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

Stock Code 股份代號: 1728

4S DEALERSHIP STORE

INTERIM REPORT 中期報告 2011

PREMIUM BRANDED CARS

Contents

Chief Executive Officer's Statement

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "Board") of China ZhengTong Auto Services Holdings Limited (the "Company" or "ZhengTong" or "ZhengTong Auto") and its subsidiaries (collectively the "Group"), I am pleased to present the financial report of the Group for the six months ended 30 June 2011 ("period under review" or "period").

The first half of 2011 witnessed the determination and progress of the Group. Upon rapid growth over years, the passenger vehicle market in China entered into a stage of moderate growth, however, the Group's results still maintained an excellent trend driven by the strong growth of the results of premium and ultra premium branded automobiles, while the strategy with focus on premium and ultra premium network was further implemented and has achieved fruitful results. During the period under review, the Group has made excellent achievements in different aspects. During the period under review, turnover of the Group amounted to RMB6,016 million, representing an increase of 92.3% from RMB3,128 million in the same period of last year; gross profit reached RMB630 million, representing a growth of 118.0% from RMB289 million in the same period of last year; profit attributable to equity holders amounted to RMB293 million, representing an increase of 91.5% from RMB153 million in the same period of last year. Earnings per share amounted to RMB14.7 cents, representing an increase of 44.1% from RMB10.2 cents in the same period of last year.

Along with the sustainable and strong growth of Chinese economy, gross domestic product surged, and in particular, the number of high-income group increased. In the first half of 2011, premium and ultra premium branded automobile market achieved a satisfactory growth in terms of results. Sales volume of Audi in China reached 139,130 in the first half of the year, representing a growth of 28.0%, while the BMW group had a total of sales of 121,614 BMW and MINI automobiles in China, representing an increase of 60.8% over the same period of last year. The Group accurately predicted the development trend that the performance of premium automobile market would continue to achieve swift growth, and thus concentrated on the development of dealership business for premium and ultra premium branded automobiles. Through the expansion of dealership network, optimization of brand portfolio, enhancement on operation efficiency and innovation on profit model, the growth of the dealership of premium and ultra premium branded automobiles was accelerated. In the first half of 2011, the Group's revenue of the dealership business of premium and ultra premium branded automobiles increased by approximately 158.8% from the same period of last year, and the gross profit increased by approximately 177.4% from the same period of last year, Meanwhile, the gross profit of dealership business of premium and ultra premium branded automobiles accounted for a greater proportion of the gross profit of the Group's automobile dealership business, which increased from approximately 67.5% in the same period of last year to approximately 78.9%. The Group was able to consolidate its leading position in the PRC premium and ultra premium branded automobile dealership market.

The Company has been striving to expand its national distribution of 4S dealership store network with focus on premium and ultra premium branded automobiles. From this year, the Group has established 1 imported Volkswagen 4S dealership store and 1 Jaguar/Land Rover urban sales exhibition hall in Baotou, and has acquired 2 Audi 4S dealership stores in Jiangxi and Shandong. As at 30 June 2011, the Group has a total of 27 4S dealership stores and 1 urban exhibition hall, of which the 4S dealership stores for premium and ultra premium brands reached 17, while urban exhibition hall for premium and ultra premium brands amounted to 1, with number of premium and ultra premium brands increased to 5 from the existing 3, namely BMW, Audi, Porsche, Imported Volkswagen and Jaguar/Land Rover. Meanwhile, the Company is establishing 10 4S dealership stores involving brands such as BMW, Imported Volkswagen, Jaguar/Land Rover and Audi, and three of which (respectively in Xiangtan, Shangrao and Ganzhou of BMW brand) have been opened in July and August 2011. Majority of other new stores under construction are anticipated to be open in 2011.

On 23 August 2011, the Company and Exactwin Limited (a limited company incorporated in the British Virgin Islands) signed the share purchase agreement, pursuant to which, the Company has agreed to acquired a major 4S dealership group in the PRC whose principal business was the retail sale of premium branded automobiles, and the structure of premium brand mainly focused on Jaguar/Land Rover and Volvo and there is a total of 31 automobile operation points authorized by manufacturers.

Looking forward, ZhengTong Auto will continue to maintain and raise the Group's leading position in the premium and ultra premium branded automobile dealership industry in China, reinforce its core automobile dealership business, and at the same time actively accelerating the optimization and expansion of the automobile dealership network which will be mainly comprised by premium branded 4S dealerships. Customer-oriented after-sales services will also be deepened to enable it to make a greater contribution to the Group's profit, and strive for a rapid development in respect of used automobiles and automobile financing and insurance business, while adding a new profit growth point for the Group to ensure its stable and sustainable development. The Group will also utilize its after-sales service channels and its good relationship with automobile manufacturers to accelerate the development of logistics and lubricant oil business, and to achieve better operating results.

The Group's remarkable results for the first half of 2011 were attributable to the efforts and dedication of all its staff and business partners. In this regard, I would like to thank the shareholders, business partners and customers on behalf of the Board for their long-term support and trust. At the same time, I would also like to express my heartfelt gratitude to the staff of the Group for their loyalty, efforts and contributions over the previous half of the year.

WANG Kunpeng
Chief Executive Officer and Executive Director
29 August 2011

MARKET REVIEW

In the first half of 2011, Chinese economy continued to maintain steady growth. According to the statistics released by the National Bureau of Statistics of China, in the first half of 2011, the gross domestic products (GDP) of China recorded a surge of approximately 9.6% over the same period of last year, signifying a slight slowdown in terms of growth rate. Meanwhile, upon rapid growth over years, the passenger vehicle market in China also entered into a stage of moderate growth. In the first half of 2011, the sales volume of Chinese passenger automobile market reached 7.1 million, representing a growth of 5.8% over the same period of last year. In particular, the premium and ultra premium branded automobile market achieved outstanding performance with a continuously swift growth trend. Premium branded automobiles such as BMW and Audi achieved excellent results in the first half of the year, in particular, sales volume of Audi branded automobiles in China reached 139,130 in the first half of the year, representing a growth of 28.0% over the same period of last year, BMW group has a total of sales volume of 121,614 BMW and MINI automobiles in Chinese market, representing an increase of 60.8% over the same period of last year.

According to the statistics of Traffic Bureau under Ministry of Public Security of the People's Republic of China, as at the end of June this year, motor vehicle ownership in China reached 217 million, of which, automobiles accounted for approximately 98 million, while private car ownership in China has exceeded 70 million. As the hot spot of automobile consumption, the ownership of small automobiles has shown a rapid growth trend.

In the future, Chinese government will continue to implement active financial policies and stable monetary policies in order to reinforce and improve macro adjustment and control continuously, including the adjustment in economical structure and change in the way of development. With the acceleration on the upgrading of industry as well as the vitality and energy brought by economic growth, it is expected that the growth of Chinese economy would be stable for a certain period in the future. At the same time, with the continuous increase in the disposable income of urban and rural residents, as well as the continuous surge in the consumption level brought by the sustained improvement in social security and consumption environment, the Group is very confident about the sales of premium and ultra premium branded automobiles and the rapid growth of after-sales business for automobiles in the Chinese market for the second half of the year.

BUSINESS REVIEW

As a premium and ultra premium branded automobile dealership group, the Group fully capitalized on the tremendous potential in the premium and ultra premium branded automobile market in China. During the period under review, apart from adopting its strategies consistently to raise operation and management efficiency, the Group also adhered to its strategy of placing focus on premium and ultra premium branded automobiles as always via active expansion of dealership network by means of mergers and acquisitions as well as new establishment. Upholding the concept for after-sales services of being customer-oriented as well as adhering to the basic profitability model under the coordinated development of diversified segments of automobile dealership together with lubricant oil and logistics business, the Group has achieved outstanding results in respect of the above aspects.

Continuously blooming sales of premium and ultra premium branded automobile

In the first half of 2011, although the overall automobile market in China was steady, the market for premium and ultra premium branded automobiles had maintained a rapid growth trend. In particular, sales volume of Audi branded automobiles in the first half of 2011 increased by 28.0% from the same period of last year while the total sales volume of BMW and MINI branded automobiles of BMW group in the first half of 2011 increased by 60.8% from the same period of last year. The significant surge of sales volume of premium and ultra premium branded automobiles was due to the fact that the consumption of premium and ultra premium branded automobiles was in the strong demand stage in the first half of 2011 as well as the supreme and continuous purchasing power of the customer base targeted by premium and ultra premium branded automobiles, while the impact of the policies of purchase limitation and cancellation of concessionary purchase tax on low emission automobiles was relatively limited.

As the Group's strategies focus on premium and ultra premium brands, benefited from the above market trends, in the first half of 2011, the sales revenue of premium and ultra premium branded automobiles for the Group was approximately RMB4,350 million, representing an increase of approximately 162.7% from the same period of last year. The sales revenue of premium and ultra premium branded automobiles accounted for approximately 80.7% of the sales revenue of new automobiles (first half of 2010: approximately 61.7%).

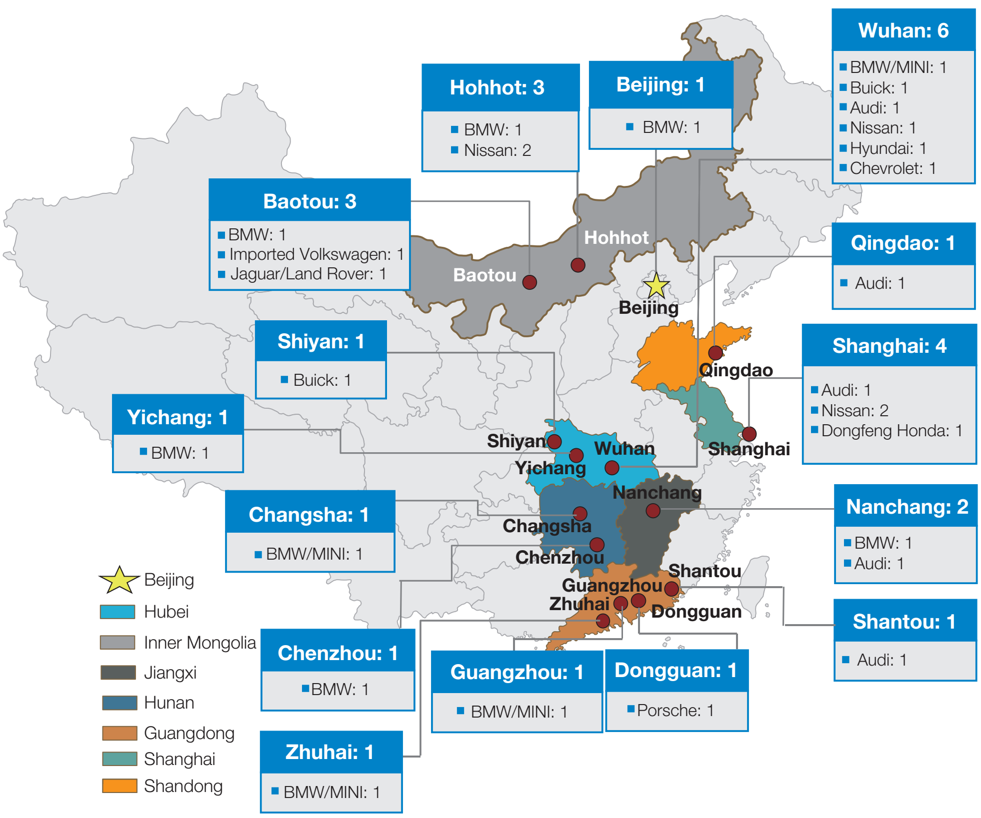
Significant upgrade of after-sales service business

