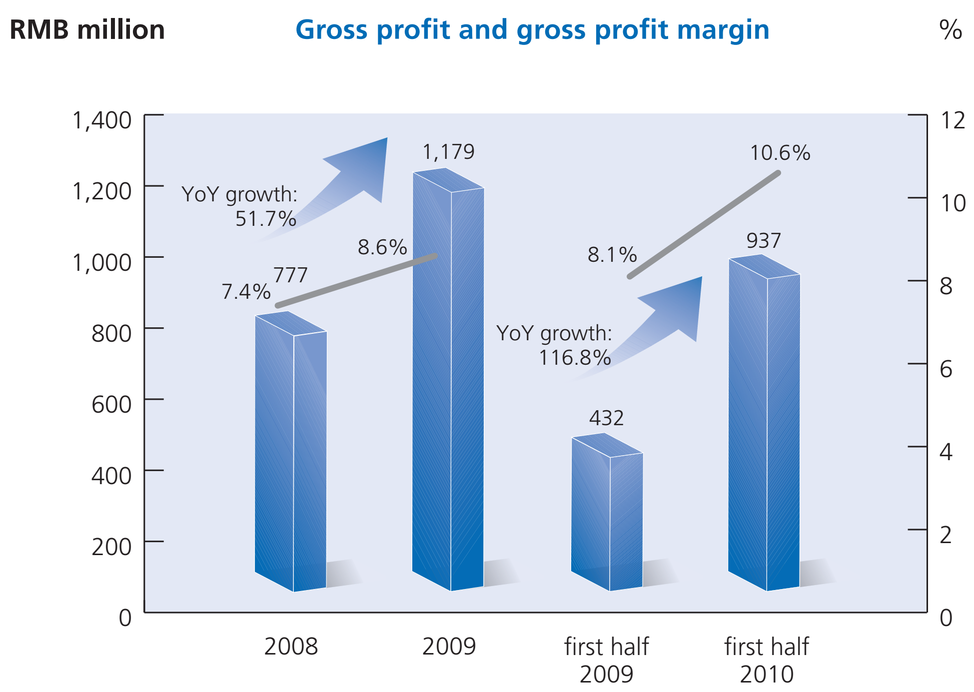
AUDITORS

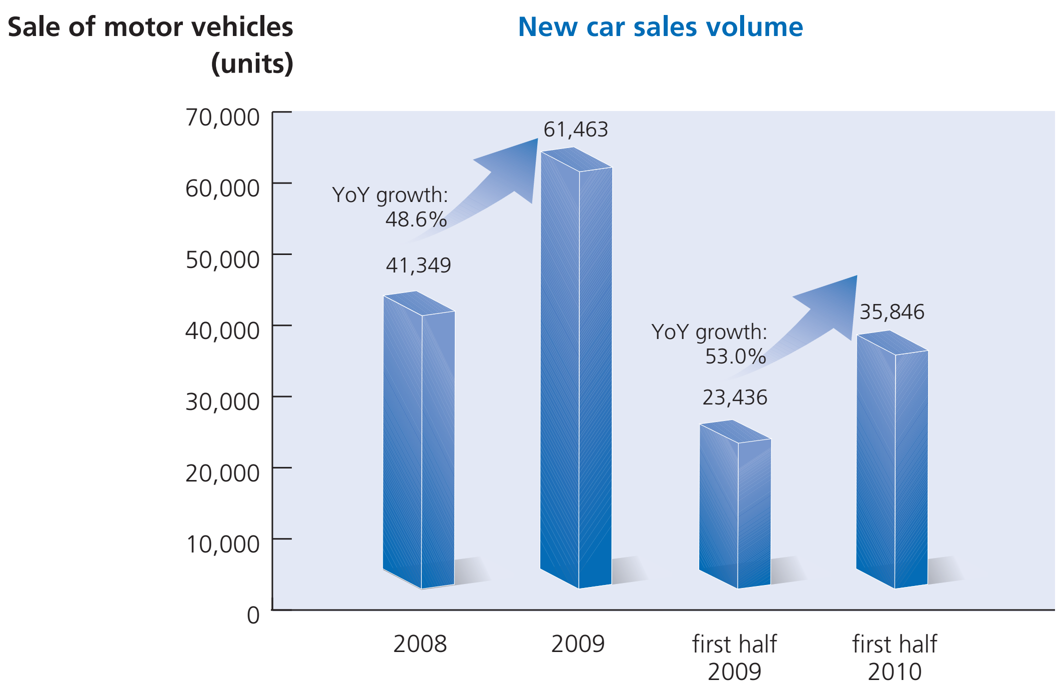
Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Financial Highlights






RMB million
Gross profit and gross profit margin
%
1,400
1,200
1,000
800
600
400
200
0
12
10
8
6
4
2
0
YoY growth:
51.7%
1,179
10.6%
8.6%
8.1%
937
777
7.4%
YoY growth:
116.8%
432
2008
2009
first half
2009
first half
2010


Sale of motor vehicles
(units)
New car sales volume
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
61,463
YoY growth:
48.6%
41,349
YoY growth:
53.0%
35,846
23,436
2008
2009
first half
2009
first half
2010

Chairman's Statement

Dear Respectable Shareholders,

On behalf of the board of directors ("the Board") of Zhongsheng Group Holdings Limited ("Zhongsheng" or the "Company"), it is my pleasure to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010.

The first half of 2010 was a milestone for the Group in capturing opportunities and seeking breakthroughs. The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 26 March 2010 (the "Listing"), which gained extensive support from investors and recognized the competitive edges of Zhongsheng's 4S (i.e. sales, spare parts, service and survey) dealerships in terms of brand distribution, sales, after-sales services and profitability, laying an important foundation for Zhongsheng to tap into the international capital market. By fully capitalizing on the advantages of Listing and the opportunities arising from the rapid development of passenger vehicle market in China, the Company further expanded its 4S dealership network and devoted to achieve excellence in after-sales services, thereby achieved rapid growth in the Company's business for the six months ended 30 June 2010, with various performance indicators showed remarkable and encouraging results. During the period under review, the Company recorded a revenue of RMB8,806 million, representing an increase of 66.0% from RMB5,304 million for the corresponding period of 2009. Our gross profit reached RMB937 million, representing an increase of 116.8% from RMB432 million for the corresponding period of 2009. Our profit attributable to the equity holders of the parent for the period under review reached RMB380 million, representing an increase of 153.4% from RMB150 million for the corresponding period of 2009. Earnings per Share was RMB0.22 (corresponding period in 2009: RMB0.10).

Fuelled by the strong economic growth, the acceleration in the pace of urbanization and the increase number of middle-class and their disposable income, China has become the largest auto market in the world with the sales volumes of new automobiles ranked first in the world. Overall momentum of growth in luxury automobiles and mid-to-high-end automobiles remained high. In order to proactively capture the huge opportunities from passenger vehicle market in China, we established a broad 4S dealership network in affluent coastal and selected inland regions to provide one-stop automobile services to our customers.

The Company has been devoted to the expansion of its 4S dealership network nationwide, so as to strengthen its diversified brand portfolio. Since the beginning of the year, the Group opened 10 4S dealerships in Liaoning, Yunnan, Fujian, Sichuan, Jilin and Jiangsu, and acquired 12 4S dealerships in Liaoning, Fujian, Shandong and Sichuan. As the date of this interim report, the Group owned 69 4S dealerships. In terms of sales and the number of 4S dealerships, we are one of the largest automobile dealership groups for Toyota and Lexus in China, while Toyota and Lexus are our top sales brands.

