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

正通

Stock Code 股份代號：1728

ULTRA-LUXURY AND LUXURY BRANDS


INTERIM REPORT 中期報告 2014

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MARKET REVIEW

The first half of 2014 continued to witness a strong growth in China's automotive market in general. According to the statistics released by the National Bureau of Statistics of China, the gross domestic products (GDP) of China in the first half of 2014 recorded a year-on-year growth rate of approximately 7.4%. According the China Association of Automobile Manufacturers, the sales volume of automobiles in China grew by 8.4% as compared with the same period last year to approximately 11,684,000 in the first half of 2014, in which approximately 9,634,000 was the sales volume of passenger automobiles, representing a year-on-year increase of approximately 11.2%. As benefited from further rise in disposable income of residents as well as proactive marketing activities by luxury branded manufacturers and dealers, luxury branded automobile sales growth has been constantly ahead of the general automobile market by a decent margin. According to the information released by the China Passenger Car Information Exchange Association (全國乘用車市場信息聯席會*), in the first half of 2014, the sales volume of luxury branded automobiles in China was approximately 808,000, representing an increase of 27.5% as compared with the same period last year. According to the statistics released by the China Association of Automobile Manufacturers, the sales volume of Audi branded automobiles in China in the first half of 2014 reached 269,000, representing a growth of 17.8% and remaining the top sales volume in luxury branded automobiles segment. BMW Group has broken a new record in sales in China, totaling approximately 225,000 of BMW and MINI branded automobiles sold, representing a growth of 23.1% as compared with the same period last year. The sales volume of Mercedes Benz in China was approximately 136,000, a surge of 37.5% as compared with the same period last year. The sales volume of Jaguar and Land Rover in China was approximately 62,000 in China, representing a surge of 48.2% as compared with the same period last year. The sales volume of Volvo in China was approximately 39,000, a substantial increase of 34.3% as compared with the same period last year and the sales volume of Porsche in China was approximately 20,000, an increase of 8.0% as compared with the same period last year.

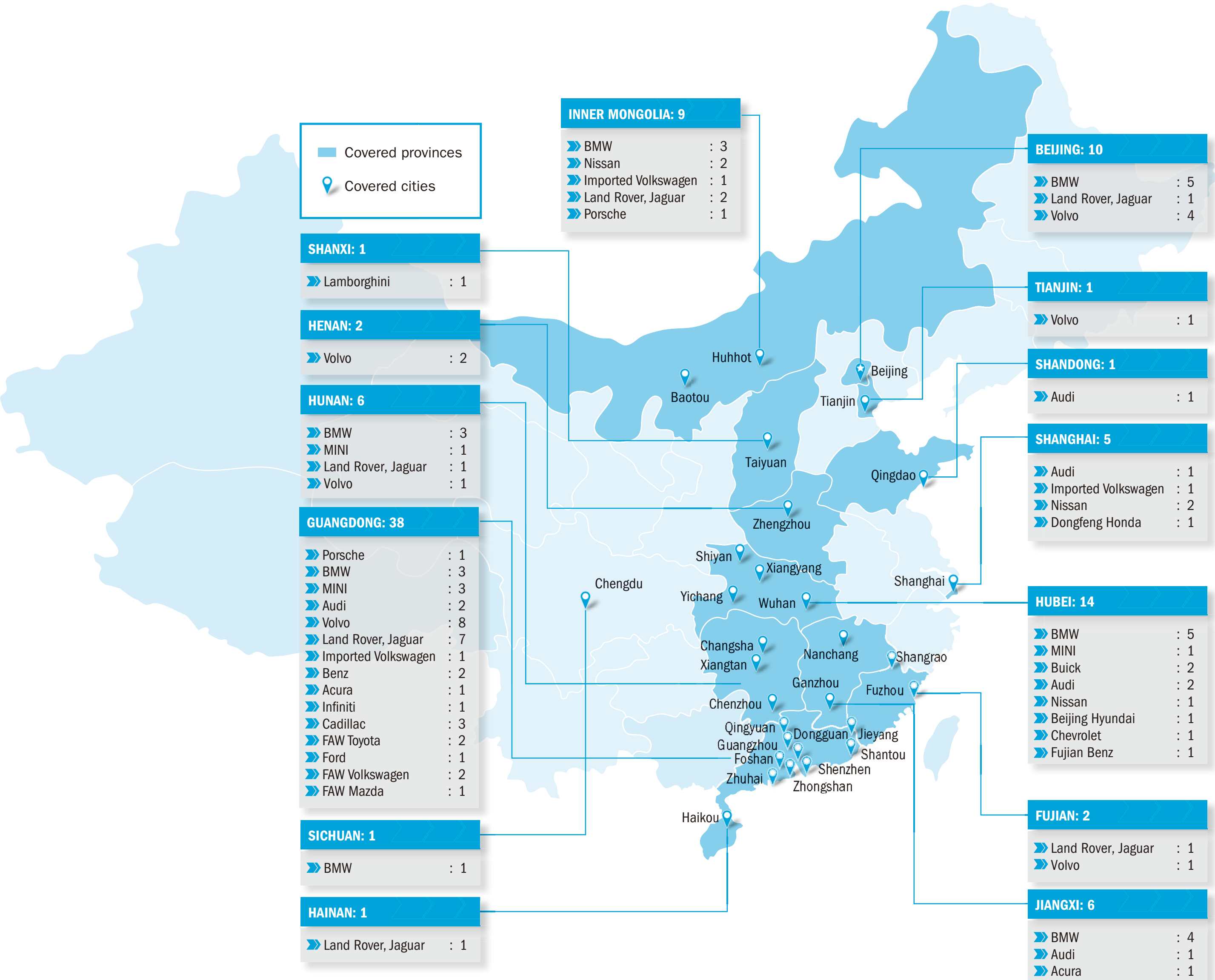
Meanwhile, consumption in after-markets services has further expanded. According to the statistics released by the China Association of Automobile Manufacturers, automobile ownership in China as at the end of 2013 reached approximately 137 million, representing an increase of 14.2% as compared with the same period last year. As benefited from increase in sales volume of luxury branded automobiles, the total number and weight of customers of luxury branded automobiles have escalated after-sales services customer base. In the first half of 2014, coupling with a steadily rapid growth in scale of conventional after-sales services, the extended services business, such as insurance, financing and pre-owned automobiles, has maintained strong momentum in terms of customer coverage and business innovations after its outstanding performance in 2013.

