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

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**FINANCIAL HIGHLIGHTS**

- New car sales volume for the six-month period ended 30 June 2016 increased by 27.7% to 133,155 units as compared to the same period of 2015
- Revenue for the six-month period ended 30 June 2016 increased by 18.1% to RMB31,742.2 million as compared to the same period of 2015
- Gross profit for the six-month period ended 30 June 2016 increased by 24.1% to RMB2,824.7 million as compared to the same period of 2015
- Revenue from other value added services for the six-month period ended 30 June 2016 increased by 27.5% to RMB530.8 million as compared to the same period of 2015
- Profit attributable to owners of the parent for the six-month period ended 30 June 2016 was RMB613.0 million, increased by 97.5% as compared to the same period of 2015
- Basic earnings per share was RMB0.286 for the six-month period ended 30 June 2016 (the same period of 2015: RMB0.145)

## **MARKET REVIEW**

During the first half of 2016, the domestic and global economic conditions became more complicated, which exerted more downward pressure on the economy, and various industries had been undergoing further structural adjustments. However, the automobile industry showed an upward trend despite the market depression and became a highlight in the market. According to the figures published by China Association of Automobile Manufacturers, during the first half of 2016, the production and sales volumes of passenger vehicles reached 11.099 million units and 11.042 million units respectively, representing a year-on-year increase of 7.3% and 9.2%, respectively. In terms of the production and sales volumes of the four types of passenger vehicles, on a year-on-year basis, the production and sales volumes of sedans decreased by 5.5% and 3.9% respectively, SUV sustained a rapid growth, and the production and sales volumes of SUV grew by 42.7% and 44.3% respectively, the production and sales volumes of MPV increased by 12.3% and 18.1% respectively, and the production and sales volumes of cross-type passenger vehicles decreased by 33.9% and 32.6% respectively.

According to the statistics of the Traffic Management Bureau of Ministry of Public Security, with the unleashing of the potential of the automobile market in China, the automobile ownership sustained a rapid growth, with a net increase of 11.35 million units just in the first half of this year. As of the end of June 2016, the motor vehicle ownership in China reached 285 million units, including approximately 184 million units of the automobile ownership. The number of motor vehicle drivers in China also continued to grow in line with the rapid growth of the motor vehicle ownership. As of the first half of this year, the number of new certified motor vehicle drivers reached 16.11 million, including 15 million of new certified automobile drivers. The total number of motor vehicle drivers in China exceeded 340 million, including 296 million of automobile drivers, accounting for 86.55% of the total number of drivers. This new record in new automobile ownership enabled us to recognize the enormous potential in the automobile after-sales market, and the large gap between the number of automobile drivers and the automobile ownership filled us with confidence in a sustainable development of new and second-hand automobile market in the future.

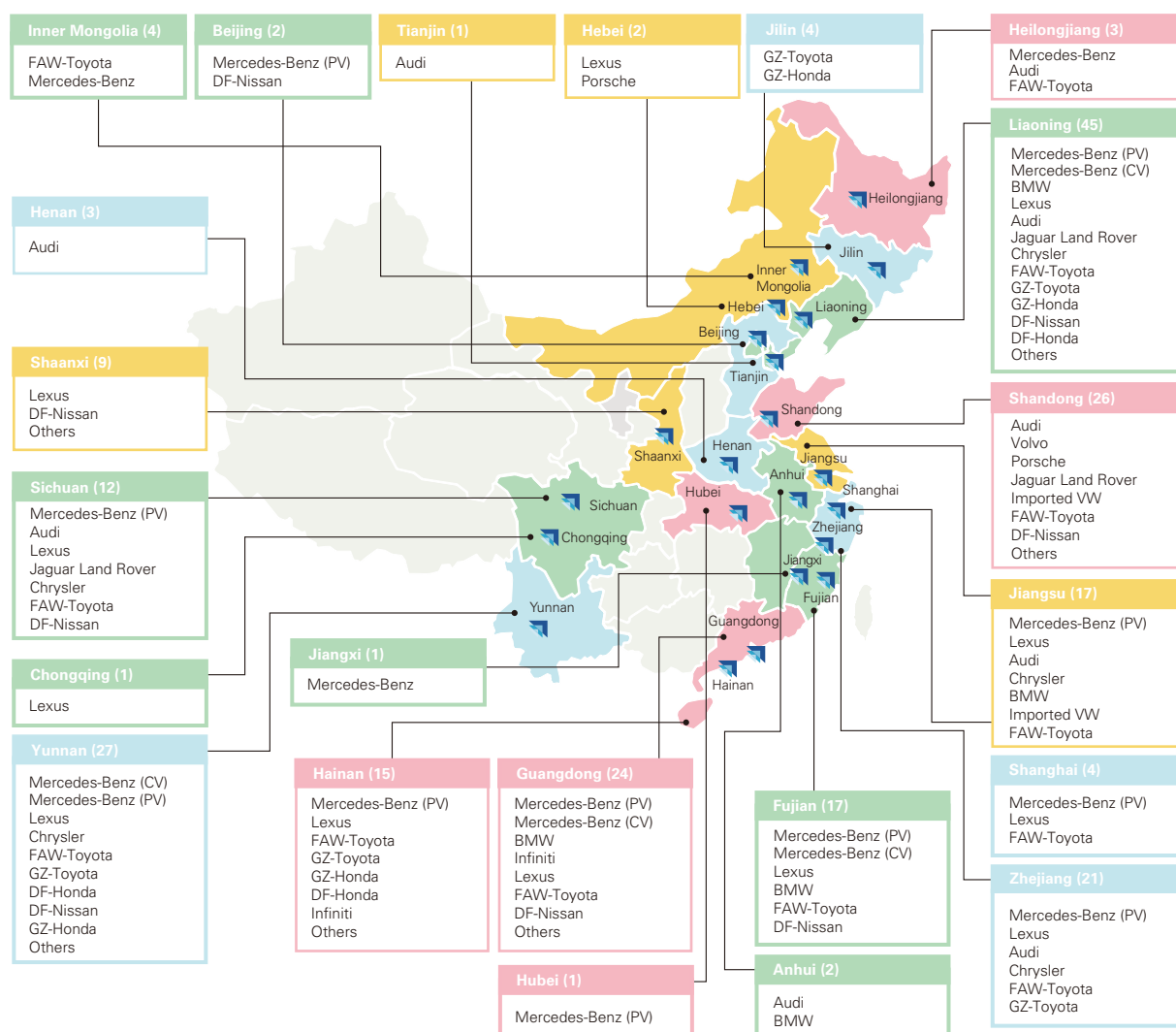
## **BUSINESS REVIEW**

### **Further expansion in the nationwide network**

The pace of integration and rationalization in the dealership industry gradually speeded up in 2016. Based on our branding strategy and regional strategy, Zhongsheng Group acquired a number of dealership networks. In particular, Zhongsheng Group successfully penetrated into Hainan region and secured important market shares through the addition of 18 dealership stores after its subscription of the shares of Hainan Jiahua Weiye Investment Co., Ltd. (海南嘉華偉業投資有限公司) and its subsidiaries.

As of 30 June 2016, the total number of dealership stores of the Group increased to 241, including 115 luxury brand dealership stores and 126 mid-to-high-end brand dealership stores, mainly located in regions with higher consumption power or great potential for car purchasing, covering 22 provinces and regions and nearly 80 cities across China.

The coverage of Zhongsheng Group's dealership stores as of 30 June 2016 is as follows:



	Luxury brand	Mid-to-high-end brand	Total
Northeastern and Northern China region	21	36	57
Eastern and Central China region	48	24	72
Southern China region	27	29	56
Southwestern and Northwestern inland regions	19	37	56
<b>Total</b>	<b>115</b>	<b>126</b>	<b>241</b>

Currently, the Group's existing brand portfolio covers luxury brands such as Mercedes-Benz, Audi, Lexus, Jaguar Land Rover, Porsche, Infiniti, Chrysler and Volvo, as well as mid-to-high-end brands such as Toyota, Nissan and Honda. The diversified brand portfolio and extensive geographic coverage cater to the needs of different customer groups.

## **Focus on efficiency, external and internal cultivation**

The market has its ups and downs, just like the tide rising and falling. Whether we are able to establish a strong foothold and secure the sustainable development in such a complicated environment mainly depends on two vital factors: precise strategic positioning and efficient operational management. Enhancing efficiency has been one of the main tasks of Zhongsheng Group since 2015. By combining the international advanced management concepts and the management and operation experience from both domestic and overseas dealership groups, Zhongsheng Group conducted detailed analysis on and set corresponding standards for every business segments along the entire dealership industrial chain by making reference to the brand, region and duration of operation, with a view to introducing a business plan for the dealership stores. Since the implementation of the business plan in early 2015, the operational efficiency of the Group as a whole and each dealership stores has been further improved.