Looking ahead, the Company will fully capitalize on our leading position in the industry and continue to adhere to our motto "Zhongsheng – Lifetime Partner". Cooperation with partners will be strengthened and Zhongsheng will proactively capture the huge opportunities in luxury and mid-to-high end automobiles market brought by the evergrowing middle-class in China. We will continue to expand the scale of our 4S dealership network and seek brands with development potential to improve our brand portfolio. We will continue to improve the quality of our after-sales services, so as to strive for recognition at our high-quality business from our customers with our quality services and further enhance the Group's position in the industry.

The remarkable results we achieved in the first half of 2010 were attributable to the loyal services and contributions of our employees from all departments of the Group as well as the support and encouragement from all shareholders and business partners. On behalf of the Board, I wish to express my sincere gratitude to my fellow colleagues, our shareholders and business partners.

Huang Yi
Chairman

Hong Kong, 23 August 2010

Management Discussion and Analysis

MARKET REVIEW

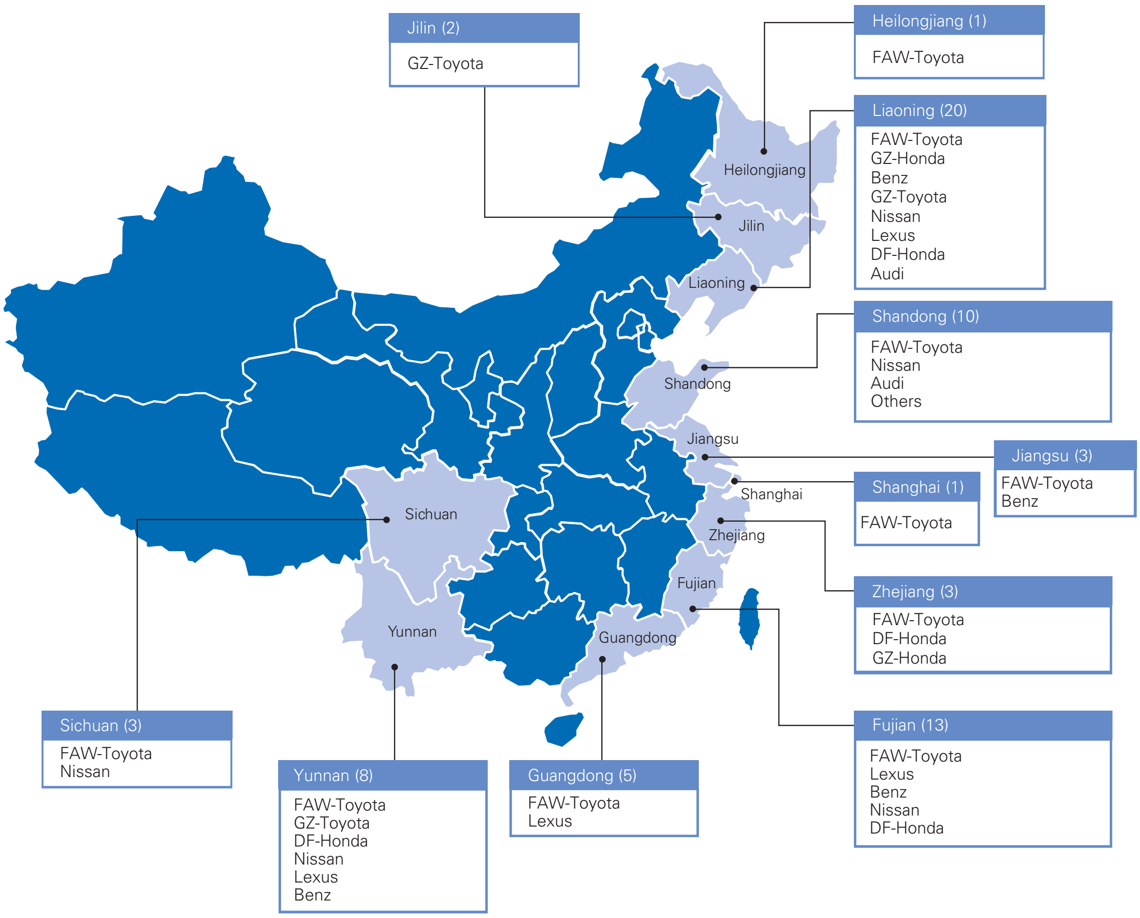
Since the beginning of 2010, the financial crisis has gradually faded and China's economy is riding on the road to recovery. Furthermore, the central government of the PRC has proactively launched numerous economic stimulus packages to boost consumer confidence, so as to drive the economic growth through expanding domestic demand. According to the National Bureau of Statistics of China, gross domestic product in China grew at approximately 11.1% on average during the first half of 2010. The per capita disposable income of urban resident amounted to RMB9,757, representing an increase of approximately 10.2% as compared to the corresponding period last year. Recently, Chinese economy continued to grow at a rapid pace. Meanwhile, living standard and purchasing power of the citizen further improved as a result of the accelerated urbanization and thus brought a strong momentum of growth for the passenger vehicle market. Currently, China has become the world's largest passenger vehicle market. According to China Association of Automobile Manufacturers (中國汽車工業協會), sales volume of passenger vehicle in China during the first half of 2010 reached 6.7 million units, representing an increase of 48.2% as compared to the corresponding period last year. Chinese new automobile sales ranked first in the world with robust growth trend.

BUSINESS REVIEW

Nationwide 4S Dealership Network

The passenger vehicle market continued to expand in China. Capitalizing on the ever increasing demand, we have expanded our existing 4S dealership network proactively through both organic growth and acquisitions and devoted to seize the opportunities arising in the market. As a leading national automobile dealership group in China, we have an established strategic dealership network nationwide. Our 4S dealerships are located at the coastal cities in northeastern China, eastern China and southern China as well as selected inland regions, covering 11 provincial regions and 27 cities including Liaoning, Shandong, Yunnan, Guangdong, Zhejiang, Fujian and etc. The strategic network enables us to strengthen our leading position where our 4S dealerships locate, thus enjoying regional competitive advantage due to the relatively affluent populations in these regions. Since the beginning of the year, we have set up 10 new 4S dealerships in regions of Liaoning, Yunnan, Fujian, Sichuan, Jilin and Jiangsu, etc, and acquired 12 4S dealerships in regions of Liaoning, Fujian, Shandong and Sichuan etc. As the date of this interim report, our nationwide network has reached 69 4S dealerships, consisting of 17 luxury brand dealerships and 52 mid-to-high-end brand dealerships.

The network coverage of Zhongsheng Group's 4S dealership network as of the date of this interim report



	As of 31 December 2009	**As of the date of this interim report 2010**	**Change**
Northeastern coastal region	18	**23**	+5
Eastern coastal region	14	**17**	+3
Southern coastal region	8	**18**	+10
Selected inland regions	7	**11**	+4
Total	47	**69**	+22

Note: Northeastern coastal region includes Liaoning Province, Jilin Province and Heilongjiang Province. Eastern coastal region includes Shandong Province, Jiangsu Province and Shanghai Municipality. Southern coastal region includes Fujian Province and Guangdong Province. Selected inland regions include Yunnan Province and Sichuan Province.