In the first half of 2011, the Group's after-sales service business contributed turnover of approximately RMB424 million, up by approximately 74.5% from the turnover of approximately RMB243 million in the same period of last year, while the gross profit margin of after-sales services also increased to 43.5% (first half of 2010: 41.6%). Benefited from the innovation of after-sales services by the Group, the profitability of after-sales service business has increased. All 4S dealership stores raised the number of automobiles using after-sales services via enhancement on customer care, invitation, self-experience and commencement of marketing campaigns for after-sales services. Quality of after-sales service is enhanced via active optimization of the flow of after-sales services, reasonable introduction of informationization and management tools by segments, and satisfaction on customer services was enhanced, thereby nurturing loyalty among customer base. In addition, the surge in the accumulative total of new car sales of the Group as well as the continuous increase in car ownership in China also represents great potential for growth of the after-sales service business of the Group. The Group also puts full efforts on fostering used automobile related business to satisfy needs of different customers and further facilitates the expansion of after-sales business.

Focus on optimizing distribution network

The Group has established dealership stores in 15 cities, covering all the largest, established automobile markets of the affluent regions of China, such as Beijing, Shanghai, Guangzhou, Zhuhai, Dongguan, Shantou and Qingdao as well as the rapidly developing regions such as Baotou, Nanchang, Chenzhou, Yichang, Hohhot, Changsha, Wuhan and Shiyan. The Group's strategy for dealership network distribution is to achieve a balanced development in the established markets as well as those with growth potential.

In the first half of 2011, the Group has established 1 Imported Volkswagen 4S dealership store, and 1 Jaguar/Land Rover urban exhibition hall in Baotou. The Group has also acquired 2 Audi 4S dealership store, respectively in Nanchang and Qingdao. As at 30 June 2011, the Group has 27 4S dealership stores and 1 urban exhibition hall in operation. Meanwhile, 10 4S dealership stores are also under construction, with the brands of Imported Volkswagen, BMW, Jaguar/Land Rover and Audi, and three of which (respectively in Xiangtan, Shangrao and Ganzhou of BMW brand) have gradually been open in July and August 2011. Majority of the other new stores under construction are anticipated to be open in 2011.



Expansion strategy with focus on premium and ultra premium brands

To capture the market opportunities from the rapid growth of sales revenue of premium and ultra premium branded automobiles in China, the Group has been placing its strategic focus on the sales of the most popular premium and ultra premium branded automobiles in China, such as BMW, MINI, Audi and Porsche. The recognition of premium and ultra premium branded automobile dealership business boosted the sustainable growth of new automobile sales revenue and profit. Sales revenue of new premium and ultra premium branded automobiles increased by approximately 162.7% over the first half of 2010, accounting for approximately 80.7% of the sales income of new automobiles.

The Group has been focusing on the expansion of its premium and ultra premium brands' 4S dealership stores. As at 30 June 2011, the Group has 27 4S dealership stores, 17 of which are dealership stores for premium and ultra premium brands, accounting for approximately 63.0% of all 4S dealership stores of the Group, while 1 urban exhibition hall also has operations on premium and ultra premium branded automobiles. In the first half of 2011, both the newly established and acquired 4S dealership stores and urban exhibition hall are for premium brands, including Audi, imported-Volkswagen, Jaguar/Land Rover.

Number of 4S dealership stores by category

	As at 30 June 2011	As at 31 December 2010
Premium and ultra premium brand 4S dealership stores	**17**	14
Middle market brand 4S dealership stores	**10**	10
Total	**27**	24

On 23 August 2011, the Company and Exactwin Limited (a limited company incorporated in the British Virgin Islands) signed the share purchase agreement, pursuant to which, the Company has agreed to acquire 100% equity interests in Top Globe Limited (a limited company incorporated in the British Virgin Islands) as held by Exactwin Limited at a consideration of RMB5,500 million ("Consideration"), and assuming the share purchase agreement is completed, the Company will be indirectly interested in the effective interests in the domestic automobile sales group held by Top Globe Limited. When the share purchase agreement was signed, the domestic automobile sales group in China was a major 4S dealership group in the PRC whose principal business was the retail sale of premium branded automobiles, and the structure of premium brand mainly focused on Jaguar/Land Rover and Volvo. The domestic automobile sales group has automobile dealership outlets spread over Beijing, Tianjin, Fujian, Hunan, Guangdong and Hainan, and there is a total of 31 automobile operation points authorized by manufacturers. For detailed information of this acquisition, please refer to the announcement headed "Very Substantial Acquisition and Resumption of Trading" issued on 29 August 2011 by the Company.

The Consideration will be partially settled by the Group's internal resources, including (1) in respect of approximately RMB2,100 million, the proceeds from the Group's initial public offerings completed in December 2010; and (2) in respect of approximately RMB1,600 million, proceeds from placing of new shares in July 2011. The remaining balance of the Consideration will be settled by external borrowings.

On 28 July 2011, the placing agreement was entered into among Joy Capital Holdings Limited ("Joy Capital"), the Company, Mr. Wang Muqing and the placing agent J.P.Morgan Securities Ltd. ("J.P.Morgan"), pursuant to which the placing agent J.P.Morgan has agreed to procure placees for purchase of a total of 200 million shares of the Company owned by Joy Capital at HK$10.45 per share ("Placing"). Joy Capital has conditionally agreed to subscribe for 200 million shares of the Company at HK$10.45 per share ("Subscription"). On the same day, Joy Capital also entered into placing agreement with the placing agent J.P.Morgan pursuant to which the placing agent J.P.Morgan has agreed to procure placees for purchase of a total of 100 million shares of the Company owned by Joy Capital at HK$10.45 per share ("Vendor Placing").

The Placing and the Vendor Placing were completed on 2 August 2011 and the Subscription was completed on 9 August 2011. The net proceeds to the Company from the Subscription are approximately HK$2.04 billion.

For detailed information of the placing, please refer to the announcements headed "Placing of Existing Shares and Top-up Subscription of New Shares and Resumption of Trading" and "Completion of Placing and Subscription" issued on 29 July and 9 August 2011 by the Company respectively.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2011, the Group generated turnover of approximately RMB6,016 million, representing an increase of approximately 92.3% over the turnover of approximately RMB3,128 million in the first half of 2010. The increase in turnover was mainly due to the strong growth in the income from dealership business for premium and ultra premium branded automobiles of the Group. The Group adopted a number of strategies, such as expanding its dealership network, to enhance its operating efficiency and take advantage of market opportunities in a timely manner. Turnover grew rapidly as a result.

The Group generated most of its revenue from the sales of new automobiles, whereas the remaining was from the provision of after-sales services and other business. During the first half of 2011, revenue from the sales of new automobiles amounted to approximately RMB5,393 million, representing an increase of RMB2,708 million or approximately 100.9% over the first half of 2010, and accounted for approximately 89.6% of the total revenue of the first half of 2011; whereas revenue from the provision of after-sales services amounted to approximately RMB424 million, representing an increase of approximately 74.5% over the first half of 2010, and accounted for approximately 7.0% of the total revenue of the first half of 2011.

For the six months ended 30 June 2011, turnover from the sales of new premium and ultra premium branded automobiles was approximately RMB4,350 million, representing a growth of approximately RMB2,694 million or approximately 162.7% over the first half of 2010, and accounted for approximately 80.7% of the revenue from the sales of new automobiles.

For the six months ended 30 June 2011, revenue from the Group's logistics service business and lubricant oil trading business amounted to approximately RMB200 million (first half of 2010: approximately RMB200 million).

Cost of sales

For the six months ended 30 June 2011, cost of sales of the Group amounted to approximately RMB5,386 million, representing an increase of approximately RMB2,547 million or approximately 89.7% over the first half of 2010. Such increase was mainly due to the increase in the cost of sales for new automobiles. In the first half of 2011, the cost of sales for new automobiles of the Group rose by approximately 96.5% to approximately RMB4,986 million, as compared with approximately RMB2,537 million for the first half of 2010.

The cost of sales for premium and ultra premium branded automobiles was up by approximately 159.3% to approximately RMB4,017 million, as compared with approximately RMB1,549 million for the first half of 2010; whereas the cost of sales for middle market branded automobiles decreased by approximately 1.9% to approximately RMB969 million, as compared with approximately RMB988 million in the first half of 2010. The increase in the cost of sales for new automobiles was generally in line with the growth in the revenue generated from the sales of new automobiles.

The increase in cost of sales was also partially due to the increase in cost of sales for after-sales services from approximately RMB142 million in the first half of 2010 to approximately RMB240 million, representing an increase of approximately 69.0%, which was in line with the increase in turnover of after-sales services.

Gross Profit

For the six months ended 30 June 2011, the Group's gross profit was approximately RMB630 million, representing an increase of approximately 118.0% over approximately RMB289 million for the first half of 2010. In particular, gross profit generated from the sales of premium and ultra premium branded automobiles increased from approximately RMB107 million in the first half of 2010 to approximately RMB333 million, representing a growth of 211.2%. Gross profit generated from the provision of after-sales services increased from approximately RMB101 million in the first half of 2010 to approximately RMB184 million, representing an increase of 82.2%.

For the six months ended 30 June 2011, the gross profit margin of the Group was approximately 10.5%, representing an increase of approximately 1.3 percentage point as compared with approximately 9.2% for the first half of 2010. In particular, the gross profit margin for the sales of new automobiles was 7.5% (first half of 2010: 5.5%) and the gross profit margin for after-sales services was 43.5% (first half of 2010: 41.6%). The increase in gross profit margin was due to the increase in the proportion of the sales of premium and ultra premium branded automobiles, which have higher gross profit margin.

For the six months ended 30 June 2011, the gross profit from the Group's logistics and lubricant oil trading business was approximately RMB39 million (first half of 2010: RMB40 million).

Selling and distribution expenses

For the six months ended 30 June 2011, the Group's selling and distribution expenses amounted to approximately RMB114 million, representing an increase of approximately 65.2% over approximately RMB69 million for the first half of 2010. Such increase was primarily as a result of the expansion of the Group's sales network.