In the first half of 2016, Zhongsheng Group's sales volume of new automobiles was 133,155 units, representing a year-on-year increase of 27.7%. The sales volume of new automobiles under luxury brands and mid-to-high-end brands amounted to 52,707 units and 80,448 units, respectively. Derivative services, mainly consisting of insurance, finance, and second-hand automobiles, performed well with a significant year-on-year increase of 27.5% in gross profit along with the high growth of new automobiles sales. In addition, revenue of the after-sales and accessories segment, the most important profit contributor of the dealership industry, amounted to RMB4,189.0 million for the first half of this year, representing a year-on-year increase of 14.9%. The sales volume of new automobiles for the first half of this year has laid a solid foundation for the future sustainable development of the after-sales segment.

## INTERIM RESULTS

The board of directors (the “**Board**”) of Zhongsheng Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**Zhongsheng Group**”) for the six months ended 30 June 2016, as follows:

### Consolidated Interim Statement of Profit or Loss

For the six months ended 30 June 2016

		<b>Unaudited</b>	
		<b>For the six months ended 30 June 2016 RMB'000</b>	<b>For the six months ended 30 June 2015 RMB'000</b>
	<i>Notes</i>		
<b>REVENUE</b>			
Cost of sales and services provided	4(a) 5(b)	<b>31,742,203</b> <b>(28,917,552)</b>	26,886,974 (24,611,351)
<b>Gross profit</b>		<b>2,824,651</b>	2,275,623
Other income and gains, net	4(b)	<b>560,972</b>	501,397
Selling and distribution costs		<b>(1,366,017)</b>	(1,245,427)
Administrative expenses		<b>(572,466)</b>	(464,546)
<b>Profit from operations</b>		<b>1,447,140</b>	1,067,047
Finance costs	6	<b>(487,027)</b>	(610,940)
Share of profits of joint ventures		<b>1,197</b>	859
<b>Profit before tax</b>	5	<b>961,310</b>	456,966
Income tax expense	7	<b>(281,905)</b>	(135,650)
<b>Profit for the period</b>		<b>679,405</b>	321,316
<b>Attributable to:</b>			
Owners of the parent		<b>612,981</b>	310,405
Non-controlling interests		<b>66,424</b>	10,911
		<b>679,405</b>	321,316
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic			
– For profit for the period (RMB)	9	<b>0.286</b>	0.145
Diluted			
– For profit for the period (RMB)	9	<b>0.286</b>	0.145

The notes on pages 13 to 39 form an integral part of these condensed interim consolidated financial statements.

**Consolidated Interim Statement of Comprehensive Income**  
*For the six months ended 30 June 2016*

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2016 RMB'000</b>	For the six months ended 30 June 2015 RMB'000
<b>Profit for the period</b>	<u>679,405</u>	<u>321,316</u>
<b>Other comprehensive loss</b>		
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(81,139)</u>	<u>(3,596)</u>
<b>Net other comprehensive loss to be reclassified to profit or loss in subsequent periods</b>	<u>(81,139)</u>	<u>(3,596)</u>
<b>Other comprehensive loss for the period, net of tax</b>	<u>(81,139)</u>	<u>(3,596)</u>
<b>Total comprehensive income for the period</b>	<u>598,266</u>	<u>317,720</u>
<b>Attributable to:</b>		
Owners of the parent	531,842	306,809
Non-controlling interests	<u>66,424</u>	<u>10,911</u>
	<u>598,266</u>	<u>317,720</u>

The notes on pages 13 to 39 form an integral part of these condensed interim consolidated financial statements.

**Consolidated Interim Statement of Financial Position**  
30 June 2016

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2016</b>	2015
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>8,584,388</b>	8,092,754
Investment properties		–	47,086
Land use rights		<b>1,947,136</b>	2,520,331
Prepayments		<b>637,593</b>	883,468
Intangible assets		<b>3,257,276</b>	2,953,635
Goodwill		<b>2,750,986</b>	2,622,410
Investments in joint ventures		<b>45,068</b>	43,871
Deferred tax assets		<b>326,797</b>	357,649
		<hr/>	<hr/>
Total non-current assets		<b>17,549,244</b>	17,521,204
<b>CURRENT ASSETS</b>			
Inventories	<i>10</i>	<b>7,185,376</b>	6,289,279
Trade receivables	<i>11</i>	<b>658,602</b>	936,326
Prepayments, deposits and other receivables		<b>7,862,989</b>	7,982,139
Amounts due from related parties	<i>22(b)(i)</i>	<b>887</b>	1,185
Available-for-sale investments		<b>7,185</b>	23,880
Pledged bank deposits		<b>1,055,826</b>	1,295,865
Cash in transit		<b>217,649</b>	210,920
Cash and cash equivalents		<b>2,971,098</b>	4,464,517
		<hr/>	<hr/>
Total current assets		<b>19,959,612</b>	21,204,111
<b>CURRENT LIABILITIES</b>			
Bank loans and other borrowings	<i>12</i>	<b>12,418,359</b>	13,734,023
Trade and bills payables	<i>13</i>	<b>3,870,452</b>	3,494,918
Short term bonds	<i>14</i>	–	414,977
Bonds payable, current portion	<i>15</i>	–	622,646
Convertible bonds, current portion	<i>16</i>	<b>2,590,507</b>	13,537
Other payables and accruals		<b>2,416,117</b>	1,652,959
Amounts due to related parties	<i>22(b)(ii)</i>	<b>4,610</b>	4,493
Income tax payable		<b>823,599</b>	714,068
Dividends payable		<b>91,737</b>	1,479
		<hr/>	<hr/>
Total current liabilities		<b>22,215,381</b>	20,653,100
		<hr/>	<hr/>
Net current (liabilities)/assets		<b>(2,255,769)</b>	551,011
		<hr/>	<hr/>
Total assets less current liabilities		<b>15,293,475</b>	18,072,215

The notes on pages 13 to 39 form an integral part of these condensed interim consolidated financial statements.

**Consolidated Interim Statement of Financial Position (Continued)**  
30 June 2016

	<i>Notes</i>	<b>Unaudited 30 June 2016 RMB'000</b>	Audited 31 December 2015 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Bank loans and other borrowings	12	<b>2,014,879</b>	1,987,751
Other payables		<b>180,009</b>	–
Convertible bonds	16	–	2,488,664
Deferred tax liabilities		<b>1,045,933</b>	979,805
		<hr/>	<hr/>
Total non-current liabilities		<b>3,240,821</b>	5,456,220
		<hr/>	<hr/>
Net assets		<b>12,052,654</b>	12,615,995
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	17	<b>186</b>	186
Reserves		<b>11,196,948</b>	11,268,325
		<hr/>	<hr/>
		<b>11,197,134</b>	11,268,511
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>855,520</b>	1,347,484
		<hr/>	<hr/>
<b>Total equity</b>		<b>12,052,654</b>	12,615,995
		<hr/>	<hr/>

The notes on pages 13 to 39 form an integral part of these condensed interim consolidated financial statements.



## Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2016

Unaudited  
Attributable to owners of the parent

	Equity											Non-controlling interests	Total equity	
	Share capital	Share premium	Treasury shares	component of convertible bonds	Discretionary reserve fund	Statutory reserve	Merger reserve	Other reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend			Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2015</b>	186	6,280,579	(2,964)	203,729	37,110	643,021	(1,386,176)	(129,732)	(60,574)	5,383,437	150,181	11,118,797	1,262,131	12,380,928
Profit for the period	-	-	-	-	-	-	-	-	-	310,405	-	310,405	10,911	321,316
Other comprehensive loss for the period:														
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(3,596)	-	-	(3,596)	-	(3,596)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	-	(3,596)	310,405	-	306,809	10,911	317,720
Cancellation of shares	-	(2,964)	2,964	-	-	-	-	-	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	(1,193)	-	-	-	1,193	-	-	-	-
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	-	-	-	75,521	75,521
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(18,543)	(18,543)
Final 2014 dividend declared	-	-	-	-	-	-	-	-	-	-	(150,181)	(150,181)	-	(150,181)
<b>At 30 June 2015</b>	186	6,277,615	-	203,729	37,110	641,828	(1,386,176)	(129,732)	(64,170)	5,695,035	-	11,275,425	1,330,020	12,605,445
<b>At 1 January 2016</b>	186	6,187,462	-	203,729	37,110	714,398	(1,386,176)	(129,732)	(221,643)	5,773,024	90,153	11,268,511	1,347,484	12,615,995
Profit for the period	-	-	-	-	-	-	-	-	-	612,981	-	612,981	66,424	679,405
Other comprehensive loss for the period:														
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(81,139)	-	-	(81,139)	-	(81,139)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	-	(81,139)	612,981	-	531,842	66,424	598,266
Disposal of subsidiaries	-	-	-	-	-	(57,872)	-	-	-	57,872	-	-	(633,058)	(633,058)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(339,117)	-	-	-	(339,117)	(266,589)	(605,706)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	-	-	-	345,056	345,056
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(3,797)	(3,797)
Put option over non-controlling interests	-	-	-	-	-	-	-	(173,949)	-	-	-	(173,949)	-	(173,949)
Final 2015 dividend declared	-	-	-	-	-	-	-	-	-	-	(90,153)	(90,153)	-	(90,153)
<b>At 30 June 2016</b>	186	6,187,462	-	203,729	37,110	656,526	(1,386,176)	(642,798)	(302,782)	6,443,877	-	11,197,134	855,520	12,052,654

The notes on pages 13 to 39 form an integral part of these condensed interim consolidated financial statements.