Increasing popularity of internet and mobile client has further changed consumption patterns, which provides automobile consumption industry with new opportunities and challenges in terms of purchase behavior management and maintenance on after-sales customers.

BUSINESS REVIEW

For the six months ended 30 June 2014, China ZhengTong Auto Services Holdings Limited (the "Company" or "we"), and its subsidiaries (collectively, the "Group") generated a turnover of approximately RMB15,609 million, representing a year-on-year growth of approximately 11.4% as compared with the same period in 2013. Gross profit was approximately RMB1,467 million, representing a growth of approximately 12.9% as compared with the same period in 2013. Profit attributable to shareholders of the Company was approximately RMB499 million, representing a growth of approximately 7.3% as compared with the same period in 2013. Earnings per share was approximately RMB22.6 cents, representing a growth of approximately 7.6% as compared with the same period in 2013. We sold 42,804 automobiles in total for the six months ended 30 June 2014, representing a growth of approximately 17.8% as compared with the same period last year, in which 29,729 automobiles sold were luxury and ultra-luxury branded automobiles, up by approximately 18.2% as compared with the same period last year.

Balanced Dealership Network



Total number of dealership stores in operation in the PRC as at 30 June 2014: 97

Diversified Strategy of Luxury Brands and Nationwide Network

The Group strives for a highly diversified brand portfolio strategy on luxury and ultra luxury brands with a key focus on BMW/MINI, Jaguar and Land Rover, Volvo, Audi, Benz and Porsche. The Group has been a core dealer or strategic partner for the aforementioned brands in China. In the future, the Group will continue to implement such diversified brand portfolio strategy.

The Group has always emphasized on a strategy of well-balanced nationwide network. For the first half of 2014, our network covered 14 most economically developed provinces, cities and regions in North China and South China. At present, our dealership stores in operation spread across first tier cities, such as Beijing, Shanghai, Guangzhou and Shenzhen, and affluent coastal regions and inland second and third tier cities. In the future, the Group seeks for business opportunities in highly growing regions such as Chongqing and Sichuan in the midwest China, and continue to strengthen its leading position in its well established markets. The Group takes into consideration multiple factors on network expansion, including choice of location, current and potential customer base, competition landscape in the region, potential investment returns, as well as Group's current footprint in the area. In addition, we also actively explore innovative ways to establish new stores. Through optimizing brands and network, the Group strives to maximize economies of scales and synergies across own market regions to achieve sustainable and steadily high growth in our luxury branded automobile business.