Administrative expenses

For the six months ended 30 June 2011, the Group's administrative expenses amounted to approximately RMB115 million, representing an increase of approximately 101.8% over approximately RMB57 million for the first half of 2010. Such increase was primarily as a result of the increase in staff remuneration, salary expenses as well as staff benefits and depreciation cost for the newly added 4S dealership stores of the Group, and the increase in rental expenses for the newly added 4S dealership stores for buildings under operating leases.

Profit from operations

For the six months ended 30 June 2011, the Group's profit from operations amounted to approximately RMB449 million, representing an increase of approximately 141.4% as compared with approximately RMB186 million for the first half of 2010. The operating profit margin was approximately 7.5%, an increase of approximately 1.6 percentage point over that in the first half of 2010.

Income tax expenses

For the six months ended 30 June 2011, the Group's income tax expenses amounted to approximately RMB101 million and the effective tax rate was approximately 24.5%.

Profit for the period

For the six months ended 30 June 2011, the Group's profit was approximately RMB310 million, representing an increase of approximately 96.2% over approximately RMB158 million for the first half of 2010. The net profit margin for the period was approximately 5.2%, representing an increase of approximately 0.1 percentage point over that in the first half of 2010.

Interim dividend

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2011.

Contingent liabilities

As at 30 June 2011, the Group had no material contingent liabilities or guarantees save as those assets pledged to the bank.

Current assets and current liabilities

As at 30 June 2011, the Group's current assets amounted to approximately RMB7,016 million, representing an increase of RMB1,006 million as compared to current assets of approximately RMB6,010 million as at 31 December 2010. Such increase was primarily attributable to the increase in inventories, prepayments and pledged bank deposits for the Group's newly added 4S dealership stores and the expansion of the existing 4S dealership store business.

As at 30 June 2011, the Group's current liabilities amounted to approximately RMB3,968 million, representing an increase of approximately RMB1,327 million as compared to approximately RMB2,641 million as at 31 December 2010. Such increase was mainly due to the increase in borrowing for liquidity for the Group's newly added 4S dealership stores and the expansion of the existing 4S dealership store business, as well as the increase in bills payable used for the purchase of inventories.

Cash flow

As at 30 June 2011, the Group has cash and cash equivalents amounting to approximately RMB3,363 million, representing a decrease of approximately RMB69 million over approximately RMB3,432 million as at 31 December 2010.

The Group's transactions and monetary assets are principally conducted in RMB. During the first half of 2011, the Group's working capital or liquidity did not face any material difficulties or material impacts as a result of the movement in exchange rate.

The primary uses of cash are to pay for purchases of new automobiles, spare parts and automobile accessories and automobile lubricant oil, to repay the loans, borrowings and other indebtedness, to fund the working capital and normal recurring expenses and to establish new dealership stores or to acquire dealership stores or other businesses. The Group finances its liquidity requirements through a combination of cash flows generated from the operating activities, bank loans and other financings.

For the six months ended 30 June 2011, the Group had net cash inflow of approximately RMB41 million in its operating activities.

Capital expenditure and investment

For the six months ended 30 June 2011, the Group's capital expenditure and investment was approximately RMB679 million.

Inventory analysis

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

The inventories of the Group increased from approximately RMB749 million as at 31 December 2010 to approximately RMB1,271 million as at 30 June 2011, which was primarily attributable to the Group's newly added 4S dealership stores and the expansion of the sales business of the existing 4S stores.

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

	For the six months ended 30 June	
	2011	2010
Average inventory turnover days	**33.7**	33.6

Exchange risks

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

Loans and borrowings

As at 30 June 2011, the Group's loans and borrowings amounted to approximately RMB1,103 million (31 December 2010: approximately RMB721 million). The reason for the increase in loans and borrowings for the period was the increase in borrowing for liquidity for the Group's newly added 4S dealership stores and the expansion of the existing 4S dealership store business. The gearing ratio of the Group as at 30 June 2011 was approximately 39.3%, which was calculated as total interest bearing liabilities divided by total assets. Interest bearing liabilities include bank loans and other borrowings and bills payable.

Pledged assets of the Group

The Group has pledged its corporate assets as the security for loans and borrowings as well as bank financings to be used as working capital for daily operations. As at 30 June 2011, the pledged assets of the Group amounted to approximately RMB1,914 million (31 December 2010: approximately RMB1,429 million).

Investments held in foreign currency and hedging

For the six months ended 30 June 2011, the Group did not hold any investments denominated in foreign currencies. Furthermore, the Group's working capital or liquidity did not face any material difficulties or material impacts as a result of the movement in exchange rate. Currently, the Group does not employ any financial instruments for hedging purposes.

Employees and remuneration policies

As at 30 June 2011, the Group had a total of 3,320 employees in China (31 December 2010: 3,103 employees).

The Group offers competitive remuneration packages and welfare benefits, including pension, work-related compensation benefits, maternity insurance, medical and unemployment benefit plans. The Group also provides good working environment and diversified training program.

Future prospects

The Group anticipates that GDP of China will achieve sustainable growth, while the growth of the premium and ultra premium branded automobile markets will exceed that of the general automobile market. This will bring a tremendous business opportunity for the Group as it focuses on the sales of premium and ultra premium branded automobiles. The Group will actively implement its development strategies, and comprehensively cater for the keen demand in the premium and ultra premium automobile consumer markets in Mainland China.

In view of the promising prospects of the premium and ultra premium brand market in China, ZhengTong Auto will continuously consolidate and raise the Group's leading position in the premium and ultra premium automobile brand dealership market in China, and reinforce its core automobile dealership business, while actively accelerating the expansion of the existing dealership network on the basis of the optimization and expansion of the current premium brand offerings. Customer-oriented after-sales business will also be deepened to enable it to make a greater contribution to the Group's profit, and strive for a rapid development in respect of used automobiles, automobile accessories and automobile financing and insurance business, while adding a new profit growth point for the Group to ensure its stable and sustainable development. The Group will also better utilize its after-sales service channels and its good relationship with automobile manufacturers to accelerate the development of logistics and lubricant oil business, hence achieving excellent results.

The management believes that the Group will continue to maintain its leading position during the rapid growth of premium and ultra premium automobile market in China, and it is determined to strive for the maximum return for the shareholders. During such process, ZhengTong Auto team will try its best to make the largest contribution to the development and continuous improvement of the Group.

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

As at 30 June 2011, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

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

Name of Director	Capacity/nature of interest	Number of Shares/ underlying Shares	Approximate percentage of shareholding
Wang Muqing	Settlor of The Grand Glory Trust	1,453,977,500 (Note 1)	72.70%
Wang Kunpeng	Beneficial Owner	2,050,000 (Note 2)	0.103%
Li Zhubo	Beneficial Owner	2,050,000 (Note 2)	0.103%
Cao Limin	Beneficial Owner	2,050,000 (Note 2)	0.103%
Liu Dongli	Beneficial Owner	2,050,000 (Note 2)	0.103%

Notes:

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

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

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

Name of Director	**Name of associated corporation**	**Capacity**	**Approximate percentage of equity interest**
Wang Muqing	**Joy Capital**	Settlor of The Grand Glory Trust (Note 1)	100%
Wang Muqing	Wuhan Kaitai Automobile Sales Services Co., Ltd. ("**Wuhan Kaitai**") (Note 2)	Interest of controlled corporations (Note 3)	100% (Note 35)
Wang Muqing	Yichang Baoze Automobile Sales Services Co., Ltd. ("**Yichang Baoze**") (Note 2)	Interest of a controlled corporation (Note 4)	100% (Note 35)
Wang Muqing	Hubei Xinrui Automobile Sales Services Co., Ltd. ("**Hubei Xinrui**") (Note 2)	Interest of a controlled corporation (Note 5)	100% (Note 35)
Wang Muqing	Zhuhai Baoze Automobile Sales Services Co., Ltd. ("**Zhuhai Baoze**") (Note 2)	Interest of a controlled corporation (Note 6)	100% (Note 35)
Wang Muqing	Inner Mongolia Dingjie Automobile Trading Co., Ltd. ("**Inner Mongolia Dingjie**") (Note 2)	Interest of a controlled corporation (Note 7)	100% (Note 35)
Wang Muqing	Hubei Dingjie Automobile Sales Services Co., Ltd. ("**Hubei Dingjie**") (Note 2)	Interest of a controlled corporation (Note 8)	100% (Note 35)
Wang Muqing	Changsha Ruibao Automobile Sales Services Co., Ltd. ("**Changsha Ruibao**") (Note 2)	Interest of a controlled corporation (Note 9)	100% (Note 35)
Wang Muqing	Beijing Baozehang Automobile Sales Services Co., Ltd. ("**Beijing Baozehang**") (Note 2)	Interest of a controlled corporation (Note 10)	100% (Note 35)
Wang Muqing	Wuhan Baoze Automobile Sales Services Co., Ltd. ("**Wuhan Baoze**") (Note 2)	Interest of a controlled corporation (Note 11)	100% (Note 35)
Wang Muqing	Shanghai Shenxie Automobile Trading Co., Ltd. ("**Shanghai Shenxie**") (Note 2)	Interest of a controlled corporation (Note 12)	100% (Note 35)
Wang Muqing	Shantou Hongxiang Materials Co., Ltd. ("**Shantou Hongxiang**") (Note 2)	Interest of a controlled corporation (Note 13)	80% (Note 35)
Wang Muqing	Chenzhou Ruibao Automobile Sales Services Co., Ltd. ("**Chenzhou Ruibao**") (Note 2)	Interest of a controlled corporation (Note 14)	100% (Note 35)