**Consolidated Interim Statement of Cash Flows**  
*For the six months ended 30 June 2016*

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2016 RMB'000</b>	<b>For the six months ended 30 June 2015 RMB'000</b>
<b>Operating activities</b>		
Profit before tax	961,310	456,966
Adjustments for:		
– Share of profits and losses of joint ventures	(1,197)	(859)
– Depreciation and impairment of property, plant and equipment	5(c) 336,797	280,571
– Depreciation and impairment of investment properties	5(c) –	590
– Amortisation of land use rights	5(c) 21,833	17,305
– Amortisation of intangible assets	5(c) 74,769	60,525
– Impairment of intangible assets	5(c) 10,802	–
– Reversal of inventory provision	5(c) (1,787)	(1,310)
– Interest income	4(b) (16,822)	(29,497)
– Net loss on disposal of items of property, plant and equipment	4(b) 51,935	24,167
– Net gain on disposal of land use rights	4(b) –	(37,387)
– Finance costs	6 487,027	610,940
– Net (gain)/loss on disposal of subsidiaries	4(b) (11)	9,469
– Net gain on disposal of listed equity investments	4(b) –	(3,891)
– Impairment of goodwill	5(c) 25,835	–
	1,950,491	1,387,589
Decrease/(increase) in cash in transit	12,912	(8,391)
Decrease in trade receivables	306,947	34,039
(Increase)/decrease in prepayments, deposits and other receivables	(19,916)	239,234
(Increase)/decrease in inventories	(309,821)	935,988
(Decrease)/increase in trade payables	(97,784)	319,325
Decrease in other payables and accruals	(148,405)	(208,945)
Decrease/(increase) in amounts due from related parties – trade related	298	(112)
Increase/(decrease) in amounts due to related parties – trade related	117	(3,494)
	1,694,839	2,695,233
<b>Cash generated from operations</b>		
Tax paid	(165,535)	(144,192)
	1,529,304	2,551,041
<b>Net cash generated from operating activities</b>		

The notes on pages 13 to 39 form an integral part of these condensed interim consolidated financial statements.

**Consolidated Interim Statement of Cash Flows (Continued)**  
*For the six months ended 30 June 2016*

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2016 RMB'000</b>	<b>For the six months ended 30 June 2015 RMB'000</b>
<b>Investing activities</b>		
Purchase of items of property, plant and equipment	(612,515)	(703,029)
Proceeds from disposal of items of property, plant and equipment	217,704	313,718
Purchase of land use rights	(15,076)	(199,334)
Purchase of intangible assets	(4,508)	(11,958)
Proceeds from disposal of land use rights	–	34,438
Redemption of available-for-sale investments, net	16,695	40,950
Prepayments for the potential acquisitions of equity interests from third parties	(15,000)	–
Acquisitions of subsidiaries	(137,030)	(262,091)
Increase in prepayments, deposits and other receivables	(22,000)	(83,432)
Dividends received from a joint venture	–	800
Proceeds from disposal of listed equity investments	–	40,099
Disposal of subsidiaries	(516,873)	5,991
Interest received	17,981	29,340
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(1,070,622)</b>	<b>(794,508)</b>

The notes on pages 13 to 39 form an integral part of these condensed interim consolidated financial statements.

**Consolidated Interim Statement of Cash Flows (Continued)**  
*For the six months ended 30 June 2016*

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2016 RMB'000</b>	<b>For the six months ended 30 June 2015 RMB'000</b>
<b>Financing activities</b>		
Proceeds from bank loans and other borrowings	<b>17,564,709</b>	13,934,600
Repayments of bank loans and other borrowings	<b>(17,623,331)</b>	(16,085,260)
Decrease in pledged bank deposits	<b>208,809</b>	270,018
Decrease in notes payables	<b>(556,849)</b>	(433,537)
Acquisitions of non-controlling interests	–	(1,270)
Proceeds from short-term bonds	–	400,000
Repayment of short-term bonds	<b>(400,000)</b>	–
Repayment of bonds payable	<b>(600,000)</b>	–
Interest paid for bank loans and other borrowings	<b>(432,291)</b>	(558,019)
Interest paid for convertible bonds	<b>(36,984)</b>	(34,812)
Interest paid for short term bonds	<b>(23,680)</b>	(1,600)
Interest paid for bonds payable	<b>(42,000)</b>	(42,000)
Capital element of finance lease rental payments	<b>(8,467)</b>	(31,282)
Dividends paid to the non-controlling shareholders	<b>(3,797)</b>	(18,543)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(1,953,881)</b>	<b>(2,601,705)</b>
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,495,199)</b>	<b>(845,172)</b>
Cash and cash equivalents at beginning of each period	<b>4,464,517</b>	4,091,220
Effect of foreign exchange rate changes, net	<b>1,780</b>	(105)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of each period</b>	<b>2,971,098</b>	<b>3,245,943</b>
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The notes on pages 13 to 39 form an integral part of these condensed interim consolidated financial statements.

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2016

### 1. GENERAL INFORMATION

Zhongsheng Group Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the sale and service of motor vehicles in Mainland China.

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

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

In the opinion of the directors of the Company (the “Directors”), the ultimate Controlling Shareholders of the Company are Mr. Huang Yi and Mr. Li Guoqiang.

The condensed consolidated interim financial statements were presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. These condensed consolidated interim financial statements were approved for issue on 22 August 2016. These condensed consolidated interim financial statements have not been audited.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

As at 30 June 2016, the Group had net current liabilities of approximately RMB2,255,769,000. The Directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the condensed consolidated interim financial statements are prepared on a going concern basis.

#### 2.2 Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the new and revised standards and interpretation effective as of 1 January 2016, noted below.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
*30 June 2016*

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

**2.2 Significant accounting policies (Continued)**

The following new standard and amendment to standards are mandatory for the first time for the financial year beginning 1 January 2016:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

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

**3. OPERATING SEGMENT INFORMATION**

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

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

**Information about geographical area**

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

**Information about major customers**

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the six months ended 30 June 2016, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**4. REVENUE, OTHER INCOME AND GAINS, NET**

**(a) Revenue**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2016 RMB'000</b>	<b>For the six months ended 30 June 2015 RMB'000</b>
Revenue from the sale of motor vehicles	27,553,189	23,241,798
Others	4,189,014	3,645,176
	<u>31,742,203</u>	<u>26,886,974</u>

**(b) Other income and gains, net**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2016 RMB'000</b>	<b>For the six months ended 30 June 2015 RMB'000</b>
Commission income	530,818	416,346
Rental income	10,064	16,479
Government grants	2,135	1,812
Interest income	16,822	29,497
Net loss on disposal of items of property, plant and equipment	(51,935)	(24,167)
Net gain on disposal of listed equity investments	–	3,891
Net gain/(loss) on disposal of subsidiaries	11	(9,469)
Net gain on disposal of land use rights	–	37,387
Others	53,057	29,621
	<u>560,972</u>	<u>501,397</u>