Diversified Brand Portfolio

Zhongsheng Group Holdings Limited ("Zhongsheng") has a diversified brand portfolio to meet demands from different customers in the market. We have been devoted to implement a multi-brands strategy. This allowed us to satisfy customers from different sectors with a comprehensive range of products and helped us to classify different target markets. We thus enjoyed further increase in our profit as well as our market share in the passenger vehicle market in China. The brand portfolio we have dealerships now covers luxury and mid-to-high-end international automobile brands, including luxury automobile brands such as Benz, Lexus and Audi as well as mid-to-high-end automobile brands such as Toyota, Nissan, Honda, etc. For the six months ended 30 June 2010, in terms of sales volume and number of 4S dealerships, we are one of the largest automobile dealership groups for Toyota and Lexus in China and both of Toyota and Lexus are our top sales brands.

Achieving Excellent After-sales Services

As a "one-stop automobile shop", we provide after-sales services to our customers including services and products comprising of repair, maintenance, detailing services and automobile accessories apart from our new automobile sales business. There is enormous room of expansion for the passenger vehicle market in China as a result of the stimulus packages from the central government of the PRC, which creates huge potential in development for our after-sales services. The passenger vehicle market in China has witnessed a significant increase of sales volume during the first half of 2010 as compared to the corresponding period in 2009, with an ongoing increase in penetration rate. Our customer base is therefore expanding rapidly, which in turn increases the demands for after-sales services. After-sales services become an important integral part under the 4S dealership business model. We believe high-quality after-sales services are important criterias for customers to select 4S dealership. Therefore, we adhered to our motto "Zhongsheng – Lifetime Partner" and placed much emphasis to the service quality of each 4S dealership, which brought quality-focused service satisfaction for our customers. To further expand our after-sales services network, we have established quick service shops at Liaoning Province to provide fast and efficient repair, maintenance and detailing services during the six months ended 30 June 2010. We believe that by leveraging on our existing sustainable after-sales services that are of efficiency, quality and high profitability, we can strengthen our existing customer base while acquiring new customers, which would further enhance our profitability.

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2010 was RMB8,806 million, representing an increase of RMB3,502 million or 66.0% as compared to the corresponding period in 2009. This increase was primarily due to the mid-to-high-end and luxury passenger vehicle sales and after-sale business continued to maintain a stable growth. Revenue from new automobile sales amounted to RMB7,985 million, representing an increase of RMB3,173 million or 65.9% compared to the corresponding period in 2009. Revenue from after-sales business amounted to RMB821 million, representing an increase of RMB330 million or 67.1% compared to the corresponding period in 2009. Our new automobile sales business generated a substantial portion of our revenue, accounting for 90.7% of our revenue for the six months ended 30 June 2010. The remaining portion of our revenue during the period was generated by our after-sales business. All of our revenue is derived from our business located in the PRC.

For the six months ended 30 June 2010, revenue from sales of mid-to-high-end brand automobiles amounted to RMB5,233 million (corresponding period in 2009: RMB3,349 million), accounting for 65.5% (corresponding period in 2009: 69.6%) of our revenue from new automobile sales. Revenue from sales of our luxury brand automobiles amounted to RMB2,752 million (corresponding period in 2009: RMB1,464 million), accounting for 34.5% (corresponding period in 2009: 30.4%) of our revenue from new automobile sales for the same periods.

Cost of Sales and Services

Cost of sales and services for the six months ended 30 June 2010 amounted to RMB7,870 million, representing an increase of RMB2,998 million or 61.5% as compared to the corresponding period in 2009. Costs attributable to our new automobile sales business amounted to RMB7,445 million for the six months ended 30 June 2010, representing an increase of RMB2,840 million or 61.7% as compared to the corresponding period in 2009. Costs attributable to our after-sales business amounted to RMB425 million for the six months ended 30 June 2010, representing an increase of RMB158 million or 59.4% as compared to the same period of 2009.

Gross Profit

Gross profit for the six months ended 30 June 2010 amounted to RMB937 million, representing an increase of RMB504 million or 116.8% as compared to the corresponding period in 2009, of which the gross profit from new automobile sales business amounted to RMB540 million, representing an increase of RMB333 million or 160.7% as compared to the corresponding period in 2009. Gross profit from after-sales services was RMB396 million, representing an increase of RMB171 million or 76.2% as compared to the same period of 2009. During the six months ended 30 June 2010, the contribution to gross profit from after-sales services accounted for 42.3% of the total gross profit. Our gross profit margin for the six months ended 30 June 2010 was 10.6% (corresponding period in 2009: 8.1%), of which the gross profit margin of new automobile sales business was 6.8% (corresponding period in 2009: 4.3%). Gross profit margin of after-sales services was 48.2% (corresponding period in 2009: 45.7%). The increase in gross profit margin for the six months ended 30 June 2010 was primarily due to our achievements in optimizing our brand mix, strengthening our 4S dealerships' internal management and through our cost control by centralized procuring of automobile products at the group level.

Profit from Operations

Profit from operations for the six months ended 30 June 2010 amounted to RMB602 million, representing an increase of RMB341 million or 130.4% as compared to the corresponding period in 2009. Our operating profit margin for six months ended 30 June 2010 was 6.8% (corresponding period in 2009: 4.9%).

Profit for the Period under Review

Our profit for the six months ended 30 June 2010 amounted to RMB389 million, representing an increase of RMB227 million or 140.5% as compared to the corresponding period in 2009. Our profit margin for six months ended 30 June 2010 was 4.4% (corresponding period in 2009: 3.1%).

Profit attributable to Equity Holders of Our Parent

Our profit attributable to equity holders of our Company for the six-month period ended 30 June 2010 was RMB380 million, representing an increase of RMB230 million or 153.4% as compared to the corresponding period in 2009.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

We primarily use cash to pay for new automobiles, spare parts and automobile accessories, to repay our indebtedness, to fund our working capital and normal operating expenses and to establish new 4S dealerships and acquire additional 4S dealerships. We finance our liquidity requirements through a combination of cash flows generated from our operating activities and bank loans and other borrowings.

We believe that our liquidity requirements will be satisfied by using a combination of the proceeds from this Global Offering (as defined in the Prospectus), bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time in the future.

Cash Flow Generated from Operating Activities

For the six months ended 30 June 2010, our net cash used in operating activities was RMB1,265 million.

Cash Flow Used In Investing Activities

For the six months period ended 30 June 2010, our net cash used in investing activities was RMB670 million.

Cash Generated from Financing Activities

For the six months ended 30 June 2010, our net cash generated from financing activities was RMB4,261 million.

Net Current Assets and Current Liabilities

As at 30 June 2010, we had net current assets of RMB2,976 million, representing an increase of RMB2,545 million from our net current assets as at 31 December 2009. The increase in our net current assets was primarily due to operating profits and proceeds raised from the Listing.

Capital Expenditures and Investment

Our capital expenditures comprised expenditures on property, plant and equipment and land use rights. During the six months ended 30 June 2010, our total capital expenditures were RMB269 million.

Inventory Analysis

Our inventories primarily consisted of new automobiles, spare parts and automobile accessories. Generally, each of our 4S dealerships individually manages the quotas and orders for new automobiles and after-sales products. We also coordinate and aggregate orders for automobile accessories and other automobile-related products across our 4S dealership network. We manage our quotas and inventory levels through our information technology systems, including our ERP system.

Our inventories increased from RMB1,024 million as at 31 December 2009 to RMB2,598 million as at 30 June 2010, primarily due to we added 15 4S stores during the six months ended 30 June 2010, of which 7 were luxury brands that have relatively higher new car ASP, which caused our inventory balance increasing.

	For the six months ended 30 June	
	2010	2009
Average inventory turnover days	**41.4**	35.1

Our average inventory turnover days in the first half of 2010 increased to 41.4 days from 35.1 days in the first half of 2009, primarily due to the relatively lower new car sales volume of newly added stores during their ramping up period.