Name of Director	Name of associated corporation	Capacity	Approximate percentage of equity interest
Wang Muqing	Dongguan Jieyunhang Automobile Sales Services Co., Ltd. ("**Dongguan Jieyunhang**") (Note 2)	Interest of a controlled corporation (Note 15)	75% (Note 35)
Wang Muqing	Shiyan Shenxie Automobile Trading Co., Ltd. ("**Shiyan Shenxie**") (Note 2)	Interest of a controlled corporation (Note 16)	100% (Note 35)
Wang Muqing	Shanghai Shenxie Shentong Automobile Sales Services Co., Ltd. ("**Shenxie Shentong**") (Note 2)	Interest of a controlled corporation (Note 17)	100% (Note 35)
Wang Muqing	Shanghai Luda Automobile Sales Services Co., Ltd. ("**Shanghai Luda**") (Note 2)	Interest of a controlled corporation (Note 18)	100% (Note 35)
Wang Muqing	Shanghai Aohui Automobile Sales Services Co., Ltd. ("**Shanghai Aohui**") (Note 2)	Interest of a controlled corporation (Note 19)	100% (Note 35)
Wang Muqing	Inner Mongolia Dingze Automobile Sales Services Co., Ltd. ("**Inner Mongolia Dingze**") (Note 2)	Interest of a controlled corporation (Note 20)	100% (Note 35)
Wang Muqing	Hubei Bocheng Automobile Sales Services Co., Ltd. ("**Hubei Bocheng**") (Note 2)	Interest of a controlled corporation (Note 21)	100% (Note 35)
Wang Muqing	Hubei Jierui Automobile Sales Services Co., Ltd. ("**Hubei Jierui**") (Note 2)	Interest of a controlled corporation (Note 22)	100% (Note 35)
Wang Muqing	Huhhot Qibao Automobile Sales Services Co., Ltd. ("**Huhhot Qibao**") (Note 2)	Interest of a controlled corporation (Note 23)	100% (Note 35)
Wang Muqing	Baotou Baoze Automobile Sales Services Co., Ltd. ("**Baotou Baoze**") (Note 2)	Interest of a controlled corporation (Note 24)	70% (Note 35)
Wang Muqing	Nanchang Baoze Automobile Sales Services Co., Ltd. ("**Nanchang Baoze**") (Note 2)	Interest of a controlled corporation (Note 25)	100% (Note 35)
Wang Muqing	Guangzhou Baoze Automobile Sales Services Co., Ltd. ("**Guangzhou Baoze**") (Note 2)	Interest of a controlled corporation (Note 26)	100% (Note 35)

Name of Director	Name of associated corporation	Capacity	Approximate percentage of equity interest
Wang Muqing	Foshan Zheng Tong Zhong Rui Automobile Sales Services Co., Ltd. ("**Foshan ZT**") (Note 2)	Interest of a controlled corporation (Note 27)	100% (Note 35)
Wang Muqing	Shangrao City Baoze Automobile Sales Services Co., Ltd. ("**Shangrao Baoze**") (Note 2)	Interest of a controlled corporation (Note 28)	100% (Note 35)
Wang Muqing	Xiangyang Baoze Automobile Sales Services Co., Ltd. ("**Xiangyang Baoze**") (Note 2)	Interest of a controlled corporation (Note 29)	100% (Note 35)
Wang Muqing	Chengdu Baoze Automobile Sales Services Co., Ltd. ("**Chengdu Baoze**") (Note 2)	Interest of a controlled corporation (Note 30)	100% (Note 35)
Wang Muqing	Xiangtan Baoze Automobile Sales Services Co., Ltd. ("**Xiangtan Baoze**") (Note 2)	Interest of a controlled corporation (Note 31)	100% (Note 35)
Wang Muqing	Wulanchabu City Ding Sheng Automobile Sales Services Co., Ltd. ("**Wulanchabu Ding Sheng**") (Note 2)	Interest of a controlled corporation (Note 32)	100% (Note 35)
Wang Muqing	Ganzhou Baoze Automobile Sales Services Co., Ltd. ("**Ganzhou Baoze**") (Note 2)	Interest of a controlled corporation (Note 33)	100% (Note 35)
Wang Muqing	Baotou Zhong Rui Automobile Sales Services Co., Ltd. ("**Baotou Zhong Rui**") (Note 2)	Interest of a controlled corporation (Note 34)	100% (Note 35)

Notes:

1 Joy Capital is the direct owner of 1,453,977,500 shares of the Company. The entire issued share capital of Joy Capital is owned by Grand Glory, whose entire issued share capital is the trust asset of The Grand Glory Trust, which was founded by Mr. Wang Muqing as settlor and managed by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Grand Glory Trust, which is a trust established in accordance with the Purpose Trust Act 2004 of Bahamas. The discretionary beneficiaries of The Grand Glory Trust include Mr. Wang and his family members.

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

3 Wuhan Kaitai is held as to 100% by Hubei Dingjie, the entire equity interest of which is held by Hubei Shengze Industry Co., Ltd. ("Hubei Shengze"), which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Wuhan Kaitai held by Hubei Dingjie which is held by Hubei Shengze, both of which are his controlled corporations.

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

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

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

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

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

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

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

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

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

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

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

15 Dongguan Jieyunhang is held as to 75% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Dongguan Jieyunhang held by Hubei Shengze, which is his controlled corporation.

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

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

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

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

20 Inner Mongolia Dingze is held as to 70% by Wuhan Kaitai, which is 100% held by Hubei Dingjie, and as to 30% by Inner Mongolia Dingjie. The entire equity interest of Wuhan Kaitai and Inner Mongolia Dingjie are held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the 70% equity interest in Inner Mongolia Dingze held by Wuhan Kaitai, which is held by Hubei Dingjie and is in turn held by Hubei Shengze, and the 30% equity interest in Inner Mongolia Dingjie, which is also held by Hubei Shengze, all of which are his controlled corporations.

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

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

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

24 Baotou Baoze is held as to 70% by Huhhot Qibao, which is held by Wuhan Baoze, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Baotou Baoze, which is held by Huhhot Qibao held by Wuhan Baoze, which is further held by Hubei Shengze, all of which are his controlled corporations.

25 Nanchang Baoze is held as to 20% by Changsha Ruibao and as to 80% by Wuhan Baoze, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Nanchang Baoze held by Changsha Ruibao and Wuhan Baoze, which are held by Hubei Shengze, all of which are his controlled corporations.

26 Guangzhou Baoze is held as to 40% by Changsha Ruibao and as to 60% by Wuhan Baoze, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Guangzhou Baoze held by Changsha Ruibao and Wuhan Baoze, which are held by Hubei Shengze, all of which are his controlled corporations.

27 Foshan ZT is entirely held by Guangzhou Baoze, which is held as to 40% by Changsha Ruibao and as to 60% by Wuhan Baoze, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Foshan ZT held by Guangzhou Baoze which is held by Changsha Ruibao and Wuhan Baoze, which are held by Hubei Shengze, all of which are his controlled corporations.

28 Shangrao Baoze is entirely held by Nanchang Baoze, which is held as to 20% by Changsha Ruibao and as to 80% by Wuhan Baoze, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shangrao Baoze held by Nanchang Baoze which is held by Changsha Ruibao and Wuhan Baoze, which are held by Hubei Shengze, all of which are his controlled corporations.

29 Xiangyang Baoze is entirely held by Wuhan Baoze, which is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Xiangyang Baoze held by Wuhan Baoze which is held by Hubei Shengze, both of which are his controlled corporations.

30 Chengdu Baoze is entirely held by Beijing Baozehang, which is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Chengdu Baoze held by Beijing Baozehang which is held by Hubei Shengze, both of which are his controlled corporations.

31 Xiangtan Baoze is entirely held by Changsha Ruibao, which is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Xiangtan Baoze held by Changsha Ruibao which is held by Hubei Shengze, both of which are his controlled corporations.

32 Wulanchabu Ding Sheng is entirely held by Inner Mongolia Dingjie, which is held as to 100% by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Wulanchabu Ding Sheng held by Inner Mongolia Dingjie which is held by Hubei Shengze, both of which are his controlled corporations.

33 Ganzhou Baoze is entirely held by Nanchang Baoze, which is held as to 20% by Changsha Ruibao and as to 80% by Wuhan Baoze, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Ganzhou Baoze held by Nanchang Baoze which is held by Changsha Ruibao and Wuhan Baoze, which are held by Hubei Shengze, all of which are his controlled corporations.

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

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

Save as disclosed above, as at 30 June 2011, none of the Directors or any of their associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the interests or short positions of the substantial shareholders (other than the Directors) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO were as follows:

Long positions in the Shares of the Company:

Name of Shareholders	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding
Joy Capital	Beneficial owner (Note 1)	1,453,977,500	72.70%
Grand Glory	Interest of a controlled corporation (Note 1)	1,453,977,500	72.70%

Note:

1 Joy Capital is the direct owner of 1,453,977,500 shares of the Company. The entire issued share capital of Joy Capital is owned by Grand Glory, whose entire issued share capital is the trust asset of The Grand Glory Trust, which was founded by Mr. Wang Muqing as settlor and managed by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Grand Glory Trust, which is a trust established in accordance with the Purpose Trust Act 2004 of Bahamas. The discretionary beneficiaries of The Grand Glory Trust include Mr. Wang and his family members.

SHARE OPTION SCHEMES

(A) Share Option Scheme

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

Eligible participants of the Share Option Scheme include the following:

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

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

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

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

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

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

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

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group,

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

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

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

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

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

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

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

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

(B) Pre-IPO Share Option Scheme

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

Details of the share options granted under the Pre-IPO Share Option Scheme outstanding during the six months ended 30 June 2011 are as follows:

Grantees	Date of grant (D/M/Y)	Exercise price per share (RMB)	Exercisable period and closing date (D/M/Y)	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2011
Directors								
Wang Kunpeng	10/08/2010	1.50	01/01/2012-10/08/2017	1,025,000	0	0	0	1,025,000
	10/08/2010	1.50	01/01/2013-10/08/2017	512,500	0	0	0	512,500
	10/08/2010	1.50	01/01/2014-10/08/2017	512,500	0	0	0	512,500
				2,050,000				2,050,000
Li Zhubo	10/08/2010	1.50	01/01/2012-10/08/2017	1,025,000	0	0	0	1,025,000
	10/08/2010	1.50	01/01/2013-10/08/2017	512,500	0	0	0	512,500
	10/08/2010	1.50	01/01/2014-10/08/2017	512,500	0	0	0	512,500
				2,050,000				2,050,000
Liu Dongli	10/08/2010	1.50	01/01/2012-10/08/2017	1,025,000	0	0	0	1,025,000
	10/08/2010	1.50	01/01/2013-10/08/2017	512,500	0	0	0	512,500
	10/08/2010	1.50	01/01/2014-10/08/2017	512,500	0	0	0	512,500
				2,050,000				2,050,000

Grantees	Date of grant (D/M/Y)	Exercise price per share (RMB)	Exercisable period and closing date (D/M/Y)	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2011
Cao Limin	10/08/2010	1.50	01/01/2012-10/08/2017	1,025,000	0	0	0	1,025,000
	10/08/2010	1.50	01/01/2013-10/08/2017	512,500	0	0	0	512,500
	10/08/2010	1.50	01/01/2014-10/08/2017	512,500	0	0	0	512,500
				2,050,000				2,050,000
Sub-total				8,200,000	0	0	0	8,200,000
Employees and former employees	10/08/2010	1.50	01/01/2012-10/08/2017	4,670,350	0	0	61,700	4,608,650
	10/08/2010	1.50	01/01/2013-10/08/2017	2,335,175	0	0	30,850	2,304,325
	10/08/2010	1.50	01/01/2014-10/08/2017	2,335,175	0	0	30,850	2,304,325
				9,340,700			123,400	9,217,300
	10/08/2010	2.00	01/04/2012-10/08/2017	1,031,200	0	0	25,500	1,005,700
	10/08/2010	2.00	01/04/2013-10/08/2017	515,600	0	0	12,750	502,850
	10/08/2010	2.00	01/04/2014-10/08/2017	515,600	0	0	12,750	502,850
				2,062,400			51,000	2,011,400
	10/08/2010	2.50	01/07/2012-10/08/2017	726,000	0	0	41,000	685,000
	10/08/2010	2.50	01/07/2013-10/08/2017	363,000	0	0	20,500	342,500
	10/08/2010	2.50	01/07/2014-10/08/2017	363,000	0	0	20,500	342,500
				1,452,000			82,000	1,370,000