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**5. PROFIT BEFORE TAX**

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

	<b>Unaudited</b>	
	<b>For the six</b>	For the six
	<b>months ended</b>	months ended
	<b>30 June 2016</b>	30 June 2015
	<b>RMB'000</b>	<b>RMB'000</b>
<b>(a) Employee benefit expense (including directors' remuneration)</b>		
Wages and salaries	824,583	657,380
Pension scheme contributions	145,443	100,001
Other welfare	74,892	43,973
	<b>1,044,918</b>	<b>801,354</b>
<b>(b) Cost of sales and services</b>		
Cost of sales of motor vehicles	26,730,977	22,618,211
Others	2,186,575	1,993,140
	<b>28,917,552</b>	<b>24,611,351</b>
<b>(c) Other items</b>		
Depreciation and impairment of property, plant and equipment	336,797	280,571
Depreciation and impairment of investment properties	–	590
Amortisation of land use rights	21,833	17,305
Amortisation of intangible assets	74,769	60,525
Business promotion and advertisement expenses	274,321	268,835
Office expenses	88,354	78,261
Lease expenses	118,651	83,306
Logistics expenses	64,865	81,058
Reversal of inventory provision	(1,787)	(1,310)
Net loss on disposal of items of property, plant and equipment	51,935	24,167
Impairment of goodwill	25,835	–
Impairment of intangible assets	10,802	–
Net gain on disposal of listed equity investments	–	(3,891)
Net (gain)/loss on disposal of subsidiaries	(11)	9,469
Net gain on disposal of land use rights	–	(37,387)



**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
30 June 2016

**6. FINANCE COSTS**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2016 RMB'000</b>	<b>For the six months ended 30 June 2015 RMB'000</b>
Interest expense on bank borrowings	400,050	536,758
Interest expense on short-term bonds	8,703	3,868
Interest expense on bonds payable	19,354	21,256
Interest expense on convertible bonds	74,834	67,598
Interest expense on other borrowings	34,240	48,561
Interest expense on finance leases	46	2,458
Less: Interest capitalised	(50,200)	(69,559)
	<u>487,027</u>	<u>610,940</u>

**7. INCOME TAX EXPENSE**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2016 RMB'000</b>	<b>For the six months ended 30 June 2015 RMB'000</b>
Current Mainland China corporate income tax	293,389	189,781
Deferred tax	(11,484)	(54,131)
	<u>281,905</u>	<u>135,650</u>

**8. DIVIDENDS**

The Directors of the Company proposed not to declare any interim dividend for the six months ended 30 June 2016.

**9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary share of 2,146,506,957 (six months ended 30 June 2015: 2,146,506,957) in issue during the period.

The calculation of diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)**

The calculations of basic and diluted earnings per share are based on:

	<b>Unaudited</b>	
	<b>For the six</b>	For the six
	<b>months ended</b>	months ended
	<b>30 June 2016</b>	30 June 2015
	<b>RMB'000</b>	<b>RMB'000</b>
<b><u>Earnings</u></b>		
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	<b>612,981</b>	310,405
Interest on convertible bonds	<b>74,834</b>	67,598
	<hr/>	<hr/>
Profit attributable to equity holders of the parent before interest on convertible bonds	<b>687,815</b>	378,003
	<hr/>	<hr/>
<b><u>Shares</u></b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>2,146,506,957</b>	2,146,506,957
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	<b>238,560,258</b>	238,560,258
	<hr/>	<hr/>
Weighted average number of ordinary shares used in diluted earnings per share calculation	<b>2,385,067,215</b>	2,385,067,215
	<hr/>	<hr/>
<b><u>Earnings per share (RMB)</u></b>		
Basic	<b>0.286</b>	0.145
Diluted	<b>0.286*</b>	0.145*

\* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the period attributable to owners of the parent of RMB612,981,000 and the weighted average number of ordinary shares of 2,146,506,957 in issue during six months period ended 30 June 2016.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**10. INVENTORIES**

	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RMB'000</b>	Audited 31 December 2015 <i>RMB'000</i>
Motor vehicles	<b>6,525,343</b>	5,586,644
Spare parts and others	<b>663,637</b>	708,026
	<b>7,188,980</b>	6,294,670
Less: provision for inventories	<b>3,604</b>	5,391
	<b>7,185,376</b>	6,289,279

**11. TRADE RECEIVABLES**

	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RMB'000</b>	Audited 31 December 2015 <i>RMB'000</i>
Trade receivables	<b>658,602</b>	936,326

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

An aged analysis of the trade receivables as at each end of reporting period (based on the invoice date) is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RMB'000</b>	Audited 31 December 2015 <i>RMB'000</i>
Within 3 months	<b>586,927</b>	850,468
More than 3 months but less than 1 year	<b>26,290</b>	37,464
Over 1 year	<b>45,385</b>	48,394
	<b>658,602</b>	936,326

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**12. BANK LOANS AND OTHER BORROWINGS**

	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RMB'000</b>	Audited 31 December 2015 <i>RMB'000</i>
Bank loans and overdrafts repayable:		
– Within one year or on demand	<b>10,687,026</b>	12,893,511
– in the second year	<b>202,491</b>	162,240
– in the third to fifth years	<b>620,000</b>	526,670
	<b>11,509,517</b>	13,582,421
Other borrowings repayable		
– within one year	<b>1,598,317</b>	832,302
Syndicated term loan		
– Within one year or on demand	<b>132,449</b>	–
– In the second year	<b>397,348</b>	324,579
– In the third year	<b>794,696</b>	973,740
	<b>1,324,493</b>	1,298,319
Finance lease payables		
– within one year	<b>567</b>	8,210
– in the second year	<b>344</b>	522
	<b>911</b>	8,732
Total bank loans and other borrowings	<b>14,433,238</b>	15,721,774
Less: Portion classified as current liabilities	<b>12,418,359</b>	13,734,023
Long-term portion	<b>2,014,879</b>	1,987,751

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**13. TRADE AND BILLS PAYABLES**

	<b>Unaudited 30 June 2016 RMB'000</b>	Audited 31 December 2015 RMB'000
Trade payables	<b>1,020,299</b>	1,023,626
Bills payable	<b>2,850,153</b>	2,471,292
	<hr/>	<hr/>
Trade and bills payables	<b>3,870,452</b>	3,494,918
	<hr/>	<hr/>

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:

	<b>Unaudited 30 June 2016 RMB'000</b>	Audited 31 December 2015 RMB'000
Within 3 months	<b>3,569,497</b>	3,200,783
3 to 6 months	<b>292,408</b>	285,342
6 to 12 months	<b>4,734</b>	4,770
Over 12 months	<b>3,813</b>	4,023
	<hr/>	<hr/>
	<b>3,870,452</b>	3,494,918
	<hr/>	<hr/>

**14. SHORT TERM BONDS**

As at 30 June 2016, outstanding short term bonds are summarised as follows:

	<b>Face value RMB'000</b>	<b>Maturity</b>	<b>Fixed interest rate</b>	<b>Unaudited 30 June 2016 RMB'000</b>	Audited 31 December 2015 RMB'000
Short term bonds	400,000	2016	5.92%	<b>–</b>	414,977
				<hr/>	<hr/>

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**15. BONDS PAYABLE**

	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RMB'000</b>	Audited 31 December 2015 <i>RMB'000</i>
Current	<u>–</u>	<u>622,646</u>

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

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

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

	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RMB'000</b>	Audited 31 December 2015 <i>RMB'000</i>
At the beginning of the period/year	<b>622,646</b>	621,807
Add: interest expense (note 6)	<b>19,354</b>	42,839
Less: interest paid	<b>(42,000)</b>	(42,000)
Less: repayment of bonds payable	<u><b>(600,000)</b></u>	<u>–</u>
At the end of the period/year	<u>–</u>	<u>622,646</u>

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**16. CONVERTIBLE BONDS**

On 25 April 2014, the Company issued convertible bonds with a nominal value of HK\$3,091,500,000 2.85%. There was no movement in the number of these convertible bonds during the period. The bonds are convertible at the option of the bondholders into ordinary shares on or after the date falling 180 days after the issue date up to the close of business on the date falling ten days prior to the maturity at a conversion price of HK\$12.95899 per share. The bonds are redeemable at the option of the bondholders at 100% of its principal amount together with interest accrued and unpaid to such date on 25 April 2017. The bonds carry interest at a rate of 2.85% per annum, which is payable semi-annually in arrears on 25 October and 25 April.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

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

	<b>Unaudited 30 June 2016 RMB'000</b>	Audited 31 December 2015 RMB'000
Nominal value of convertible bonds issued during year 2014	<b>2,455,238</b>	2,455,238
Equity component	<b>(204,139)</b>	(204,139)
Direct transaction costs attributable to the liability component	<b>(4,520)</b>	(4,520)
	<hr/>	<hr/>
Liability component at the issuance date	<b>2,246,579</b>	2,246,579
Interest expense	<b>307,781</b>	232,947
Interest paid	<b>(142,854)</b>	(105,870)
Exchange realignment	<b>179,001</b>	128,545
	<hr/>	<hr/>
Liability component at the end of the period/year	<b>2,590,507</b>	2,502,201
Less: portion classified as current liabilities	<b>2,590,507</b>	13,537
	<hr/>	<hr/>
Long-term portion	<b>–</b>	2,488,664
	<hr/>	<hr/>

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**17. SHARE CAPITAL**

	<b>Unaudited 30 June 2016</b>	Audited 31 December 2015
Authorised:		
1,000,000,000,000 shares of HK\$0.0001 each (HK\$'000)	<b>100,000</b>	100,000
Issued and fully paid:		
2,146,506,957 (2015: 2,146,506,957) ordinary shares (HK\$'000)	<b>215</b>	215
Equivalent to RMB'000	<b>186</b>	186

**18. BUSINESS COMBINATION – ACQUISITION OF SUBSIDIARIES**

- (a) As part of the Group's plan to expand its motor vehicle sales and service business in Zhejiang province, the Group acquired 100% of the equity interests of the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from two third parties on 1 January 2016 at a total consideration of RMB230,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB185,387,000 paid by the end of June 2016.