Bank Loans and Other Borrowings

Our bank loans and other borrowings as at 30 June 2010 were RMB3,236 million. All such loans and borrowings were denominated in RMB. Our bank loans and other borrowings increased during the period under review as a result of sales growth in our existing 4S dealerships and the increase of our 4S dealerships through organic growth and acquisition. Our gearing ratio was approximately 28.3% as of 30 June 2010, which is net debt divided by the equity attributable to equity holders of the parent plus net debt.

Interest Rate Risk and Foreign Exchange Rate Risk

The Group currently has not used any derivatives to hedge the interest rate risk. The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. Certain cash and bank deposits of the Group are denominated in RMB. The Group has not used any long-term contracts, currency borrowings or other means to hedge its foreign currency exposure.

Staff and Remuneration Policy

As at 30 June 2010, the Group had 6,983 employees. The Group strives to offer a good working environment, a diversified range of training programs as well as an attractive remuneration package to its employees. The Group endeavours to motivate its staff with performance-based remuneration. On top of basic salary, the Group will reward staff with outstanding performance by way of cash bonuses, share options, honorary awards or a combination of all the above to further align the interests of its employees and the Company, to attract talented individuals, and to create long-term incentive for its staff.

Pledge of the Group's Assets

The Group had pledged its group assets as securities for bank and other loan and banking facilities which were used to finance daily business operation. As at 30 June 2010, the pledged group assets amounted to approximately RMB846 million.

FUTURE OUTLOOK AND STRATEGIES

Going forward, Chinese economy will continue its strong and solid growth. With the continuous expansion of the middle class, increase in consumption power of Chinese consumers as well as favorable policies, the outlook for the passenger vehicle market in China continues to be promising. China is an emerging market with huge growth potential in new automobile sales and after-sales businesses. We are determined to continue to develop our business and meet the ever-changing needs of our customers in China.

Riding on the enormous opportunities arising from the development of passenger vehicle market in China, we will continue to expand our 4S dealership network to attract more customers. Our network expansion will focus on relatively affluent regions with stronger purchasing power including northeastern, eastern and southern coastal regions and selected inland regions. We will continue to expand our network coverage in such regions to consolidate our leading position. In addition, the second and third tier cities in China have posted strong growth momentum in recent years. We will tap into these markets to increase our market share. Meanwhile, the Group will actively look for potential acquisition targets with long-term strategic value to further expand our 4S dealership network.

Our diversified brand portfolio and high-quality after-sales services have helped us to establish our leadership position. We will continue to seek opportunities to work with automobile brands with development potential in order to expand our brand portfolio and fulfill the increasing demand of consumers. In the meantime, the gradual increase in automobile penetration and the Group's continuous development in new automobiles sales business will bring strong growth potential in after-sales businesses. We believe that the high-quality services and management of our after-sales businesses will further strengthen and expand our customer base, as well as creating an important competitive advantage of us.

Looking ahead, we will develop our after-sales services through establishing quick service shops in the vicinity of our 4S dealerships in order to provide fast and efficient repair, maintenance and detailing services, while our 4S dealerships in the future will focus more on providing complicated repair and maintenance services. Moreover, by leveraging our existing resources of new automobiles sales and customer base, we also plan to develop used automobiles sales business to further enlarge our scope of business.

With the aim of capitalizing on the huge potential of the passenger vehicle market in China, Zhongsheng will continue to seize business opportunities, strive to consolidate our market leading position and achieve great success.

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2010

	Notes	**Unaudited** For the six months ended 30 June 2010 RMB'000	For the six months ended 30 June 2009 RMB'000
REVENUE	4(a)	**8,806,325**	5,303,864
Cost of sales and services provided	5(b)	**(7,869,743)**	(4,871,774)
Gross profit		**936,582**	432,090
Other income and gains, net	4(b)	**46,931**	22,428
Selling and distribution costs		**(268,450)**	(138,229)
Administrative expenses		**(113,295)**	(55,051)
Profit from operations		**601,768**	261,238
Finance costs	6	**(80,774)**	(41,844)
Share of profits of jointly-controlled entities		**4,123**	2,263
Profit before tax	5	**525,117**	221,657
Tax	7	**(135,858)**	(59,781)
Profit for the period		**389,259**	161,876
Attributable to:			
Equity holders of the parent		**380,268**	150,088
Non-controlling interests		**8,991**	11,788
		389,259	161,876
Earnings per share attributable to equity holders of the parent			
Basic			
– For profit for the period (RMB)	8	**0.22**	0.10
Diluted			
– For profit for the period (RMB)	8	**0.22**	0.10

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2010

	Unaudited	
	For the six months ended 30 June 2010	For the six months ended 30 June 2009
	RMB'000	*RMB'000*
Profit for the period	**389,259**	161,876
Exchange differences on translation of foreign operations	**(16,096)**	(3,207)
Other comprehensive income for the period, net of tax	**(16,096)**	(3,207)
Total comprehensive income for profit for the period	**373,163**	158,669
Attributable to:		
Equity holders of the parent	**364,172**	146,881
Non-controlling interests	**8,991**	11,788
	373,163	158,669

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2010

	Notes	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,024,168**	838,379
Land use rights		**486,062**	422,899
Prepayments		**346,750**	56,271
Intangible assets		**320,905**	254,632
Goodwill		**263,362**	200,492
Interest in jointly-controlled entities		**42,822**	38,699
Available-for-sale investment		**129,874**	100
Held-to-maturity investments		**5,234**	5,283
Deferred tax assets		**7,978**	4,532
Total non-current assets		**2,627,155**	1,821,287
CURRENT ASSETS			
Inventories	*9*	**2,598,116**	1,024,240
Trade receivables	*10*	**211,915**	86,764
Prepayments, deposits and other receivables	*11*	**1,854,685**	1,113,186
Amounts due from related parties	*18(b)(i)*	**12,001**	556
Term deposits and pledged bank deposits		**437,921**	382,929
Cash in transit		**60,429**	44,542
Cash and cash equivalents		**3,340,469**	1,030,960
Total current assets		**8,515,536**	3,683,177
CURRENT LIABILITIES			
Bank loans and other borrowings	*12*	**3,236,445**	1,797,149
Trade and bills payables	*13*	**1,980,587**	1,093,013
Other payables and accruals		**234,348**	277,702
Amounts due to related parties	*18(b)(ii)*	**18,995**	24,236
Income tax payable		**69,477**	60,012
Total current liabilities		**5,539,852**	3,252,112
Net current assets		**2,975,684**	431,065
Total assets less current liabilities		**5,602,839**	2,252,352
Non-current liabilities			
Deferred tax liabilities		**141,294**	104,545
Net assets		**5,461,545**	2,147,807

As at 30 June 2010

	Notes	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	14	168	–
Reserves		5,385,751	2,110,915
		5,385,919	2,110,915
Non-controlling interests		75,626	36,892
Total equity		5,461,545	2,147,807