Grantees	Date of grant (D/M/Y)	Exercise price per share (RMB)	Exercisable period and closing date (D/M/Y)	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2011
	20/08/2010	2.50	01/07/2012-20/08/2017	1,009,400	0	0	57,000	952,400
	20/08/2010	2.50	01/07/2013-20/08/2017	504,700	0	0	28,500	476,200
	20/08/2010	2.50	01/07/2014-20/08/2017	504,700	0	0	28,500	476,200
				2,018,800			114,000	1,904,800
	17/11/2010	2.50	01/07/2012-17/11/2017	181,000	0	0	26,000	155,000
	17/11/2010	2.50	01/07/2013-17/11/2017	90,500	0	0	13,000	77,500
	17/11/2010	2.50	01/07/2014-17/11/2017	90,500	0	0	13,000	77,500
				362,000			52,000	310,000
Sub-total				15,235,900			422,400	14,813,500
Total				23,435,900	0	0	422,400	23,013,500

DIRECTORS' COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a securities dealing code ("Securities Dealing Code") regarding securities transactions of the directors with standards no less exacting than that of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors of the Company, all Directors of the Company confirmed that they have complied with the Securities Dealing Code and the Model Code during the six months ended 30 June 2011.

REVIEW OF INTERIM REPORT

The Group's interim report for the six months ended 30 June 2011 have been reviewed by the audit committee of the Company ("Audit Committee"), which comprises all independent non-executive directors, namely Dr. Wong Tin Yau, Kelvin (Chairman of the Audit Committee), Mr. Zhang Yansheng and Mr. Tan Xiangyong. The Audit Committee considers that the interim report for the six months ended 30 June 2011 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011, except for the deviation mentioned below:

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

CHANGES IN DIRECTORS' INFORMATION

The following are the changes in the information of Directors since the date of the 2010 Annual Report of the Company, which are required to be disclosed pursuant to Rules 13.51(2) and 13.51B of the Listing Rules:

Mr. Chen Tao was appointed as senior vice president of the Company with effect from 12 March 2011.

Mr. Cao Limin resigned as executive director of the Company with effect from 18 August 2011.

Mr. Shao Yong Jun was appointed as executive director of the Company with effect from 18 August 2011.

Dr. Wong Tin Yau, Kelvin, independent non-executive director of the Company, was appointed as an independent non-executive director and the chairman of the audit committee of Xinjiang Goldwind Science & Technology Co., Ltd. 新疆金風科技股份有限公司 (stock code: 02208) with effect from 24 June 2011 and 28 July 2011 respectively.

Mr. Tan Xiangyong, independent non-executive director of the Company, ceased to serve as (i) the vice chairman of the China Logistic and Supply Association since February 2011; (ii) a council of the 7th and 8th Beijing municipal government since February 2011; and (iii) a member of the expert committee of the "11th Five-Year Plan" of Beijing since January 2011. Mr. Tan was appointed as a general vice president of China Commercial and Economic Association with effect from 23 June 2011.

Mr. Zhang Yansheng, independent non-executive director of the Company, ceased to be the head of the Institute for International Economic Research of the National Development and Reform Commission since March 2011.

For and on behalf of the Board of Directors of
China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司
WANG Kunpeng
Chief Executive Officer and Executive Director

29 August 2011

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

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 24 to 50 which comprises the consolidated balance sheet of China ZhengTong Auto Services Holdings Limited as of 30 June 2011, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

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

29 August 2011

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011
(Expressed in RMB'000)

	Note	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (audited)
Turnover	4	**6,016,376**	3,127,922
Cost of sales		**(5,386,289)**	(2,838,727)
Gross profit		**630,087**	289,195
Other revenue	5	**38,111**	18,189
Other net income	5	**10,008**	4,996
Selling and distribution expenses		**(113,825)**	(69,177)
Administrative expenses		**(115,016)**	(57,434)
Profit from operations		**449,365**	185,769
Finance costs	6(a)	**(45,368)**	(21,953)
Share of profit of an associate or a jointly controlled entity		**7,340**	3,657
Gain on remeasurement of previously held equity interest in a jointly controlled entity		**–**	3,177
Gain on bargain purchase		**–**	27,266
Profit before taxation	6	**411,337**	197,916
Income tax	7	**(100,898)**	(39,537)
Profit for the period		**310,439**	158,379
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of foreign operations		**1,004**	343
Other comprehensive income for the period, net of tax		**1,004**	343
Total comprehensive income for the period		**311,443**	158,722
Profit attributable to:			
Equity holders of the Company		**293,322**	153,101
Non-controlling interests		**17,117**	5,278
Profit for the period		**310,439**	158,379
Total comprehensive income attributable to:			
Equity holders of the Company		**294,326**	153,444
Non-controlling interests		**17,117**	5,278
Total comprehensive income for the period		**311,443**	158,722
Earnings per share	8		
Basic and diluted (RMB cent)		**14.7**	10.2

The notes on pages 28 to 50 form part of this interim financial report.

Consolidated Balance Sheet

At 30 June 2011
(Expressed in RMB'000)

	Note	**At 30 June 2011 (unaudited)**	At 31 December 2010 (audited)
Non-current assets			
Property, plant and equipment	10	**535,392**	404,424
Lease prepayments		**161,092**	117,864
Intangible assets	11	**404,565**	58,601
Goodwill	12	**217,852**	16,236
Interest in a jointly controlled entity		**127,815**	120,475
Deferred tax assets	19	**2,280**	4,530
		1,448,996	722,130
Current assets			
Inventories	13	**1,270,983**	748,733
Trade and other receivables	14	**1,240,729**	868,442
Pledged bank deposits	15	**1,141,198**	960,928
Cash and cash equivalents	16	**3,363,055**	3,432,060
		7,015,965	6,010,163
Current liabilities			
Loans and borrowings	17	**1,103,261**	721,292
Trade and other payables	18	**2,740,102**	1,847,037
Income tax payables		**124,624**	73,053
		3,967,987	2,641,382
Net current assets		**3,047,978**	3,368,781
Total assets less current liabilities		**4,496,974**	4,090,911
Non-current liabilities			
Deferred tax liabilities	19	**105,200**	17,920
		105,200	17,920
NET ASSETS		**4,391,774**	4,072,991
Equity			
Share capital	20	**171,420**	171,420
Reserves	21	**4,155,433**	3,843,363
Equity attributable to equity holders of the Company		**4,326,853**	4,014,783
Non-controlling interests		**64,921**	58,208
TOTAL EQUITY		**4,391,774**	4,072,991

Approved and authorised for issue by the board of directors on 29 August 2011.

Wang Kunpeng
Director, CEO

Li Zhubo
Director, CFO

The notes on pages 28 to 50 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011
(Expressed in RMB'000)

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserves	PRC statutory reserves	Exchange reserves	Discretionary surplus reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
	(note 20)	(note 21(a))	(note 21(b))	(note 21(c))	(note 21(d))	(note 21(e))				
Audited:										
Balance at 1 January 2010	**223,500**	**–**	**(5,641)**	**25,218**	**2,824**	**3,591**	**194,532**	**444,024**	**15,641**	**459,665**
Capital reduction	(25,000)	–	–	–	–	–	–	(25,000)	–	(25,000)
Capital contribution to a subsidiary by non-controlling interests	–	–	2,957	–	–	–	–	2,957	9,068	12,025
Acquisition of a subsidiary through business combination	4,000	–	52,440	–	–	–	–	56,440	10,051	66,491
Total comprehensive income for the period	–	–	–	–	343	–	153,101	153,444	5,278	158,722
Appropriation to reserves	–	–	–	–	–	868	(868)	–	–	–
Balance at 30 June 2010	**202,500**	**–**	**49,756**	**25,218**	**3,167**	**4,459**	**346,765**	**631,865**	**40,038**	**671,903**
Unaudited:										
Balance at 1 January 2011	**171,420**	**2,852,840**	**487,324**	**50,527**	**3,854**	**4,459**	**444,359**	**4,014,783**	**58,208**	**4,072,991**
Capital contribution by equity holder of the company	–	–	10,000	–	–	–	–	10,000	–	10,000
Equity settled share-based transactions	–	–	7,744	–	–	–	–	7,744	–	7,744
Total comprehensive income for the period	–	–	–	–	1,004	–	293,322	294,326	17,117	311,443
Dividends	–	–	–	–	–	–	–	–	(10,404)	(10,404)
Balance at 30 June 2011	**171,420**	**2,852,840**	**505,068**	**50,527**	**4,858**	**4,459**	**737,681**	**4,326,853**	**64,921**	**4,391,774**

The notes on pages 28 to 50 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2011
(Expressed in RMB'000)

	Note	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (audited)
Net cash generated from/(used in) operating activities		**40,718**	(152,443)
Net cash used in investing activities		**(436,924)**	(35,067)
Net cash generated from financing activities		**326,197**	130,916
Net decrease in cash and cash equivalents		**(70,009)**	(56,594)
Cash and cash equivalents at beginning of the period		**3,432,060**	176,898
Effect of foreign exchange rate changes		**1,004**	343
Cash and cash equivalents at end of the period	16	**3,363,055**	120,647
Supplemental disclosure of material non-cash transactions:			
Distribution to equity holder of the Company		**–**	(20,000)
Contribution by equity holder of the Company		**8,173**	53,778
Land use rights contributed by non-controlling interests		**–**	12,025

The notes on pages 28 to 50 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

1 GENERAL INFORMATION

China ZhengTong Auto Services Holdings Limited (the "Company") was incorporated in the Cayman Islands on 9 July 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (collectively, the "Group") are principally engaged in 4S dealership business, motor-related logistics business and lubricant oil trading business in the People's Republic of China (the "PRC").

Pursuant to a group reorganisation completed on 17 November 2010 (the "Reorganisation") to rationalise the Group's structure in preparation for the public offering (the "Offering") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as defined in the Company's prospectus dated 29 November 2010 (the "Prospectus"), the Company became the holding company of the Group. Details of the Reorganisation are set out in the Prospectus. The Company's shares were listed on the Stock Exchange on 10 December 2010 (the "Listing Date").