<b>Company Name</b>	<b>Acquired equity interest %</b>
華興(中國)汽車有限公司 (Wah Hing (China) Motors Co. Ltd.)	100%
浙江華策汽車有限公司 (Zhejiang Huace Automobile Co., Ltd.)	100%
浙江華策北控汽車有限公司 (Zhejiang Huace Beikong Automobile Co., Ltd.)	100%



**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
 30 June 2016

**18. BUSINESS COMBINATION – ACQUISITION OF SUBSIDIARIES (Continued)**

(a) (Continued)

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

	<b>Recognised fair values on acquisition date RMB'000</b>
Property, plant and equipment*	95,596
Intangible assets*	38,000
Inventories	36,374
Trade receivables	9,764
Prepayments, deposits and other receivables	17,814
Pledged bank deposits	136
Cash in transit	2,427
Cash and cash equivalents	11,325
Trade and bills payables	(14,247)
Other payables and accruals	(28,841)
Deferred tax liabilities*	(9,500)
	<hr/>
Total identifiable net assets	158,848
	<hr/>
Goodwill on acquisition*	71,152
	<hr/>
Total purchase consideration	230,000
	<hr/>

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

Cash consideration paid	(185,387)
Cash and cash equivalents acquired	11,325
	<hr/>
Net cash outflow	(174,062)
	<hr/>

Since the acquisition, the acquired business contributed RMB358,850,000 to the Group's revenue and RMB36,070,000 to the consolidated profit for the six months ended 30 June 2016.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the period would have been RMB31,742,203,000 and RMB679,405,000, respectively.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
 30 June 2016

**18. BUSINESS COMBINATION – ACQUISITION OF SUBSIDIARIES (Continued)**

- (b) As part of the Group's plan to expand its motor vehicle sales and service business in Yunnan province, the Group acquired 100% of the equity interests of 雲南聯慶汽車銷售服務有限公司 (Yunnan Lianqing Automobile Sales & Service Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China, from a third party on 31 January 2016 at a total consideration of RMB41,248,000. The purchase consideration for the acquisition was in the form of cash, with RMB41,248,000 paid by the end of June 2016.

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

	<b>Recognised fair values on acquisition date RMB'000</b>
Property, plant and equipment*	13,033
Intangible assets*	7,000
Deferred tax assets	3,323
Inventories	25,648
Trade receivables	2,611
Prepayments, deposits and other receivables	12,449
Pledged bank deposits	2,696
Cash in transit	1,461
Cash and cash equivalents	13,655
Trade and bills payables	(10,998)
Other payables and accruals	(20,211)
Bank loans and other borrowings	(25,000)
Deferred tax liabilities*	(1,750)
	<hr/>
Total identifiable net assets at fair value	23,917
Goodwill on acquisition*	17,331
	<hr/>
Total purchase consideration	<u>41,248</u>

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

Cash consideration paid	(41,248)
Cash and cash equivalents acquired	13,655
	<hr/>
Net cash outflow	<u>(27,593)</u>

Since the acquisition, the acquired business contributed RMB147,839,000 to the Group's revenue and RMB10,080,000 to the consolidated profit for the six months ended 30 June 2016.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the period would have been RMB31,776,577,000 and RMB680,782,000, respectively.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**18. BUSINESS COMBINATION – ACQUISITION OF SUBSIDIARIES (Continued)**

- (c) As part of the Group's plan to expand its motor vehicle sales and service business in Sichuan and Yunnan province, the Group acquired 100% of the equity interests of the following companies, which are engaged in the motor vehicle sales and service business in China, from three third parties on 1 March 2016 at a total consideration of RMB292,925,000. The purchase consideration for the acquisition was in the form of cash, with RMB200,023,000 paid by the end of June 2016.

<b>Company Name</b>	<b>Acquired equity interest %</b>
遠邦攀枝花有限公司 (Prime Pan Corporation Ltd.)	100%
攀枝花遠邦之星汽車銷售服務有限公司 (Panzhijia Yuanbang Star Automobile Sales & Service Co., Ltd.)	100%
遠安有限公司 (Prime On Corporation Ltd.)	100%
雲南遠安昆星汽車維修有限公司 (Yunnan Yuan'an Kunxing Automobile Repair Co., Ltd.)	100%
躍鹿(攀枝花)有限公司 (Run Deer (PZH) Ltd.)	100%
攀枝花躍鹿汽車銷售服務有限公司 (Panzhijia Run Deer Automobile Sales & Service Co., Ltd.)	100%
西昌摩仕汽車服務有限公司 (Xichang Moshi Automobile Service Co., Ltd.)	100%

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

	<b>Recognised fair values on acquisition date RMB'000</b>
Property, plant and equipment*	97,150
Land use rights*	30,991
Intangible assets*	45,000
Inventories	201,780
Trade receivables	15,536
Prepayments, deposits and other receivables	200,688
Pledged bank deposits	4,825
Cash in transit	2,883
Cash and cash equivalents	44,490
Trade and bills payables	(86,329)
Other payables and accruals	(127,267)
Bank loans and other borrowings	(190,437)
Income tax payable	(523)
Deferred tax liabilities*	(11,250)
	<hr/>
Total identifiable net assets at fair value	227,537
	<hr/>
Goodwill on acquisition*	65,388
	<hr/>
Total purchase consideration	292,925
	<hr/>

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
 30 June 2016

**18. BUSINESS COMBINATION – ACQUISITION OF SUBSIDIARIES (Continued)**

(c) (Continued)

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

	<b>Recognised fair values on acquisition date RMB'000</b>
Cash consideration paid	(200,023)
Cash and cash equivalents acquired	44,490
	<hr/>
Net cash outflow	<b>(155,533)</b>

Since the acquisition, the acquired business contributed RMB596,605,000 to the Group's revenue and RMB48,566,000 to the consolidated profit for the six months ended 30 June 2016.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the period would have been RMB32,033,924,000 and RMB677,336,000, respectively.

(d) On 8 April 2016, Famous Great International Limited ("Famous Great International"), an indirect wholly owned subsidiary of the Company, Teal Orchid Investment Limited ("Teal Orchid") and Mr. Patrick Hsiao-Po, Chou (周小波) ("Mr. Chou"), the ultimate controlling shareholder of Teal Orchid, entered into a reorganisation agreement ("Reorganisation Agreement") to reorganise their equity interests in B&L Motor Holding Co., Ltd. ("B&L Motor") ("the Reorganisation"). The Reorganisation Agreement involved the following transactions:

- (i) Transfer of the 50% equity interests of certain companies ("Transferred-in Asset I") held by B&L Motor, or indirectly held by Mr. Chou to the Group;
- (ii) Transfer of the 50% equity interests in B&L Motor (excluding the Transferred-in Asset I) ("Transferred-out Asset") To Teal Orchid by Famous Great International as disclosed in note 19;
- (iii) Recognition of receivables of RMB106,321,000 from Mr. Chou by the Group, arising from the Reorganisation; ("the Receivables");
- (iv) Transfer of the 100% equity interests in the following companies, which are indirectly controlled by Mr. Chou to the Group ("Transferred-in Asset II").

<b>Company Name</b>	<b>Acquired equity interest %</b>
煙台百得利汽車銷售有限公司 (Yantai Betterlife Automobile Sales Co., Ltd.)	100%
煙台百得利汽車銷售服務有限公司 (Yantai Betterlife Automobile Sales & Service Co., Ltd.)	100%
浙江百得利汽車有限公司 (Zhejiang Betterlife Automobile Co., Ltd.)	100%
石家莊百得利汽車修理有限公司 (Shijiazhuang Betterlife Automobile Repair Co., Ltd.)	100%

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**18. BUSINESS COMBINATION – ACQUISITION OF SUBSIDIARIES (Continued)**

(d) (Continued)

As part of the Group's plan to expand its motor vehicle sales and service business in Shandong and Zhejiang province, the Group completed the acquisition of these companies on 1 January 2016. These companies are mainly engaged in the motor vehicle sales and service business in Mainland China.