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2010

	Unaudited									
	Issued capital *RMB'000*	Share premium *RMB'000*	Dis-cretionary reserve fund *RMB'000*	Statutory reserve *RMB'000*	Merger reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2009	–	–	11,434	96,284	794,258	13,309	717,813	1,633,098	52,673	1,685,771
Contribution by the Controlling Shareholders	–	–	–	–	41,675	–	–	41,675	–	41,675
Disposal of a subsidiary	–	–	–	–	–	–	–	–	1	1
Transfer from retained profits	–	–	(1,001)	4,660	–	–	(3,659)	–	–	–
Comprehensive income for the period	–	–	–	–	–	(3,207)	150,088	146,881	11,788	158,669
At 30 June 2009	–	–	10,433	100,944	835,933	10,102	864,242	1,821,654	64,462	1,886,116
At 1 January 2010	**–**	**–**	**18,712**	**135,204**	**804,598**	**9,905**	**1,142,496**	**2,110,915**	**36,892**	**2,147,807**
Issue of shares in connection with the Reorganisation	**137**	**2,110,778**	**–**	**–**	**(2,110,915)**	**–**	**–**	**–**	**–**	**–**
Issue of shares in connection with the Listing	**27**	**2,687,718**	**–**	**–**	**–**	**–**	**–**	**2,687,745**	**–**	**2,687,745**
Over-allotment of shares	**4**	**377,384**	**–**	**–**	**–**	**–**	**–**	**377,388**	**–**	**377,388**
Share issue expenses	**–**	**(154,665)**	**–**	**–**	**–**	**–**	**–**	**(154,665)**	**–**	**(154,665)**
Disposal on interest in a subsidiary to non-controlling shareholder	**–**	**–**	**–**	**–**	**364**	**–**	**–**	**364**	**1,636**	**2,000**
Non-controlling interest arising from business combination	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**28,107**	**28.107**
Comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(16,096)**	**380,268**	**364,172**	**8,991**	**373,163**
At 30 June 2010	**168**	**5,021,215**	**18,712**	**135,204**	**(1,305,953)**	**(6,191)**	**1,522,764**	**5,385,919**	**75,626**	**5,461,545**

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2010

	Unaudited	
	For the six months ended 30 June 2010	For the six months ended 30 June 2009
	RMB'000	*RMB'000*
Net cash generated from/(used in) operating activities	**(1,265,200)**	156,273
Net cash used in investing activities	**(669,798)**	(128,714)
Net cash generated from financing activities	**4,260,540**	78,971
Net increase in cash and cash equivalents	**2,325,542**	106,530
Cash and cash equivalents at the beginning of each period	**1,030,960**	964,245
Effect of foreign exchange rate changes, net	**(16,033)**	(3,206)
Cash and cash equivalents at the end of period	**3,340,469**	1,067,569
Analysis of the balance of cash and cash equivalents, represented by:		
Cash and bank balances	**3,340,469**	807,569
Short term deposit	**–**	260,000
	3,340,469	1,067,569

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

30 June 2010

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

(a) General information of Zhongsheng Group Holdings Limited (the "Company") and its subsidiaries (the "Group")

The Company was incorporated on 23 June 2008 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company has established a principal place of business which is located at Rooms 3504-12, 35/F, Sun Hung Kai Centre, 30 Harbour Road, Wai Chai, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

During the six months ended 30 June 2010, the Group is principally engaged in the sale and service of motor vehicles in Mainland China.

The condensed consolidated interim financial statements were presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated. This condensed consolidated interim financial information was approved for issue on 23 August 2010. These condensed consolidated interim financial statements have not been audited.

(b) Basis of presentation

Through a group reorganisation (the "Reorganisation") as set out in the section headed "Our History and Reorganisation" in the prospectus dated 16 March 2010 (the "Prospectus") for the public listing of the Company's shares on the Main Board of the Hong Kong Stock Exchange, the Company became the holding company of the companies now comprising the Group on 22 February 2010. The shares of the Company were listed on the Hong Kong Stock Exchange on 26 March 2010.

The condensed consolidated interim financial statements for the six months ended 30 June 2010 have been prepared based on the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as if the Reorganisation had been completed as at the beginning of the period presented because the Company's acquisition of the companies now comprising the Group should be regarded as a business combination under common control as the Company and the companies now comprising the Group were under common control both before and after the completion of the Reorganisation, except for the subsidiaries acquired during the period, which are accounted for using the purchase method of accounting.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 30 June 2010 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- HKFRS 3 (revised), "Business combinations", and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), "consolidated and separate financial statements", at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- HK(IFRIC)-Int 17, "Distributions of Non-cash Assets to Owners" is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- "Additional exemptions for first-time adopters" (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.

- HKAS 39 (Amendment), "Eligible hedged items" is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.

- HKFRS 2 (Amendment), "Group cash-settled share-based payment transaction" is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group (continued)

- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.

- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

3. SEGMENT INFORMATION

The Group is engaged in the principal business of sale and service of motor vehicles. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the sale of motor vehicles and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

Information about geographical area

Since over 90.0% of the Group's revenue and operating profit were generated from the sale and service of motor vehicles in Mainland China and over 90.0% of the Group's identifiable assets and liabilities were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10.0% or more of the Group's revenue during each of the Relevant Periods, no major customers segment information is presented in accordance with HKFRS 8 Operating Segments.

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	Unaudited	
	For the six months ended 30 June 2010	For the six months ended 30 June 2009
	RMB'000	*RMB'000*
Revenue from the sale of motor vehicles	**7,985,315**	4,812,590
Others	**821,010**	491,274
	8,806,325	5,303,864

4. REVENUE, OTHER INCOME AND GAINS, NET (continued)

(b) Other income and gains

	Unaudited For the six months ended 30 June 2010 RMB'000	For the six months ended 30 June 2009 RMB'000
Commission income	**35,208**	11,468
Advertisement support received from motor vehicle manufacturers	**260**	1,679
Rental income	**272**	1,362
Government grants	**1,002**	–
Interest income	**5,352**	5,211
Net gain on disposal of property, plant and equipment	**1,994**	1,118
Others	**2,843**	1,590
	46,931	22,428

5. PROFIT BEFORE TAX

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

		Unaudited For the six months ended 30 June 2010 RMB'000	For the six months ended 30 June 2009 RMB'000
(a)	**Employee benefit expense (including directors' remuneration)**		
	Wages and salaries	**117,503**	50,394
	Pension scheme contributions	**16,058**	10,942
	Other welfare	**8,302**	3,816
		141,863	65,152
(b)	**Cost of sales and services:**		
	Cost of sales of motor vehicles	**7,444,847**	4,605,253
	Others	**424,896**	266,521
		7,869,743	4,871,774

5. PROFIT BEFORE TAX (continued)

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

	Unaudited For the six months ended 30 June 2010 RMB'000	For the six months ended 30 June 2009 RMB'000
(c) Other items		
Depreciation and impairments of property, plant and equipment	**42,466**	33,339
Amortisation of land use rights	**4,040**	3,686
Amortisation of intangible assets	**9,050**	5,772
Advertisement expenses	**29,712**	12,401
Office expenses	**23,973**	14,194
Logistics expenses	**9,079**	4,378
Business promotion expenses	**20,101**	8,692
Provision for impairment of trade receivables and other receivables	**(410)**	(7)
Net gain on disposal of property plant and equipment	**(1,994)**	(1,118)
	136,017	81,337

6. FINANCE COSTS

	Unaudited For the six months ended 30 June 2010	For the six months ended 30 June 2009
Interest expense on bank borrowings wholly repayable within five years	**74,540**	41,053
Interest expense on other borrowings	**6,234**	791
	80,774	41,844

7. TAX

	Unaudited For the six months ended 30 June 2010 RMB'000	For the six months ended 30 June 2009 RMB'000
Current Mainland China corporate income tax	**118,375**	48,126
Deferred tax	**17,483**	11,655
	135,858	59,781

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of shares in issue, during the six months period ended 30 June 2010 and 2009, respectively.