Since all entities which took part in the Reorganisation were under common control of the same controlling shareholder (the "Controlling Shareholder"), the Group is regarded as a continuing entity resulting from the reorganisation of entities under common control. This unaudited interim financial report has been prepared on the basis that the current group structure had been in existence at the beginning of the earliest period presented. Accordingly, the consolidated results of the Group for the six months ended 30 June 2010 and 2011 include the results of the Company and its subsidiaries with effect from 1 January 2010 or, if later, since their respective dates of incorporation/establishment/acquisition as if the current group structure had been in existence throughout the two periods presented. All material intra-group transactions and balances have been eliminated on consolidation.

2 BASIS OF PREPARATION

The Company has a financial year end date of 31 December. The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2010 which were issued on 12 March 2011 (the "2010 Annual Financial Statements"). The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 BASIS OF PREPARATION (CONTINUED)

The interim financial report for the six month period ended 30 June 2011 is unaudited, and it was authorised for issue on 29 August 2011. The interim financial report has been reviewed by the Company's auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the HKICPA. KPMG's independent review report to the board of directors is included on page 23.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those statutory financial statements in their report dated 12 March 2011.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 24 (revised 2009), Related party disclosures
- Improvements to HKFRSs (2010)

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

Developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements have had no material impact on the contents of this interim financial report.

4 TURNOVER

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

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(audited)
Sales of motor vehicles	**5,392,638**	2,684,616
Sales of motor spare parts	**100,690**	51,139
Provision of maintenance services	**323,101**	191,779
Provision of logistics services	**67,817**	73,777
Sales of lubricant oil	**132,130**	126,611
	6,016,376	3,127,922

5 OTHER REVENUE AND NET INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(audited)
Other revenue:		
Commission income	**25,880**	13,229
Interest income from bank deposits	**11,690**	3,873
Rental income	**–**	431
Others	**541**	656
	38,111	18,189
Other net income:		
Net gain on disposal of property, plant and equipment	**8,406**	4,498
Others	**1,602**	498
	10,008	4,996

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Note	Six months ended 30 June 2011 RMB'000 (unaudited)	2010 RMB'000 (audited)
(a)	**Finance costs:**			
	Interest on loans and borrowings wholly repayable within 5 years		**12,133**	8,534
	Other finance costs	(i)	**33,235**	13,419
			45,368	21,953
(b)	**Staff costs:**			
	Salaries, wages and other benefits		**93,977**	50,530
	Contributions to defined contribution retirement plans	(ii)	**6,367**	2,850
	Equity settled share-based transactions		**7,744**	–
			108,088	53,380

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

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

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

		Six months ended 30 June 2011 RMB'000 (unaudited)	2010 RMB'000 (audited)
(c)	**Other items:**		
	Cost of inventories	**5,321,494**	2,773,446
	Depreciation	**25,880**	18,121
	Amortisation of lease prepayments	**1,420**	2,311
	Amortisation of intangible assets	**2,477**	–
	Operating lease charges	**18,822**	7,948
	Net foreign exchange loss	**1,869**	–

7 INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(audited)
Current tax:		
Provision for PRC income tax for the period	**97,893**	38,859
Deferred tax:		
Reversal of temporary differences (note 19)	**3,005**	678
	100,898	39,537

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

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

(iii) On 16 March 2007, the PRC government enacted the new Enterprise Income Tax law ("new EIT law"), which unified the income tax rate to 25% for all companies. The new EIT law was effective as of 1 January 2008. Consequently, the Group's PRC subsidiaries (including the PRC operating entities under the contractual arrangements) are subject to income tax at 25% from 2008 onwards, except for Wuhan Shengze Jietong Logistics Co., Ltd., which as a qualified production-oriented foreign invested enterprise, is subject to income tax at 12.5% for the three years from 2009 to 2011. Thereafter, it will be subject to the unified tax rate of 25%.

(iv) The new EIT law and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of the PRC from earnings accumulated from 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

Under the Arrangement between the Mainland of China and Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, or China-HK Tax Arrangement, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%.

On 27 October 2009, the State Administration of Taxation issued Guoshuihan [2009] No. 601 which clarified that a "beneficial owner" under a tax treaty is determined not purely by its place of legal registration but also by other factors which depend on the specific facts and circumstances and significant judgment may be involved. Hence, this reduction of withholding tax rate from 10% to 5% requires pre-approval by respective local tax bureaux in the PRC.

The Group's subsidiaries in the PRC are directly or indirectly held by the Group's intermediate holding company, Rising Wave Development Limited ("Rising Wave"), a Hong Kong tax resident. Deferred tax liabilities have not been recognised in respect of the withholding tax that would be payable on the distribution of retained profits, as the Group can control the quantity and timing of distribution of profits of these subsidiaries, and Directors are of the view that profits will not be distributed in the foreseeable future.

8 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2011 was based on the profit attributable to equity holders of the Company for the six months of RMB293,322,000 (30 June 2010: RMB153,101,000) and the weighted average of 2,000,000,000 ordinary shares (30 June 2010: 1,500,000,000) in issue during the period.

The weighted average number of shares in issue during the six months ended 30 June 2010 was based on the assumption that the 1,500,000,000 shares before the listing of shares on the Stock Exchange was in issue, as if such shares had been outstanding throughout the six months ended 30 June 2010.

The pre-IPO employee share option scheme does not give rise to any dilution effect on the Company's earnings per share and there were no other dilutive potential ordinary shares in existence during the six months ended 30 June 2011 and the six months ended 30 June 2010, and therefore, the basic and diluted earnings per share are the same.

No options were exercised during the six months ended 30 June 2011.

9 SEGMENT REPORTING

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

1 **4S dealership business**

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

2 **Logistics business**

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

3 **Lubricant oil business**

Lubricant oil business mainly includes trading of lubricant oil.

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

9 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities

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

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

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

- Segment assets include all current and non-current assets with the exception of intangible assets, goodwill, deferred tax assets, unallocated head office assets and non-trade receivables due from related parties. Segment liabilities include all current and non-current liabilities with the exception of income tax payables, deferred tax liabilities, unallocated head office liabilities and non-trade payables due to related parties.

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

	4S dealership business		Logistics and lubricant oil businesses		Total	
	2011	2010	**2011**	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
For six months ended 30 June						
Turnover from external customers	**5,816,429**	2,927,534	**199,947**	200,388	**6,016,376**	3,127,922
Inter-segment turnover	**–**	–	**4,725**	1,635	**4,725**	1,635
Reportable segment turnover	**5,816,429**	2,927,534	**204,672**	202,023	**6,021,101**	3,129,557
Reportable segment profit	**374,641**	136,650	**40,182**	60,314	**414,823**	196,964
Depreciation and amortisation for the period	**27,680**	18,052	**2,097**	2,380	**29,777**	20,432
Reportable segment assets as at 30 June 2011/ 31 December 2010	**4,963,169**	3,358,051	**1,025,807**	414,035	**5,988,976**	3,772,086
Additions to non-current segment assets during the period	**209,984**	89,643	**337**	12,056	**210,321**	101,699
Reportable segment liabilities as at 30 June 2011/ 31 December 2010	**(3,903,327)**	(2,396,624)	**(537,862)**	(280,816)	**(4,441,189)**	(2,677,440)
Interest in a jointly controlled entity as at 30 June 2011/ 31 December 2010	**–**	–	**127,815**	120,475	**127,815**	120,475

9 SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (audited)
Turnover:		
Reportable segment turnover	**6,021,101**	3,129,557
Elimination of inter-segment turnover	**(4,725)**	(1,635)
Consolidated turnover	**6,016,376**	3,127,922
Profit before taxation:		
Reportable segment profit	**414,823**	196,964
Unallocated head office expenses	**(6,237)**	(280)
Other revenue	**38,111**	18,189
Other net income	**10,008**	4,996
Finance costs	**(45,368)**	(21,953)
Consolidated profit before taxation	**411,337**	197,916

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Assets:		
Reportable segment assets	**5,988,976**	3,772,086
Intangible assets	**404,565**	58,601
Goodwill	**217,852**	16,236
Deferred tax assets	**2,280**	4,530
Unallocated head office assets	**2,449,154**	3,020,927
Elimination of inter-segment receivables	**(597,866)**	(140,087)
Consolidated total assets	**8,464,961**	6,732,293
Liabilities:		
Reportable segment liabilities	**(4,441,189)**	(2,677,440)
Income tax payables	**(124,624)**	(73,053)
Deferred tax liabilities	**(105,200)**	(17,920)
Unallocated head office liabilities	**(40)**	(23,796)
Non-trade payables due to related parties	**–**	(7,180)
Elimination of inter-segment payables	**597,866**	140,087
Consolidated total liabilities	**(4,073,187)**	(2,659,302)

(c) Geographic information

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

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment with costs of RMB165,673,000 in aggregate (six months ended 30 June 2010: RMB87,241,000), including assets acquired through the business combination (note 22) of RMB26,340,000 (six months ended 30 June 2010: RMB8,204,000).

11 INTANGIBLE ASSETS

	Car dealerships RMB'000	Favourable lease RMB'000	Club debenture RMB'000	Total RMB'000
Cost:				
At 1 January 2011	59,732	–	363	60,095
Acquisition of subsidiaries through business combinations (note 22)	324,690	23,751	–	348,441
At 30 June 2011	**384,422**	**23,751**	**363**	**408,536**
Accumulated amortisation:				
At 1 January 2011	(1,494)	–	–	(1,494)
Charge for the period	(2,477)	–	–	(2,477)
At 30 June 2011	**(3,971)**	**–**	**–**	**(3,971)**
Net book value:				
At 30 June 2011	**380,451**	**23,751**	**363**	**404,565**
At 31 December 2010	58,238	–	363	58,601

The Group's identifiable intangible assets through business combination include car dealerships and a favourable lease in the PRC for the six months ended 30 June 2011. The car dealerships arise from the relationship with automobile manufacturers, with an estimated useful life of 20 years. The favourable lease arises from the right to use a piece of land for free for a period of 10 years. The fair values of the car dealerships as at the acquisition dates were determined by using the multiple-period excess earning method. The fair value of the favourable lease as at the acquisition date was determined by using the incremental cash flow method.

12 GOODWILL

	RMB'000
Cost/Net book value:	
At 1 January 2011	16,236
Acquisition of subsidiaries through business combinations (note 22)	201,616
At 30 June 2011	217,852

During the six months period ended 30 June 2011, goodwill amounting to RMB201,616,000 arose from the business combinations of Lhasa Hongjin Auto Trading Company Limited and Acme Joy Group Limited, respectively (see note 22).

13 INVENTORIES

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Motor vehicles	**1,167,122**	675,918
Automobile spare parts	**95,274**	69,609
Others	**8,587**	3,206
	1,270,983	748,733

Inventories with carrying amount of RMB664,777,000 have been pledged as security for the bills payable (see note 18) as at 30 June 2011 (31 December 2010: RMB413,281,000).