The consideration for acquisition of Transferred-in Asset I and Transferred-in Asset II was RMB605,706,000\*\* and RMB256,610,000\*\*, respectively, which was determined based on the net amount of the fair value of the Transferred-out Asset amounting to RMB968,667,000\*\*, offset by the Receivables, with their relative proportions of fair value allocated to Transferred-in Asset I and Transferred-in Asset II as of the acquisition date.

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

	<b>Recognised fair values on acquisition date RMB'000</b>
Property, plant and equipment*	359,805
Land use rights*	59,514
Intangible assets*	87,469
Inventories	122,889
Trade receivables	6,111
Prepayments, deposits and other receivables	122,866
Pledged bank deposits	48,917
Cash in transit	3,340
Cash and cash equivalents	86,577
Trade and bills payables	(149,087)
Other payables and accruals	(422,376)
Bank loans and other borrowings	(147,682)
Deferred tax liabilities*	(28,448)
	<hr/>
Total identifiable net assets at fair value	149,895
	<hr/>
Goodwill on acquisition*	106,715
	<hr/>
Total purchase consideration**	256,610

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

Cash consideration paid	–
Cash and cash equivalents acquired	86,577
	<hr/>
Net cash inflow	86,577

Since the acquisition, the acquired business contributed RMB720,609,000 to the Group's revenue and RMB12,602,000 to the consolidated profit for the six months ended 30 June 2016.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the period would have been RMB31,742,203,000 and RMB679,405,000, respectively.

\*\* The Group engaged an independent appraiser to assist with the identification and determination of fair values of Transferred-in Asset I, Transferred-in Asset II and Transferred-out Asset. However, the valuation was not finalized and hence the initial accounting for the Reorganisation was incomplete by the date of this announcement. Therefore, these amounts recognized in the Group's interim financial statements for the six months ended 30 June 2016 in relation to the Reorganisation were on a provisional basis.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**18. BUSINESS COMBINATION – ACQUISITION OF SUBSIDIARIES (Continued)**

- (e) As part of the Group’s plan to expand its motor vehicle sales and service business, the Group acquired 55% of the equity interests of the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from a third party on 8 January 2016 at a total consideration of RMB351,876,000 . The purchase consideration for the acquisition was in the form of cash, with RMB258,468,000 paid by the date of this announcement.

<b>Company Name</b>	<b>Acquired equity interest %</b>
沛興有限公司 (Pei Xing Ltd.)	55%
金彥有限公司 (Golden Basic Limited)	55%
大連星之寶汽車銷售服務有限公司 (Dalian Xingzhibao Automobile Sales & Service Co., Ltd.)	55%
大連星之翼汽車銷售服務有限公司 (Dalian Xingzhiyi Automobile Sales & Service Co., Ltd.)	55%
南京星之寶汽車銷售服務有限公司 (Nanjing Xingzhibao Automobile Sales & Service Co., Ltd.)	55%
合肥星之寶汽車銷售服務有限公司 (Hefei Xingzhibao Automobile Sales & Service Co., Ltd.)	55%
福建星之寶汽車銷售服務有限公司 (Fujian Xingzhibao Automobile Sales & Service Co., Ltd.)	55%
湛江星之寶汽車銷售服務有限公司 (Zhanjiang Xingzhibao Automobile Sales & Service Co., Ltd.)	55%
大連寶順行汽車銷售服務有限公司 (Dalian Baoshunhang Automobile Sales & Service Co., Ltd.)	55%

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**18. BUSINESS COMBINATION – ACQUISITION OF SUBSIDIARIES (Continued)**

(e) (Continued)

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

	<b>Recognised fair values on acquisition date RMB'000</b>
Property, plant and equipment*	238,708
Land use rights*	3,242
Intangible assets*	433,100
Deferred tax assets	5,006
Inventories	377,765
Trade receivables	32,926
Prepayments, deposits and other receivables	392,550
Pledged bank deposits	178,837
Cash in transit	9,712
Cash and cash equivalents	87,885
Trade and bills payables	(454,316)
Other payables and accruals	(324,597)
Bank loans and other borrowings	(534,749)
Income tax payable	(3,060)
Deferred tax liabilities*	(109,093)
	<hr/>
Total identifiable net assets at fair value	333,916
	<hr/>
Non-controlling interests	150,262
	<hr/>
Goodwill on acquisition*	168,222
	<hr/>
Total purchase consideration	351,876
	<hr/>

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

Cash consideration paid	–
Cash and cash equivalents acquired	87,885
	<hr/>
Net cash inflow	87,885
	<hr/>

Since the acquisition, the acquired business contributed RMB1,319,084,000 to the Group's revenue and RMB37,117,000 to the consolidated profit for the six months ended 30 June 2016.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the period would have been RMB31,742,203,000 and RMB679,405,000, respectively.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
 30 June 2016

**18. BUSINESS COMBINATION – ACQUISITION OF SUBSIDIARIES (Continued)**

- (f) As part of the Group's plan to expand its motor vehicle sales and service business in Hainan province, the Group acquired the equity interests of the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from a third party on 1 January 2016 at a total consideration of RMB455,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB190,000,000 paid by the end of June 2016.

<b>Company Name</b>	<b>Acquired equity interest %</b>
海南嘉華偉業投資有限公司 (Hainan Jiahua Weiye Investment Co., Ltd.)	65%
海南嘉翔汽車銷售服務有限公司 (Hainan Jiexiang Automobile Sales & Service Co., Ltd.)	65%
海口嘉華豐田汽車銷售服務有限公司 (Haikou Jiahua Toyota Automobile Sales & Service Co., Ltd.)	65%
海南嘉翔貿易有限公司 (Hainan Jiexiang Trading Co., Ltd.)	65%
海南嘉華永泰汽車銷售服務有限公司 (Hainan Jiahua Yongtai Automobile Sales & Service Co., Ltd.)	65%
海南嘉翔基業商貿有限公司 (Hainan Jiexiang Foundation Business Co., Ltd.)	65%
海南嘉華之星汽車銷售服務有限公司 (Hainan Jiahua Star Automobile Sales & Service Co., Ltd.)	65%
海南嘉華汽車銷售服務有限公司 (Hainan Jiahua Automobile Sales & Service Co., Ltd.)	52%
海口嘉華英菲尼迪汽車銷售服務有限公司 (Haikou Jiahua Infiniti Automobile Sales & Service Co., Ltd.)	65%
海南嘉華美蘭汽車銷售服務有限公司 (Hainan Jiahua Meilan Automobile Sales & Service Co., Ltd.)	65%
海南嘉翔雷克薩斯汽車銷售服務有限公司 (Hainan Jiexiang Lexus Automobile Sales & Service Co., Ltd.)	65%
瓊海嘉華永興汽車銷售服務有限公司 (Qionghai Jiahua Yongxing Automobile Sales & Service Co., Ltd.)	65%
三亞嘉華汽車銷售服務有限公司 (Sanya Jiahua Automobile Sales & Service Co., Ltd.)	65%
海南嘉翔實業有限公司 (Hainan Jiexiang Industry Co., Ltd.)	65%
長春市嘉輝商貿有限公司 (Changchun Jiahui Trading Co., Ltd.)	65%
吉林市創嘉貿易有限公司 (Jilin Chuangjia Trading Co., Ltd.)	65%
北京森華佳運汽車貿易有限公司 (Beijing Senhua Jiayun Automobile Trading Co., Ltd.)	52%
北京森華創業豐田汽車銷售服務有限公司 (Beijing Senhua Venture Toyota Automobile Sales & Service Co., Ltd.)	65%
海南竭誠二手車鑒定評估有限公司 (Hainan Jiecheng Second-hand Automobile Assessment Co., Ltd.)	65%
北京嘉華騰遠車業有限公司 (Beijing Jiahua Tengyuan Automobile Co., Ltd.)	65%
海口嘉華永信汽車銷售服務有限公司 (Haikou Jiahua Yongxin Automobile Sales & Service Co., Ltd.)	65%



**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**18. BUSINESS COMBINATION – ACQUISITION OF SUBSIDIARIES (Continued)**

(f) (Continued)

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

	<b>Recognised fair values on acquisition date RMB'000</b>
Property, plant and equipment*	230,623
Land use rights*	7,232
Intangible assets*	371,542
Deferred tax assets	8,860
Inventories	359,688
Trade receivables	47,396
Prepayments, deposits and other receivables	87,783
Pledged bank deposits	149,699
Cash in transit	8,013
Cash and cash equivalents	147,901
Trade and bills payables	(379,344)
Other payables and accruals	(104,417)
Bank loans and other borrowings	(311,480)
Income tax payable	(728)
Deferred tax liabilities*	(96,429)
	<hr/>
Total identifiable net assets at fair value	526,339
	<hr/>
Non-controlling interests	194,794
	<hr/>
Goodwill on acquisition*	123,455
	<hr/>
Total purchase consideration	455,000
	<hr/>
An analysis of the cash flows in respect of the acquisition of these subsidiaries is as follows:	
Cash consideration paid	(190,000)
Cash and cash equivalents acquired	147,901
	<hr/>
Net cash outflow	(42,099)
	<hr/>

Since the acquisition, the acquired business contributed RMB1,833,314,000 to the Group's revenue and RMB60,906,000 to the consolidated profit for the six months ended 30 June 2016.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the period would have been RMB31,742,203,000 and RMB679,405,000, respectively.