Earnings

	Unaudited For the six months ended 30 June 2010 RMB'000	For the six months ended 30 June 2009 RMB'000
Profit attributable to the equity holders of the parent	**380,268**	150,088

Shares

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Weighted average number of ordinary shares in issue during the period	**1,744,660,995**	1,559,992,795

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (continued)

The weighted average number of shares used to calculate the basic earnings per share for the six months period ended 30 June 2009 includes the pro forma issued share capital of the Company of 1,559,992,795 shares, comprising:

(a) the 100,000 shares of the Company issued on incorporation; and

(b) the 1,559,892,795 shares of the Company issued as consideration for the acquisition of subsidiaries now comprising the Group pursuant to the Reorganisation (note 1), on the assumption that the Reorganisation had been completed on 1 January 2009.

The weighted average number of shares used to calculate the basic earnings per share for the six months period ended 30 June 2010 includes the weighted average of 348,488,500 shares issued in connection with the Company's IPO and over-allotment option as defined in the Prospectus, in addition to the aforesaid 1,559,992,795 ordinary shares.

Earnings per share

	Unaudited	
	For the six months ended 30 June 2010	For the six months ended 30 June 2009
	RMB	*RMB*
Basic	**0.22**	0.10
Diluted	**0.22**	0.10

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2010 and 2009, respectively, in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months period ended 30 June 2010 and 2009.

9. INVENTORIES

	Unaudited 30 June 2010 *RMB'000*	Audited 31 December 2009 *RMB'000*
Motor vehicles	**2,412,185**	880,753
Spare parts	**182,576**	128,294
Others	**3,355**	15,193
	2,598,116	1,024,240

10. TRADE RECEIVABLES

	Unaudited 30 June 2010 *RMB'000*	Audited 31 December 2009 *RMB'000*
Trade receivables	**212,107**	87,054
Impairment	**(192)**	(290)
	211,915	86,764

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

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

	Unaudited 30 June 2010 *RMB'000*	Audited 31 December 2009 *RMB'000*
Within 3 months	**192,209**	76,885
More than 3 months but less than 1 year	**18,376**	9,692
Over 1 year	**1,330**	187
	211,915	86,764

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 June 2010 ***RMB'000***	Audited 31 December 2009 *RMB'000*
Prepayments, deposits, and other receivables	**1,854,846**	1,113,657
Impairment	**(161)**	(471)
	1,854,685	1,113,186

12. BANK LOANS AND OTHER BORROWINGS

	Unaudited 30 June 2010 ***RMB'000***	Audited 31 December 2009 *RMB'000*
Current bank loans	**2,996,360**	1,597,699
Other borrowings	**240,085**	199,450
Bank loans and other borrowings	**3,236,445**	1,797,149

The maturity of bank loans and other borrowings at each balance date were less than one year.

13. TRADE AND BILL PAYABLES

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Trade payables	**189,451**	111,976
Bills payable	**1,791,136**	981,037
Trade and bill payables	**1,980,587**	1,093,013

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

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

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Within 3 months	**1,967,894**	1,080,587
3 to 6 months	**10,803**	11,383
6 to 12 months	**1,174**	648
Over 12 months	**716**	395
	1,980,587	1,093,013

14. ISSUED CAPITAL

Shares	**30 June 2010** ***HK$'000***
Authorised:	
1,000,000,000,000 shares of HK$0.0001 each	**100,000**
Issued and fully paid	
1,908,481,295 shares of HK$0.0001 each	**191**
Equivalent to RMB'000	**168**

14. ISSUED CAPITAL (continued)

A summary of the transaction in the Company's issued share capital is as follows:

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares *HK$'000*	Share premium *HK$'000*	Equivalent nominal value of ordinary shares *RMB'000*	Equivalent share premium *RMB'000*	Equivalent total *RMB'000*
On incorporation	100,000	–	–	–	–	–
Issue of shares in connection with the Reorganisation *(note 1)*	1,559,892,795	156	2,401,067	137	2,110,778	2,110,915
Issue of new shares *(note (a))*	305,564,500	31	3,055,614	27	2,687,718	2,687,745
Over-allotment *(note (b))*	42,924,000	4	429,236	4	377,384	377,388
	1,908,481,295	191	5,885,917	168	5,175,880	5,176,048
Share issue expenses	–	–	(175,836)	–	(154,665)	(154,665)
As at 30 June 2010	1,908,481,295	191	5,710,081	168	5,021,215	5,021,383

Notes:

(a) On 26 March 2010, in connection with the Company's IPO as defined in the Prospectus, 305,564,500 new ordinary shares of the Company of HK$0.0001 each were issued at a price of HK$10.0 per share with a gross proceeds of HK3,055,645,000 (equivalent to approximately RMB2,687,745,342).

(b) On 31 March 2010, an over-allotment option was exercised and an additional 42,924,000 ordinary shares of HK$0.0001 each were issued at a price of HK$10.0 per share with a gross proceeds of HK429,240,000 (equivalent to approximately RMB377,387,808).

15. BUSINESS COMBINATION-ACQUISITION OF SUBSIDIARIES

(a) As part of the Group's plan to expand its motor vehicle sales and service business in the Sichuan province, the Group acquired 90.0% of the equity interests of 成都益佳汽車銷售服務有限責任公司 (Chengdu Yijia Automobile Sales & Services Co., Ltd.), which is engaged in the motor vehicle sales and service business from one third party on 30 April 2010, at a total consideration of RMB20,716,000. The purchase consideration for the acquisition was in the form of cash, and was fully paid during the six months ended 30 June 2010.

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

	Notes	Pre-acquisition carrying amount *RMB'000*	Recognised fair values on acquisition *RMB'000*
Property, plant and equipment		12,391	12,599
Intangible assets		23	12,283
Deferred tax assets		5	5
Inventories		19,337	19,337
Trade receivables		3,732	3,732
Prepayments, deposits and other receivables		7,377	7,377
Cash and cash equivalents		14,536	14,536
Trade and bills payables		(10,148)	(10,148)
Other payables and accruals		(32,326)	(32,326)
Deferred tax liabilities		–	(3,117)
Income tax payable		(1,542)	(1,542)
Net identifiable assets and liabilities		13,385	22,736
Non-controlling interests arising from a business combination			(2,274)
Goodwill on acquisition			254
Total purchase consideration			20,716

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

Satisfied by cash	(20,716)
Cash acquired	14,536
Net cash outflow	(6,180)

Since the acquisition, the subsidiary contributed RMB39,420,150 to the Group's revenue and RMB2,788,864 to the consolidated profits for the six months ended 30 June 2010.

Since the Group cannot obtain the pre-acquisition results of this company from the vendor, it is impracticable to disclose the pre-acquisition revenue and profits of the company.

15. BUSINESS COMBINATION-ACQUISITION OF SUBSIDIARIES (continued)

(b) As part of the Group's plan to expand its motor vehicle sales and service business in the Shandong province, the Group acquired 100.0% of the equity interests of 青島日產汽車銷售服務有限公司 (Qingdao Nissan Automobile Sales & Services Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China, from one third party on 30 April 2010 at a total consideration of RMB32,021,320. The purchase consideration for the acquisition was in the form of cash, and was fully paid during the six months ended 30 June 2010.