Inventories with carrying amount of RMB108,137,000 have been pledged as security for loans and borrowings from other financial institutions (see note 17) as at 30 June 2011 (31 December 2010: RMB45,311,000).

14 TRADE AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Trade receivables	**138,729**	131,247
Bills receivable	**4,026**	4,409
	142,755	135,656
Prepayments	**593,926**	480,129
Other receivables and deposits	**504,048**	252,657
Trade and other receivables	**1,240,729**	868,442

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

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

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Current	**137,142**	133,608
Less than 1 month past due	**1,807**	–
1 to 3 months past due	**765**	1,525
3 to 12 months past due	**3,041**	523
Total amount past due	**5,613**	2,048
	142,755	135,656

15 PLEDGED BANK DEPOSITS

Guarantee deposits in respect of:

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Bank loans (note 17)	**10,000**	10,120
Bills payable (note 18)	**1,131,198**	950,808
	1,141,198	960,928

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

16 CASH AND CASH EQUIVALENTS

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Deposit with banks within 3 months of maturity	**33,630**	984,439
Cash at banks and on hand	**3,329,425**	2,447,621
Cash and cash equivalents in condensed consolidated cash flow statements	**3,363,055**	3,432,060

17 LOANS AND BORROWINGS

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

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Unsecured bank loans (i)	**893,722**	418,400
	893,722	418,400
Secured bank loans (ii)	**180,469**	270,277
Secured borrowings from other financial institutions (iii)	**29,070**	32,615
	209,539	302,892
	1,103,261	721,292

At the respective balance sheet dates, loans and borrowings were secured by assets of the Group as follows:

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Loans and borrowings:		
– secured by assets of the Group (iv)	**209,539**	302,892
	209,539	302,892

(i) Unsecured bank loans carried interest at annual rates ranging from 5.56% to 8.00% as at 30 June 2011 (31 December 2010: from 5.10% to 6.11%).

(ii) Secured bank loans carried interest at annual rates ranging from 5.99% to 6.94% as at 30 June 2011 (31 December 2010: from 5.10% to 6.10%).

(iii) Borrowings from other financial institutions mainly represent loans obtained from the auto finance companies of the respective automobile manufacturers for purchase of motor vehicles, which are secured, interest-bearing with annual rates ranging from 6.94% to 7.57% as at 30 June 2011 (31 December 2010: from 5.81% to 6.97%).

17 LOANS AND BORROWINGS (CONTINUED)

(iv) Secured loans and borrowings were secured by the following assets of the Group:

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Inventories	**108,137**	45,311
Pledged bank deposits	**10,000**	10,120
Property, plant and equipment	**–**	4,503
Lease prepayments	**–**	5,099
	118,137	65,033

18 TRADE AND OTHER PAYABLES

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Trade payables	**46,750**	39,956
Bills payable	**2,223,012**	1,515,172
	2,269,762	1,555,128
Receipts in advance	**226,904**	159,364
Other payables and accruals	**243,436**	121,521
Payables due to third parties	**2,740,102**	1,836,013
Payables due to related parties (note 25(d))	**–**	11,024
Trade and other payables	**2,740,102**	1,847,037

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

Bills payable of RMB1,131,198,000 as at 30 June 2011 (31 December 2010: RMB950,808,000), were secured by pledged bank deposits (see note 15).

Bills payable of RMB1,091,814,000 as at 30 June 2011 (31 December 2010: RMB564,364,000), were secured by inventories (see note 13).

18 TRADE AND OTHER PAYABLES (CONTINUED)

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

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Due within 3 months	**2,199,956**	1,480,539
Due after 3 months but within 6 months	**68,134**	53,787
Due after 6 months but within 12 months	**1,672**	20,802
	2,269,762	1,555,128

19 DEFERRED TAX ASSETS AND LIABILITIES

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

	Fair value adjustment arising from business combination RMB'000	**Depreciation allowances in excess of depreciation charges** RMB'000	**Future benefits of tax losses** RMB'000	**Others** RMB'000	**Total** RMB'000
Deferred tax (liabilities)/ assets arising from:					
At 1 January 2011	(14,783)	(3,932)	1,401	3,924	(13,390)
Acquisition of a subsidiary through business combination (note 22)	(87,110)	–	–	585	(86,525)
Credited/(charged) to profit or loss (note 7)	625	–	(475)	(3,155)	(3,005)
At 30 June 2011	**(101,268)**	**(3,932)**	**926**	**1,354**	**(102,920)**

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Representing:		
Net deferred tax assets	**2,280**	4,530
Net deferred tax liabilities	**(105,200)**	(17,920)
	(102,920)	(13,390)

20 SHARE CAPITAL

The share capital of the Group as at 30 June 2010 represents the aggregate amount of the paid-in capital of all the entities comprising the Group at the balance sheet date, after elimination of investments in subsidiaries.

Pursuant to the Reorganisation, the Company became the holding company of the Group. The share capital of the Group as at 31 December 2010 and 30 June 2011 represents the issued share capital of the Company at the balance sheet dates.

(a) Authorised share capital

The Company was incorporated in the Cayman Islands on 9 July 2010 with an authorised share capital of HK$100,000, divided into 1,000,000 shares of par value of HK$0.1 each.

Pursuant to a resolution dated 17 November 2010 passed by the Company's then sole shareholder, namely Joy Capital Holdings Limited ("Joy Capital"), the authorised number of ordinary shares was increased from 1,000,000 to 20,000,000,000 by the creation of 19,999,000,000 new shares of par value of HK$0.1 each.

(b) Issued share capital

The following sets out the changes in the Company's issued share capital since the date of its incorporation:

(i) The Company was incorporated on 9 July 2010 with issued share capital of 1,000,000 ordinary shares at HK$0.1 each. The issued share capital was subsequently credited as fully paid.

(ii) On 17 November 2010, the Company allotted and issued, credited as fully paid, an aggregate of 99,000,000 shares to Joy Capital.

(iii) On 10 December 2010, the Company issued 500,000,000 new ordinary shares of HK$0.1 each by way of the Offering to Hong Kong and overseas investors. Consequently, RMB42,855,000 (equivalent to HK$50,000,000) were recorded in share capital.

(iv) Pursuant to a resolution dated 17 November 2010 passed by Joy Capital, the Company capitalised, out of the share premium as of 10 December 2010, HK$140,000,000 in paying up in full at par 1,400,000,000 shares for allotment and issue to the holders of shares whose names appear on the register of members of the Company at the close of business on 17 November 2010.

21 RESERVES

(a) Share premium

(i) On 10 December 2010, the Company issued 500,000,000 new ordinary shares of HK$0.1 each at a price of HK$7.3 per share by way of the Offering to Hong Kong and overseas investors. Net proceeds from the Offering amounted to RMB3,015,689,000 (after offsetting issuance costs of RMB112,726,000), out of which RMB42,855,000 and RMB2,972,834,000 were recorded in share capital and share premium respectively.

(ii) Pursuant to a resolution dated 17 November 2010 passed by Joy Capital, the Company capitalised, out of the share premium as of 10 December 2010, HK$140,000,000 (equivalent to RMB119,994,000) in paying up in full at par 1,400,000,000 shares for allotment and issue to the holders of shares whose names appear on the register of members of the Company at the close of business on 17 November 2010.

(b) Capital reserves

(i) On 28 June 2010, the Controlling Shareholder acquired 80% equity interest in Shantou Hongxiang at a consideration of RMB56,440,000, out of which RMB4,000,000 and RMB52,440,000 were recorded in share capital and capital reserve respectively.

(ii) On 29 September 2010, the Group settled all the loans from the Controlling Shareholder, with a carrying amount of RMB83,195,000, by capitalization.

(iii) On 17 November 2010, the Company became the holding company of the Group, and the combined share capital of RMB348,429,000 was eliminated on consolidation.

(iv) On 17 November 2010, the Company issued additional 99,000,000 ordinary shares of HK$0.1 each to Joy Capital for acquiring its entire equity interest in Big Glory International Limited, with a carrying amount of RMB82,599,000. The Company credited all 100,000,000 ordinary shares outstanding as of 17 November 2010 as fully paid, amounting to HK$10,000,000 (equivalent to RMB8,571,000). The remaining RMB74,028,000 was recorded in the capital reserve.

(c) PRC statutory reserves

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meeting.

For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(d) Exchange reserves

Foreign currency translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(e) Discretionary surplus reserves

The transfer to this reserve from the retained earnings of the companies comprising the Group which are incorporated in the PRC is subject to the approval by the respective boards of directors' meeting. Its usage is similar to that of statutory surplus reserve.

22 BUSINESS COMBINATION

(a) Lhasa Hongjin Auto Trading Company Limited

On 25 April 2011, the Group entered into a sales and purchase agreement with Lhasa Hongjin Auto Trading Company Limited ("Lhasa Hongjin"), to acquire 100% equity interest of Lhasa Hongjin at a total consideration of RMB167,200,000. Lhasa Hongjin and its subsidiaries are principally engaged in the business of automobile dealership and after-sales services. Its major asset consists of one Audi 4S dealership store located in Nanchang, Jiangxi Province, the PRC.

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

	Pre-acquisition carrying amounts RMB'000	**Fair value adjustments** RMB'000	**Recognised values on acquisition** RMB'000
Property, plant and equipment (note 10)	11,790	–	11,790
Car dealership (note 11)	–	118,240	118,240
Inventories	16,814	–	16,814
Trade and other receivables	35,630	–	35,630
Cash and cash equivalents	63,100	–	63,100
Trade and other payables	(117,859)	–	(117,859)
Income tax payable	(5,807)	–	(5,807)
Deferred tax assets/(liabilities) (note 19)	291	(29,560)	(29,269)
Net identified assets	3,959	88,680	92,639
Percentage attributable to the Group			100%
Net identified assets attributable to the Group			92,639
Goodwill arising from the acquisition (note 12)			74,561
Total consideration			167,200
Analysis of the net cash outflow in respect of the acquisition:			
Cash consideration paid			157,200
Less: cash acquired			(63,100)
Net cash outflow in acquisition			94,100

Pre-acquisition carrying amounts were determined based on applicable HKFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

The revenue and profit that Lhasa Hongjin contributed to the Group during the period ended 30 June 2011 are RMB88,955,000 and RMB9,760,000 respectively. If the acquisition had occurred on 1 January 2011, management estimates that the Group's consolidated revenue and consolidated profit for the period ended 30 June 2011 would have been RMB6,165,248,000 and RMB315,862,000, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the above acquisition would have been the same if the acquisition had occurred on 1 January 2011.