\* The Group engaged an independent appraiser to assist with the identification and determination of fair values to be assigned to the assets and liabilities of these acquired companies as disclosed in note 18(a), (b), (c), (d), (e), (f). However, the valuation was not finalized and hence the initial accounting for the business combination of these companies was incomplete by the date of this announcement. Therefore, these amounts recognized in the Group's interim financial statements for the six months ended 30 June 2016 in relation to the acquisition of these companies were on a provisional basis.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**19. DISPOSAL OF SUBSIDIARIES**

	<i>Note</i>	<b>Unaudited 30 June 2016 RMB'000</b>
Net assets disposed of:		
Property, plant and equipment		637,754
Land use rights		652,049
Investment properties		47,086
Intangible assets		597,407
Deferred tax assets		51,398
Prepayments		193,546
Inventories		539,655
Prepayments, deposits and other receivables		391,659
Trade receivables		85,121
Pledged bank deposits		416,340
Cash and cash equivalents		516,873
Cash in transit		8,195
Bank loans and other borrowings		(2,457,617)
Trade and bills payables		(64,154)
Other payables and accruals		(206,601)
Income tax payable		(22,373)
Deferred tax liabilities		(182,476)
Non-controlling interests		(633,058)
		<u>570,804</u>
Goodwill		397,852
Gain on disposal of subsidiaries**	<i>4(b)</i>	<u>11</u>
Total Consideration**		<u><b>968,667</b></u>

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

	<b>Unaudited 30 June 2016 RMB'000</b>
Cash consideration received	–
Cash and bank balances disposed of	<u>(516,873)</u>
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u><b>(516,873)</b></u>

\*\* As disclosed in note 18(d), the consideration of disposal of subsidiaries in connection with the Reorganisation was on a provisional basis.

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**20. CONTINGENT LIABILITIES**

As at 30 June 2016, neither the Group nor the Company had any significant contingent liabilities.

**21. COMMITMENTS**

**(a) Capital commitments**

	<b>Unaudited 30 June 2016 RMB'000</b>	Audited 31 December 2015 RMB'000
Contracted, but not provided for land use rights and buildings	<b>205,112</b>	190,008
Contracted, but not provided for potential acquisitions	–	199,590
	<b>205,112</b>	<b>389,598</b>

**(b) Operating lease commitments**

At the end of the reporting periods, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	<b>Unaudited 30 June 2016</b>		Audited 31 December 2015	
	<b>Properties RMB'000</b>	<b>Land RMB'000</b>	Properties RMB'000	Land RMB'000
Within one year	<b>95,088</b>	<b>122,167</b>	86,214	75,788
After 1 year but within 5 years	<b>283,437</b>	<b>495,424</b>	284,991	328,068
After 5 years	<b>246,616</b>	<b>960,243</b>	291,864	635,369
	<b>625,141</b>	<b>1,577,834</b>	<b>663,069</b>	<b>1,039,225</b>

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

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**22. RELATED PARTY TRANSACTIONS AND BALANCES**

**(a) Transactions with related parties**

The following transactions were carried out with related parties during the six months ended 30 June 2016:

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2016 RMB'000</b>	<b>For the six months ended 30 June 2015 RMB'000</b>
(i) Sales of goods to joint ventures:		
– Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	<u>5,464</u>	<u>9,966</u>
(ii) Purchase of goods or services from joint ventures:		
– Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	<u>853</u>	<u>1,682</u>
– TAC Automobile Accessories Trading (Shanghai) Co., Ltd.	<u>885</u>	<u>555</u>
	<u><b>1,738</b></u>	<u><b>2,237</b></u>

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**22. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

**(b) Balances with related parties**

The Group had the following significant balances with its related parties as at 30 June 2016:

	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RMB'000</b>	Audited 31 December 2015 <b>RMB'000</b>
(i) Due from related parties:		
Trade related		
Joint ventures		
– Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	<b>887</b>	1,185
(ii) Due to related parties:		
Trade related		
Joint ventures		
– Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.	<b>4,006</b>	4,000
– Zhongsheng Tacti Automobile Services (Dalian) Co., Ltd.	<b>173</b>	173
– TAC Automobile Accessories Trading (Shanghai) Co., Ltd.	<b>431</b>	320
	<b>4,610</b>	4,493

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

**(c) Compensation of key management personnel of the Group:**

	<b>Unaudited</b> <b>For the six</b> <b>months ended</b> <b>30 June 2016</b> <b>RMB'000</b>	For the six months ended 30 June 2015 <b>RMB'000</b>
Short term employee benefits	<b>10,836</b>	10,677
Post-employee benefits	<b>281</b>	261
Total compensation paid to key management personnel	<b>11,117</b>	10,938

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
30 June 2016

**23. FINANCIAL INSTRUMENTS BY CATEGORY**

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

	Unaudited 30 June 2016		Audited 31 December 2015	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
<b>Financial assets</b>				
Loans and receivables				
Trade receivables	658,602	658,602	936,326	936,326
Financial assets included in prepayments, deposits and other receivables	4,396,838	4,396,838	4,578,986	4,578,986
Amounts due from related parties	887	887	1,185	1,185
Pledged bank deposits	1,055,826	1,055,826	1,295,865	1,295,865
Cash in transit	217,649	217,649	210,920	210,920
Cash and cash equivalents	2,971,098	2,971,098	4,464,517	4,464,517
Available-for-sale investments				
Available-for-sale investments	7,185	7,185	23,880	23,880
<b>Total current</b>	<b>9,308,085</b>	<b>9,308,085</b>	<b>11,511,679</b>	<b>11,511,679</b>
<b>Total</b>	<b>9,308,085</b>	<b>9,308,085</b>	<b>11,511,679</b>	<b>11,511,679</b>
<b>Financial liabilities</b>				
Financial liability at fair value through profit or loss				
Other payables – put option over non-controlling interests	180,009	180,009	–	–
Financial liabilities at amortised cost				
Bank loans and other borrowings	2,014,879	2,014,879	1,987,751	1,987,751
Convertible Bonds	–	–	2,488,664	2,488,664
<b>Total non-current</b>	<b>2,194,888</b>	<b>2,194,888</b>	<b>4,476,415</b>	<b>4,476,415</b>
Financial liabilities at amortised cost				
Trade and bills payables	3,870,452	3,870,452	3,494,918	3,494,918
Financial liabilities included in other payables and accruals	1,316,043	1,316,043	571,414	571,414
Amounts due to related parties	4,610	4,610	4,493	4,493
Bank loans and other borrowings	12,418,359	12,418,359	13,734,023	13,734,023
Short term bonds	–	–	414,977	414,977
Bonds payable	–	–	622,646	622,646
Convertible Bonds	2,590,507	2,590,507	13,537	13,537
<b>Total current</b>	<b>20,199,971</b>	<b>20,199,971</b>	<b>18,856,008</b>	<b>18,856,008</b>
<b>Total</b>	<b>22,394,859</b>	<b>22,394,859</b>	<b>23,332,423</b>	<b>23,332,423</b>

**Notes to the Condensed Consolidated Interim Financial Statements (Continued)**  
**30 June 2016**

**23. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)**

**Fair value hierarchy**

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

**Financial assets measured at fair value:**

The Group did not have any financial assets measured at fair value as at 30 June 2016 and 31 December 2015, respectively.