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

	Pre-acquisition carrying amount *RMB'000*	Recognised fair values on acquisition *RMB'000*
Property, plant and equipment	1,206	1,888
Intangible assets	–	14,860
Deferred tax assets	1,117	1,117
Inventories	18,778	18,778
Trade receivables	946	946
Prepayments, deposits and other receivables	25,151	25,151
Cash and cash equivalents	5,050	5,050
Trade and bills payables	(3,034)	(3,034)
Other payables and accruals	(52,018)	(52,018)
Deferred tax liabilities	–	(3,886)
Net identifiable assets and liabilities	(2,804)	8,852
Goodwill on acquisition		23,169
Total purchase consideration		32,021

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

Satisfied by cash	(32,021)
Cash acquired	5,050
Net cash outflow	(26,971)

Since the acquisition, the subsidiary contributed RMB39,730,780 to the Group's revenue and RMB950,384 to the consolidated profits for the six months ended 30 June 2010.

Since the Group cannot obtain the pre-acquisition results of this company from the vendor, it is impracticable to disclose the pre-acquisition revenue and profits of the company.

15. BUSINESS COMBINATION-ACQUISITION OF SUBSIDIARIES (continued)

(c) As part of the Group's plan to expand its motor vehicle sales and service business in the Shandong province, the Group acquired 100.0% of the equity interests of 烟台市盛悦汽車銷售服務有限公司 (Yantai Shengyue Automobile Sales & Services Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China, from one third party on 30 April 2010 at a total consideration of RMB3,700,000. The purchase consideration for the acquisition was in the form of cash, with RMB296,000 paid during the six months ended 30 June 2010.

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

	Pre-acquisition carrying amount *RMB'000*	Recognised fair values on acquisition *RMB'000*
Property, plant and equipment	2,608	2,718
Intangible assets	16	2,476
Deferred tax assets	1,110	1,110
Inventories	7,748	7,748
Trade receivables	411	411
Prepayments, deposits and other receivables	12,206	12,206
Cash and cash equivalents	64,651	64,651
Trade and bills payables	(77,470)	(77,470)
Other payables and accruals	(9,612)	(9,612)
Deferred tax liabilities	–	(642)
Net identifiable assets and liabilities	1,668	3,596
Goodwill on acquisition		104
Total purchase consideration		3,700

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

Satisfied by cash	(296)
Cash acquired	64,651
Net cash inflow	64,355

Since the acquisition, the subsidiary contributed RMB17,701,392 to the Group's revenue and RMB411,402 to the consolidated profits for the six months ended 30 June 2010.

Since the Group cannot obtain the pre-acquisition results of this company from the vendor, it is impracticable to disclose the pre-acquisition revenue and profits of the company.

15. BUSINESS COMBINATION-ACQUISITION OF SUBSIDIARIES (continued)

(d) As part of the Group's plan to expand its motor vehicle sales and service business in the Liaoning province, the Group acquired 50.0% of the equity interests of 大連天久汽車服務有限公司 (Dalian Tianjiu Automobile Sales & Services Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China, from two third parties on 30 April 2010 at a total consideration of RMB26,000,000. The purchase consideration for the acquisition was in the form of cash, and was fully paid during the six months ended 30 June 2010.

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

	Pre-acquisition carrying amount *RMB'000*	Recognised fair values on acquisition *RMB'000*
Property, plant and equipment	10,814	12,784
Intangible assets	–	28,560
Deferred tax assets	2,789	2,789
Inventories	32,935	32,935
Trade receivables	15	15
Prepayments, deposits and other receivables	17,841	17,841
Cash and cash equivalents	48,877	48,877
Trade and bills payables	(76,154)	(76,154)
Other payables and accruals	(7,193)	(7,193)
Deferred tax liabilities	–	(7,632)
Bank loans and other borrowings	(27,800)	(27,800)
Income tax payable	(40)	(40)
Net identifiable assets and liabilities	2,084	24,982
Non-controlling interests arising from a business combination		(12,491)
Goodwill on acquisition		13,509
Total purchase consideration		26,000

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

Satisfied by cash	(26,000)
Cash acquired	48,877
Net cash inflow	22,877

Since the acquisition, the subsidiary contributed RMB50,205,948 to the Group's revenue and RMB3,257,443 to the consolidated profits for the six months ended 30 June 2010.

Since the Group cannot obtain the pre-acquisition results of this company from the vendor, it is impracticable to disclose the pre-acquisition revenue and profits of the company.

15. BUSINESS COMBINATION-ACQUISITION OF SUBSIDIARIES (continued)

(e) As part of the Group's plan to expand its motor vehicle sales and service business in the Liaoning province, the Group acquired 50.0% of the equity interests of 大連天貿汽車銷售服務有限公司 (Dalian Tianmao Automobile Sales & Services Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China, from two third parties on 30 April 2010 at a total consideration of RMB39,176,228. The purchase consideration for the acquisition was in the form of cash, and was fully paid during the six months ended 30 June 2010.

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

	Pre-acquisition carrying amount *RMB'000*	**Recognised fair values on acquisition** *RMB'000*
Property, plant and equipment	486	7,114
Intangible assets	–	16,310
Deferred tax assets	173	173
Prepayments, deposits and other receivables	8,699	8,699
Cash and cash equivalents	145	145
Other payables and accruals	(23)	(23)
Deferred tax liabilities	–	(5,734)
Net identifiable assets and liabilities	9,480	26,684
Non-controlling interests arising from a business combination		(13,342)
Goodwill on acquisition		25,834
Total purchase consideration		39,176

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

Satisfied by cash	(39,176)
Cash acquired	145
Net cash outflow	(39,031)

Since the acquisition, the subsidiary contributed RMB27,578,636 to the Group's revenue and RMB868,206 to the consolidated profits for the six months ended 30 June 2010.

Since the Group cannot obtain the pre-acquisition results of this company from the vendor, it is impracticable to disclose the pre-acquisition revenue and profits of the company.

16. CONTINGENT LIABILITIES

As at 30 June 2010, neither the Group nor the Company had any significant contingent liabilities.

17. COMMITMENTS

(a) Capital commitments

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Contracted, but not provided for land use rights and buildings	**53,011**	97,866
Authorised, but not contracted for land use rights and buildings	**–**	6,755
	53,011	104,621

(b) Operating lease commitments

At each statement of financial position date, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	30 June 2010		31 December 2009	
	Properties *RMB'000*	**Land** *RMB'000*	Properties *RMB'000*	Land *RMB'000*
Within one year	**5,724**	**7,708**	4,713	5,794
After 1 year but within 5 years	**35,909**	**42,165**	17,833	28,708
After 5 years	**36,719**	**118,623**	13,878	82,674
	78,352	**168,496**	36,424	117,176

The Group is the lessee in respect of a number of properties and land held under operating leases. The leases typically run for an initial period of two to twenty years, with an option to renew the leases when all the terms are renegotiated.

18. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. Li Guoqiang and Mr. Huang Yi are collectively the Controlling Shareholder of the Group. They are also considered to be related parties of the Group.

(a) Transactions with related parties

The following transactions were carried out with related parties during the six months ended 30 June 2010:

		Unaudited For the six months ended 30 June 2010	Unaudited For the six months ended 30 June 2009
		RMB'000	*RMB'000*
(i)	Sales of goods to jointly-controlled entities:		
	– Xiamen Zhongsheng	**6,840**	8,158
	– Zhongsheng Tacti	**448**	–
		7,288	8,158
(ii)	Purchase of goods or services from jointly-controlled entities:		
	– Xiamen Zhongsheng	**7,380**	11,123
	– Zhongsheng Tacti	**56,583**	–
		63,963	11,123

18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related parties

The Group had the following significant balances with its related parties during the six months ended 30 June 2010:

(i) Due from related parties:

	Unaudited 30 June 2010 *RMB'000*	Audited 31 December 2009 *RMB'000*
Trade related		
A jointly-controlled entity		
– Xiamen Zhongsheng	**11,813**	–
– Zhongsheng Tacti	**188**	556
	12,001	556

Balances with related parties were unsecured and non-interest-bearing and had no fixed repayment terms.