In the first half of 2014, the Group set up 5 new authorized dealership stores which were under core brands in line with our development strategy, including 1 Jaguar and Land Rover dealership store in Baotou, 2 BMW dealership stores in Beijing, 1 Cadillac dealership store in Dongguan and 1 Fujian Benz dealership store in Wuhan. As at 30 June 2014, the Group had 97 authorized dealership stores in total, including 81 luxury and ultra-luxury branded automobile dealership stores and 16 mid-to-high end branded automobile dealership stores. As at the date of this report, the Group set up 2 new Jaguar and Land Rover dealership stores in Weihai of Shandong Province and Shangrao of Jiangxi Province, respectively, increasing our total number of dealership stores to 99.

Maintaining Strong Growth in Sales of New Automobiles

In the first half of 2014, the Group managed to generate a robust growth on new automobile sales volume, largely attributed to its strong same-store sales capability, its regional competitive advantages consolidation, as well as its prioritized sales network expansion. In the first half of 2014, we sold a total number of 42,804 automobiles, representing a growth of approximately 17.8% over the same period last year. 29,729 luxury and ultra-luxury branded automobiles were sold, representing an increase of approximately 18.2% over the same period last year; and 13,075 mid-to-high end branded automobiles were sold, representing an increase of approximately 16.8% over with the same period last year. In the first half of 2014, the average retail price of luxury branded automobiles continued to reduce, mainly due to a gradual shift to entry level models by the auto makers combined with increased competition in the market in general. For the six months ended 30 June 2014, our revenue from sales of new automobiles was approximately RMB13,778 million, representing an increase of approximately 10.7% as compared with the same period last year; revenue from sales of luxury and ultra-luxury branded automobiles was approximately RMB12,193 million, accounting for approximately 88.5% of our revenue from sales of new automobiles and representing a growth of approximately 10.0% as compared with the same period last year. In the first half of 2014, gross profit margin of sales of new automobiles was approximately 5.2% (the first of 2013: 5.1%). The substantial growth in sales volume of new automobiles and the stable gross profit margin of new automobiles were mainly attributed to our highly diversified brand portfolio, our nationwide coverage and balance distribution network, our increasingly established competitive advantages in our key markets, as well as our forward-looking and adaptable marketing strategies. As our management and control of the number of inventory turnover days were in a effective control, our inventory turnover days were reduced by approximately 17.3% to approximately 36.7 days in the first half of 2014 from approximately 44.4 days in the first half of 2013.

Sales volume of new automobiles	For the six months ended 30 June 2014 Sales volume	2014 %	2013 Sales volume	2013 %
Luxury and ultra-luxury branded automobiles	**29,729**	**69.5%**	25,156	69.2%
Mid-to-high end branded automobiles	**13,075**	**30.5%**	11,191	30.8%
Total	**42,804**	**100.0%**	36,347	100.0%

Steady Growth in After-sales Services Business

The Group's after-sales services business grows in line with our new car sales as luxury and ultra-luxury branded automobiles ownership and penetration steadily increase in China. In the first half of 2014, the Group's after-sales services business contributed turnover of approximately RMB1,542 million, up by approximately 12.8% from the turnover of approximately RMB1,367 million over the same period last year, in which the turnover of luxury and ultra-luxury branded automobiles was approximately RMB1,319 million, up by 15.4% as compared with the same period last year, accounting for approximately 85.5% of turnover from after-sales services. In the first half of 2014, gross profit generated from the after-sales services increased from approximately RMB637 million in the first half of 2013 to approximately RMB711 million, representing a growth of 11.6%. Gross profit margin of the after-sales services was approximately 46.1% (the first half of 2013: 46.6%), in which gross profit of luxury and ultra-luxury automobiles was approximately RMB577 million, up by 8.1% as compared with the same period last year, accounting for approximately 81.2% of our total gross profit generated from the after-sales services.

The increases in turnover and gross profit of the after-sales services business were mainly driven by the increasing customer base and services throughputs. Our total throughput of luxury branded automobiles in the first half of 2014 achieved 268,252, representing an increase of approximately 15.8% as compared with the same period last year. Increasing competition from the after-sales services market and possible additional price reduction on components and parts may cause average service price per automobile to fluctuate in the near term. To address the increasing competition in after-sales services market, the Group strives to provide our customers comprehensive and tailor-made solutions to improve our customer retention rate. In addition to services offerings innovation, the Group also focuses on working efficiency and service awareness of our staff to enhance our customers' satisfaction and loyalty. In the first half of 2014, the after-sales services contributed approximately 48.4% (the first half of 2013: 49.0%) of the gross profit. We anticipate that the gross profit weight and contribution from our after-sales services continue to steadily increase, largely driven by our improved customer base and retention rate, our service offerings and efficiency, and synergies with extended services such as insurance and financing.