**Financial liabilities measured at fair value:**

	<b>Fair value measurement using</b>			<b>Total</b> <i>RMB'000</i>
	<b>Quoted prices in active markets (Level 1)</b> <i>RMB'000</i>	<b>Significant observable inputs (Level 2)</b> <i>RMB'000</i>	<b>Significant unobservable inputs (Level 3)</b> <i>RMB'000</i>	
<b>30 June 2016</b>				
Financial liability at fair value through profit or loss:				
Other payables				
– put option over non-controlling interests	–	180,009	–	180,009
	<hr/>	<hr/>	<hr/>	<hr/>

The Group did not have any financial liabilities measured at fair value as at 31 December 2015.

During the six-months period ended 30 June 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

**24. EVENTS AFTER THE REPORTING PERIOD**

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2016.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue for the six months ended 30 June 2016 was RMB31,742.2 million, representing an increase of RMB4,855.2 million or 18.1% as compared to the corresponding period in 2015. Revenue from new automobile sales amounted to RMB27,553.2 million, representing an increase of RMB4,311.4 million or 18.6% as compared to the corresponding period in 2015. Revenue from after-sales and accessories business amounted to RMB4,189.0 million, representing an increase of RMB543.8 million or 14.9% as compared to the corresponding period in 2015.

Our new automobile sales business accounted for a substantial portion of our revenue, representing 86.8% (corresponding period in 2015: 86.4%) of our revenue for the six months ended 30 June 2016. The remaining portion of our revenue during the period was generated by our after-sales and accessories business which accounted for 13.2% of our total revenue for the six months ended 30 June 2016 (corresponding period in 2015: 13.6%). Almost all of our revenue is derived from our business located in the PRC.

In terms of revenue from new automobile sales, Mercedes-Benz is our top selling brand, representing approximately 28.1% of our total revenue from new automobile sales (corresponding period in 2015: 26.3%).

### **Cost of Sales and Services**

Cost of sales and services for the six months ended 30 June 2016 amounted to RMB28,917.6 million, representing an increase of RMB4,306.2 million or 17.5% as compared to the corresponding period in 2015. Costs attributable to our new automobile sales business amounted to RMB26,731.0 million for the six months ended 30 June 2016, representing an increase of RMB4,112.8 million or 18.2% as compared to the corresponding period in 2015. Costs attributable to our after-sales and accessories business amounted to RMB2,186.6 million for the six months ended 30 June 2016, representing an increase of RMB193.4 million or 9.7% as compared to the corresponding period of 2015.

### **Gross Profit**

Our gross profit for the six months ended 30 June 2016 amounted to RMB2,824.7 million, representing an increase of RMB549.0 million or 24.1% as compared to the corresponding period in 2015. Gross profit from new automobile sales business amounted to RMB822.2 million, representing an increase of RMB198.6 million or 31.8% as compared to the corresponding period in 2015. Gross profit from after-sales and accessories business was RMB2,002.4 million, representing an increase of RMB350.4 million or 21.2% as compared to the corresponding period of 2015. For the six months ended 30 June 2016, gross profit from our after-sales and accessories business accounted for 70.9% of the total gross profit (corresponding period in 2015: 72.6%).

Our gross profit margin for the six months ended 30 June 2016 was 8.9% (corresponding period in 2015: 8.5%).



## **Other Income and Gains, Net**

Our other income and gains, net, for the six months ended 30 June 2016 amounted to RMB561.0 million, representing an increase of RMB59.6 million or 11.9% as compared to the corresponding period in 2015. Our other income and gains mainly consisted of service income from automobile insurance agency and automobile financing agency services, gains from second-hand automobile trading business, rental income and interest income, etc.

## **Profit from Operations**

Our profit from operations for the six months ended 30 June 2016 amounted to RMB1,447.1 million, representing an increase of RMB380.1 million or 35.6% as compared to the corresponding period in 2015. Our operating profit margin for the six months ended 30 June 2016 was 4.6% (corresponding period in 2015: 4.0%).

## **Profit for the Period**

Our profit for the six months ended 30 June 2016 amounted to RMB679.4 million, representing an increase of RMB358.1 million or 111.5% as compared to the corresponding period in 2015. Our profit margin for the six months ended 30 June 2016 was 2.1% (corresponding period in 2015: 1.2%).

## **Profit Attributable to Owners of the Parent**

Our profit attributable to owners of the parent for the six months ended 30 June 2016 was RMB613.0 million, representing an increase of RMB302.6 million or 97.5% as compared to the corresponding period in 2015.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Cash Flow**

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

We believe that our future liquidity demand will continue to be satisfied by using a combination of bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time in the future.

### **Cash Flow Generated from Operating Activities**

For the six months ended 30 June 2016, our net cash generated from operating activities was RMB1,529.3 million. We generated RMB1,950.5 million net cash from operating profit before working capital movement and tax payment.

### **Cash Flow Used in Investing Activities**

For the six months ended 30 June 2016, our net cash used in investing activities was RMB1,070.6 million.

### **Cash Flow Used in Financing Activities**

For the six months ended 30 June 2016, our net cash used in financing activities was RMB1,953.9 million.

### **Net Current Liabilities**

As at 30 June 2016, we had net current liabilities of RMB2,255.8 million, representing an decrease of RMB2,806.8 million from our net current assets as at 31 December 2015.

### **Capital Expenditures and Investment**

Our capital expenditures comprised expenditures on property, plant and equipment and land use rights and business acquisition. During the six months ended 30 June 2016, our total capital expenditures were RMB1,771.9 million.

### **Inventory Analysis**

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

Our inventories increased from RMB6,289.3 million as at 31 December 2015 to RMB7,185.4 million as at 30 June 2016, primarily due to the addition from newly acquired stores.

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

	<b>For the six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
Average inventory turnover days	<b>36.3</b>	<b>53.7</b>

Our average inventory turnover days in the first half of 2016 decreased to 36.3 days from 53.7 days in the first half of 2015, primarily due to the ramp up of new automobile sales and our close monitoring of inventory balance strictly based on supply and demand relationship.

## **Bank Loans and Other Borrowings**

As at 30 June 2016, our bank loans and other borrowings amounted to RMB14,433.2 million, and our convertible bonds liability portion amounted to RMB2,590.5 million. Our bank loans and other borrowings decreased during the period under review primarily due to the decrease in inventory turnover days and the increase in utilisation efficiency of working capital which led to good cash inflow from operating activity.

## **Interest Rate Risk and Foreign Exchange Rate Risk**

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

## **Employee and Remuneration Policy**

As at 30 June 2016, the Group had 18,628 employees. The Group strives to offer a good working environment, a diversified range of training programs as well as an attractive remuneration package to its employees. The Group endeavours to motivate its staff with performance-based remuneration. On top of basic salary, the Group will reward staff with outstanding performance by way of cash bonuses, share options, honorary awards or a combination of all the above to further align the interests of the employees and the Company, to attract talented individuals, and to create long-term incentive for its staff.

## **Pledge of the Group's Assets**

The Group pledged its group assets as securities for bank and other loan and banking facilities which were used to finance daily business operation. As at 30 June 2016, the pledged group assets amounted to approximately RMB5.5 billion (31 December 2015: RMB5.4 billion).

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Compliance with the Corporate Governance Code**

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Throughout the six months ended 30 June 2016 and up to the date of this announcement, the Company has been in compliance with the code provisions set out in the CG Code.

## **Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2016 and up to the date of this announcement.

## **Purchase, Sale or Redemption of the Company’s Listed Securities**

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company’s listed securities throughout the six months ended 30 June 2016 and up to the date of this announcement.

## **Audit Committee**

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors being Mr. Ng Yuk Keung, Mr. Shen Jinjun and Mr. Lin Yong.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Company for the six months ended 30 June 2016. The Audit Committee considers that the interim financial results for the six months ended 30 June 2016 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

## **Interim Dividend**

The Board proposed not to declare any interim dividend for the six months ended 30 June 2016.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.zs-group.com.cn](http://www.zs-group.com.cn)).

The interim report of the Company for the six months ended 30 June 2016 will be dispatched to the shareholders of the Company and published on the above websites in due course.

## **APPRECIATION**

The Group's continuous development and progress facing market competition and challenges rest on the dedication and contributions of our staffs from all departments as well as the trust, support and encouragement from all shareholders and business partners. The Board would like to express our sincere gratitude to everyone for their valuable contributions to the Group's development.

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

Hong Kong, 22 August 2016

*As at the date of this announcement, the executive Directors of the Company are Mr. Huang Yi, Mr. Li Guoqiang, Mr. Du Qingshan, Mr. Yu Guangming, Mr. Si Wei and Mr. Zhang Zhicheng; the non-executive Director of the Company is Mr. Pang Yiu Kai; and the independent non-executive Directors of the Company are Mr. Ng Yuk Keung, Mr. Shen Jinjun, Mr. Lin Yong and Mr. Shoichi Ota.*