(ii) Due to related parties:

	Unaudited 30 June 2010 *RMB'000*	Audited 31 December 2009 *RMB'000*
Non-trade related		
The Controlling Shareholder		
– Mr. Li Guoqiang and Mr. Huang Yi	**–**	1,308
Trade related		
A jointly-controlled entity		
– Zhongsheng Tacti	**18,995**	22,928
	18,995	24,236

18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related parties (continued)

(iii) Compensation of key management personal of the Group:

	Unaudited For the six months ended 30 June 2010 *RMB'000*	Unaudited For the six months ended 30 June 2009 *RMB'000*
Short term employee benefits	**4,630**	2,767
Post-employee benefits	**119**	69
Total compensation paid to key management personnel	**4,749**	2,836

19. EVENTS OCCURRENCE AFTER THE STATEMENT OF FINANCIAL POSITION DATE

As a part of the plan to expand automobile sales and service business, as of the date of this interim report, the Group acquired 45.0% equity interests in Fuzhou Hua Rui Automobile Sales Services Co., Ltd. (referred to as "Fuzhou Hua Rui") from two independent third parties. Fuzhou Hua Rui holds 70.0% equity interests in Wuxi Hua Chang Automobile Sales Services Co., Ltd. and 51.0% equity interests in the following 4S dealerships: 1) Fu Qing Hua Sheng Automobile Sales Services Co., Ltd.; 2) Pu Tian Hua Bao Investment Co., Ltd.; 3) San Ming Hua Rong Automobile Sales Services Co., Ltd.; 4) Fuzhou Hua Yu Automobile Sales Services Co., Ltd.; 5) Fuzhou Guang Yu Da Trading Co., Ltd.; and 6) San Ming Hua Chang Automobile Sales Services Co. Ltd.

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

As at the date of this interim report, the interests and short positions of our Directors and chief executives in the shares of the Company (the "Shares"), underlying Shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

Long Positions in the Company's Shares

Name of Director	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding *(%)*
Mr. Huang Yi [1]	Deemed interest, interest of controlled company/Long position	1,325,993,876	69.5
Mr. Li Guoqiang [2]	Deemed interest, interest of controlled company/Long position	1,325,993,876	69.5

Notes:

(1) Mr. Huang Yi's interest in the Shares is held through his wholly-owned investment company, Light Yield Ltd. ("Light Yield"). Light Yield owns a 62.3% equity interest in Blue Natural Development Ltd. ("Blue Natural"). Accordingly, Mr. Huang Yi and Light Yield are deemed to be interested in the entire interest in the Company held by Blue Natural.

(2) Mr. Li Guoqiang's interest in the Shares is held through his wholly-owned investment company, Vest Sun Ltd. ("Vest Sun").Vest Sun owns a 37.7% equity interest in Blue Natural. Accordingly, Mr. Li Guoqiang and Vest Sun are deemed to be interested in the entire interest in the Company held by Blue Natural.

Save as disclosed above, as at the date of this interim report, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at the date of this interim report, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of shareholder	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding *(%)*
General Atlantic Partners (Dalian), L.P. [1]	Beneficial owner/Long position	205,759,648	10.8
GAP (Bermuda) Limited [1]	Deemed interest, interest of controlled company/Long position	253,403,419	13.3
Blue Natural [2]&[3]	Beneficial owner/Long position	1,325,993,876	69.5
Light Yield [2]	Deemed interest, interest of controlled company/Long position	1,325,993,876	69.5
Vest Sun [3]	Deemed interest, interest of controlled company/Long position	1,325,993,876	69.5

Notes:

(1) The limited partners of General Atlantic Partners (Dalian), L.P. are General Atlantic Partners (Bermuda), L.P. ("GAP LP"), GapStar, LLC ("GapStar"), GAP Coinvestments III, LLC ("GAPCO III"), GAP Coinvestments IV, LLC ("GAPCO IV"), GAP Coinvestments CDA, L.P. ("GAPCO CDA") and GAPCO GmbH & Co. KG ("GAPCO KG"). The general partner of General Atlantic Partners (Dalian), L.P. is GAP (Bermuda) Limited ("GAP Bermuda Limited"). GAP Bermuda Limited is the general partner of General Atlantic GenPar (Bermuda), L.P. ("GAP Bermuda GenPar"), which is the general partner of GAP LP. GAP Bermuda GenPar is also the general partner of GAP-W International, LP., which directly owns 47,643,771 shares in the Company. General Atlantic LLC ("GA LLC") is the general partner of GAPCO CDA. There are 25 managing directors of GA LLC, including Mr. Leng Xuesong, one of the Company's Directors. The managing directors of GA LLC are the directors and executive officers of GAP Bermuda Limited. In addition, the managing members of GAPCO III and GAPCO IV are the managing directors of GA LLC and certain members of GapStar are managing directors of GA LLC. GAPCO Management GmbH ("GmbH Management") is the general partner of GAPCO KG. The managing directors of GA LLC make management and investment decisions relation to GAPCO KG and GmbH Management.

(2) Mr. Huang Yi's interest in the Shares is held through his wholly-owned investment company, Light Yield. Light Yield owns a 62.3% equity interest in Blue Natural. Accordingly, Mr. Huang Yi and Light Yield are deemed to be interested in the entire interest in the Company held by Blue Natural.

(3) Mr. Li Guoqiang's interest in the Shares is held through his wholly-owned investment company, Vest Sun. Vest Sun owns a 37.7% equity interest in Blue Natural. Accordingly, Mr. Li Guoqiang and Vest Sun are deemed to be interested in the entire interest in the Company held by Blue Natural.

Save as disclosed above, as at the date of this interim report, the Directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

At no time during the six months ended 30 June 2010 and up to the date of this interim report, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SHARE OPTION SCHEME

The Share Option Scheme (as defined in the Company's prospectus dated 16 March 2010 (the "Prospectus")) was conditionally approved by a resolution of the shareholders on 9 February 2010 and adopted by a resolution of the Board on the same day. Unless it is terminated by the Board or our shareholders in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of ten years from the date which it becomes unconditional. After the period, no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to exercise any subsisting options granted prior to the expiry of this ten year period or otherwise as handled in accordance with the provisions of the Share Option Scheme. The amount payable by a participant upon a grant of option is HKD1.0.

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

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

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

As at the date of this interim report, no options have been granted pursuant to the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the Shares of the Company have been listed on the Main Board of the Hong Kong Stock Exchange on 26 March 2010, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2010 and up to the date of this interim report.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 to the the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Since the date of Listing of the Company's Shares on the Main Board of the Hong Kong Stock Exchange and up to the date of this interim report, the Company has complied with all the applicable code provisions set out in the CG Code.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2010 and up to the date of this interim report.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim accounts of the Company for the six months ended 30 June 2010. The Audit Committee considered that the interim financial results for the six months ended 30 June 2010 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made. The Audit Committee has three members comprising two independent non-executive Directors being Mr. Ng Yuk Keung and Mr. Shen Jinjun, and one non-executive Director being Mr. Leng Xuesong with terms of reference in compliance with the Listing Rules.

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 June 2010.

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

Hong Kong, 23 August 2010