22 BUSINESS COMBINATION (CONTINUED)

(b) Acme Joy Group Limited

On 26 June 2011, the Group entered into a sales and purchase agreement with Acme Joy Group Limited ("Acme Joy"), to acquire 100% equity interest of Acme Joy at a total consideration of RMB327,360,000. Acme Joy and its subsidiaries are principally engaged in the business of automobile dealership and after-sales services. Its major asset consists of one Audi 4S dealership store located in Qingdao, Shandong Province, the PRC.

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

	Pre-acquisition carrying amounts RMB'000	**Fair value adjustments** RMB'000	**Recognised values on acquisition** RMB'000
Property, plant and equipment (note 10)	14,550	–	14,550
Car dealership (note 11)	–	206,450	206,450
Favorable lease (note 11)	–	23,751	23,751
Inventories	55,701	–	55,701
Trade and other receivables	18,452	–	18,452
Cash and cash equivalents	39,679	–	39,679
Trade and other payables	(97,807)	–	(97,807)
Income tax payable	(3,215)	–	(3,215)
Deferred tax assets/(liabilities) (note 19)	294	(57,550)	(57,256)
Net identified assets	27,654	172,651	200,305
Percentage attributable to the Group			100%
Net identified assets attributable to the Group			200,305
Goodwill arising from the acquisition (note 12)			127,055
Total consideration			327,360
Analysis of the net cash outflow in respect of the acquisition:			
Cash consideration paid			196,416
Less: cash acquired			(39,679)
Net cash outflow in acquisition			156,737

Pre-acquisition carrying amounts were determined based on applicable HKFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

As the above acquisition was very close to 30 June 2011, the revenue and profit that Acme Joy contributed to the Group during the period is immaterial. If the acquisition had occurred on 1 January 2011, management estimates that the Group's consolidated revenue and consolidated profit for the period ended 30 June 2011 would have been RMB6,291,714,000 and RMB320,731,000, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the above acquisition would have been the same if the acquisition had occurred on 1 January 2011.

23 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding at 30 June 2011 not provided for in the interim financial report were as follows:

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Contracted for	**67,786**	12,506
Authorised but not contracted for	**–**	–
	67,786	12,506

(b) Operating lease commitments

At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Within one year	**44,152**	34,697
After 1 year but within 5 years	**94,330**	78,659
After 5 years	**111,290**	83,763
	249,772	197,119

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

24 CONTINGENT LIABILITIES

At 30 June 2011 and 31 December 2010, the Group did not have any significant contingent liabilities.

25 MATERIAL RELATED PARTY TRANSACTIONS

During the period ended 30 June 2011, the directors are of the view that the following companies are related parties of the Group:

Name of party	Relationship
Wang Muqing 王木清	Controlling Shareholder
Hubei Shengze Industry Co., Ltd. ("Hubei Shengze") 湖北聖澤實業有限公司	Controlled by the Controlling Shareholder
Beijing Jiaruiya Automobile Sales and Service Co., Ltd. ("Beijing Jiaruiya") 北京嘉瑞雅汽車銷售服務有限公司*	Controlled by the Controlling Shareholder
Hubei Ruishi Real Estate Company Limited. ("Hubei Ruishi") 湖北瑞獅置業有限公司 (formerly known as "Hubei Ruishi Automobile Sales and Service Co., Ltd.", 湖北瑞獅汽車銷售服務有限公司)	Controlled by the Controlling Shareholder
Shanghai Lushi Automobile Sales and Service Co., Ltd. ("Shanghai Lushi") 上海陸獅汽車銷售服務有限公司*	Controlled by the Controlling Shareholder
Shanghai Shenxie Shenqi Automobile Sales and Service Co., Ltd. ("Shanghai Shenxie Shenqi") 上海紳協紳起汽車銷售服務有限公司*	Controlled by the Controlling Shareholder
Inner Mongolia Huadun Automobile Trading Co., Ltd. ("Inner Mongolia Huadun") 內蒙古華頓汽車貿易有限公司*	Controlled by the Controlling Shareholder
Wuhan Zhongcheng Automobile Sales and Service Co., Ltd. ("Wuhan Zhongcheng") 武漢眾成汽車銷售服務有限公司*	Controlled by the Controlling Shareholder
Shanghai Shenrui Automobile Sales and Service Co., Ltd. ("Shanghai Shenrui") 上海紳瑞汽車銷售服務有限公司*	Controlled by the Controlling Shareholder
Jingdezhen Jishun Transportation Co., Ltd. ("Jingdezhen Jishun") 景德鎮吉順汽車運輸有限公司*	Controlled by the Controlling Shareholder
Beijing Baoze Automobile Technology Development Co., Ltd. ("Beijing Baoze Technology") 北京寶澤汽車科技發展有限公司	Controlled by the Controlling Shareholder

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

Name of party	Relationship
Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd. ("Inner Mongolia Shengze Dingjie") 內蒙古聖澤鼎傑汽車貿易有限公司	Controlled by the Controlling Shareholder
Changsha Shengze Ruibao Electronics Trading Co., Ltd. ("Changsha Shengze Ruibao") 長沙聖澤瑞寶電子產品貿易有限公司	Controlled by the Controlling Shareholder
Shanghai Shengze Dingjie Automobile Trading Co., Ltd. ("Shanghai Shengze Dingjie") 上海聖澤鼎傑汽車貿易有限公司	Controlled by the Controlling Shareholder
Wuhan Shengze Jieyun Trading Co., Ltd. ("Wuhan Jieyun") 武漢聖澤捷運貿易有限公司	Controlled by the Controlling Shareholder
Wuhan Shengze Jiezhong Logistics Co., Ltd. ("Wuhan Jiezhong") 武漢聖澤捷眾物流有限公司	Controlled by the Controlling Shareholder

* These companies ceased to be the Group's related parties for the six months ended 30 June 2011, as a result of transfer of respective equity interests by the Controlling Shareholder to certain independent third parties.

** The English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

(a) Recurring transactions

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (audited)
Rental expense:		
Hubei Shengze	**1,812**	1,863
Beijing Baoze Technology	**3,258**	–
Inner Mongolia Shengze Dingjie	**546**	–
Changsha Shengze Ruibao	**1,050**	–
Wuhan Jieyun	**3,150**	–
Wuhan Jiezhong	**750**	–
	10,566	1,863

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

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Non-recurring transactions

	Six months ended 30 June 2011 RMB'000 (unaudited)	2010 RMB'000 (audited)
Rendering of motor-related services:		
Shanghai Lushi	–	98
Shanghai Shenxie Shenqi	–	266
Wuhan Zhongcheng	–	198
Shanghai Shenrui	–	172
	–	734
Receipt of motor-related services:		
Shanghai Shenxie Shenqi	–	3
Wuhan Zhongcheng	–	8,032
	–	8,035
Sales of motor vehicles:		
Beijing Jiaruiya	–	193
Shanghai Shenxie Shenqi	–	90
Wuhan Zhongcheng	–	2,872
	–	3,155
Purchases of motor vehicles:		
Shanghai Shenxie Shenqi	–	3,061
Advance from related parties:		
Hubei Shengze	–	44,903
Beijing Jiaruiya	–	343
Shanghai Shenrui	–	588
Jingdezhen Jishun	–	3,427
Inner Mongolia Shengze Dingjie	–	2,995
	–	52,256
Repayment of advance from related parties:		
Hubei Ruishi	–	16
Wuhan Zhongcheng	–	11,127
	–	11,143
Advance to related parties:		
Beijing Baoze Technology	–	368
Changsha Shengze Ruibao	–	3
Shanghai Shengze Dingjie	–	93
	–	464
Repayment of advance to related parties:		
Shanghai Lushi	–	1,949
Shanghai Shenxie Shenqi	–	16,803
Inner Mongolia Huadun	–	653
	–	19,405
Loans from the Controlling Shareholder	–	1,314

The advances from/to related parties and the loans from the Controlling Shareholder of the Group are unsecured, interest-free and have no fixed term of repayment, which were discontinued before the listing of the Company's shares on the Stock Exchange.

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Other transactions

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(audited)
Acquisition of subsidiaries from:		
Hubei Shengze***	**40,000**	–
Capital contribution by the equity holder of the Company:	**10,000**	–

*** Pursuant to the share transfer agreements dated 20 May 2011, the Group acquired 100% equity interests in four subsidiaries from Hubei Shengze. The main assets of these subsidiaries are land use rights located in the PRC and they do not have any business operations upon transfer. Therefore, the transfer has been accounted for as the acquisition of assets, which are stated at cost.

(d) Balances with related parties

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

	At 30 June 2011	At 31 December 2010
	RMB'000	RMB'000
	(unaudited)	(audited)
Other payables due to:		
Beijing Baoze Technology	**–**	3,844
Baotou Zhongrui	**–**	7,180
	–	11,024

26 NON-ADJUSTING POST-BALANCE SHEET EVENTS

(1) On 9 August 2011, the Company successfully issued 200,000,000 new ordinary shares of HK$0.1 each at a price of HK$10.45 per share by way of placing. The gross proceeds and net proceeds from the placing were approximately HK$2.09 billion and HK$2.04 billion respectively.

(2) On 23 August 2011, the Company entered into a share purchase agreement with Exactwin Limited under which the Company has conditionally agreed to purchase the entire issued share capital of Top Globe Limited, a limited company incorporated in the British Virgin Islands, and its subsidiaries, which constitutes a very substantial acquisition in accordance with the Listing Rules and is subject to the approval by the Company's shareholders. The total consideration for the acquisition is RMB5,500,000,000.

BOARD OF DIRECTORS

Executive directors

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

Non-executive director

Mr. Wang Muqing

Independent non-executive directors

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

REGISTERED OFFICE

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

HEADQUARTERS

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

PLACE OF BUSINESS IN HONG KONG

40/F, Jardine House
1 Connaught Place
Central, Hong Kong

WEBSITE ADDRESS

www.zhengtongauto.com

COMPANY SECRETARY

Liang, Current Tien Tzu (HKICPA, CICA)

AUTHORIZED REPRESENTATIVES

Liu Dongli
Liang, Current Tien Tzu

MEMBERS OF THE OPERATION AND MANAGEMENT COMMITTEE

Wang Kunpeng *(Chairman)*
Li Zhubo
Shao Yong Jun
Liu Dongli
Mok Kwok Choi Peter
Wang Guoqing

Corporate Information

MEMBERS OF THE AUDIT COMMITTEE

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

MEMBERS OF THE NOMINATION COMMITTEE

Zhang Yansheng *(Chairman)*
Liu Dongli
Tan Xiangyong

MEMBERS OF THE REMUNERATION COMMITTEE

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

HONG KONG SHARE REGISTRAR

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

CAYMAN ISLANDS SHARE REGISTRAR

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

COMPLIANCE ADVISOR

CCB International Capital Limited

PRINCIPAL BANKERS

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

AUDITORS

KPMG
Certified Public Accountants

HONG KONG LEGAL COUNSEL

Chiu & Partners
Solicitors

正通

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

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