Remarkable Development of Extended Services Business

As China's automobile consumption market becoming more mature in 2014, highly value-added services such as automobile insurance, automobile financing and pre-owned automobiles have continued to boom. In the first half of 2014, the commission income from our extended services business increased by approximately 52.3% from approximately RMB130 million in the first half of 2013 to approximately RMB198 million in the first half of 2014.

For automobile insurance agency business, the Group received a license for national insurance agency business in August 2013 to become the first automobile dealer with such license. The Group has set up subsidiaries and professional insurance agency teams in almost all regions in our dealer network. To date, the Group has initiated strategic cooperative partnership with multiple national insurance providers to offer customized solutions to our customers. The establishment of our insurance agency business not only helps with our commission income growth but significantly contribute to customer retention and after-sales services for the Group. In the first half of 2014, our insurance commission grew by approximately 45.0% as compared with the same period last year.

Automobile financing business within the Group thrived during the first half of 2014, mainly attributed to more matured purchase behaviors by the customer, auto manufacturers' strong financing support, as well as a gradual consumer demographic shift to younger generations. In the first half of 2014, the Group achieved a growth of approximately 40.0% in automobile financing agency business as compared with the same period last year. Foreseeing the tremendous market potentials with automobile financing, the Group proactively explored own establishment in addition to actively promoting the automobile financing commission business over the past three years. By the date of this announcement, the Group has been officially approved by China Banking Regulatory Commission to establish own automobile financing company. We believe our automobile financing platform will provide unique edges for the company to secure our competitive advantages, and the Group's automobile financing related business shall become one of key of gross profit contributors in near future.

For pre-owned automobile business, customer base of pre-owned automobiles has expanded steadily as the automobile market in China becomes more mature. Demands for automobile upgrade and replacement have fostered significant development of our pre-owned automobile replacement business. At present, the Group has established a professional management team for pre-owned automobile business and a pre-owned assessment system, and also closely cooperated with external bidding and trading platforms. The Group closely monitors and constantly evaluates the industry trends to explore distinctive used car business which suits for both used car sales and new car expansion. In the first half of 2014, commission income of our pre-owned automobiles grew by approximately 110.7% as compared with the same period last year.

In addition, the Group has provided customers an one-stop service solution which includes a variety of services for their convenience, including licensing, annual examination, insurance claim for automobile accident loss and car leasing, establishing a total value-chain quality service platform for automobile dealership.

Exploiting Innovative Management Model

With the latest internet and information technology development, the Group constantly explores innovative marketing and business models. In the first half of 2014, the Group established a dedicated digital marketing team responsible for application (APP) development, WeChat (an instant communication and social software), vertical websites exploration as well as big data analysis. Through the installed automobile terminal equipment and our APP, customers could remotely control their automobiles, and monitor automobiles' information and communicate with the Group. Such APP will allow the Group to effectively reduce operating costs, increase service efficiency and enhance interaction with customers through information distribution, services booking, urgent repair and customers' satisfaction survey.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2014, the Group generated a turnover of approximately RMB15,609 million, representing an increase of approximately 11.4% as compared to the turnover of approximately RMB14,010 million in the first half of 2013. The increase in turnover was mainly driven by a strong growth in our sales of new automobiles.

	For the six months ended 30 June			
	2014		2013	
Sources of turnover	**Turnover (RMB'000)**	**Contribution (%)**	**Turnover (RMB'000)**	**Contribution (%)**
Sales of new automobiles	**13,777,980**	**88.3**	12,448,978	88.9
After-sales services	**1,541,999**	**9.9**	1,367,004	9.8
Logistics and lubricant oil	**289,288**	**1.8**	194,030	1.3
Total	**15,609,267**	**100.0**	14,010,012	100.0

Revenues of the Group were derived from the sales of new automobiles, the after-sales services business and other business, among which the weight of the after-sales services continue to steadily increase. In the first half of 2014, revenue from the sales of new automobiles amounted to approximately RMB13,778 million, representing an increase of approximately 10.7% as compared to approximately RMB12,449 million in the first half of 2013, and accounted for approximately 88.3% of the total revenue in the first half of 2014. Revenue from the after-sales services business was approximately RMB1,542 million, representing a growth of approximately 12.8% as compared to approximately RMB1,367 million in the first half of 2013. In the first half of 2014, turnover from luxury and ultra-luxury branded automobiles increased by approximately 10.0% to RMB12,193 million from approximately RMB11,080 million in the first half of 2013, accounting for 88.5% of revenue from the sales of new automobiles. In the first half of 2014, revenues from the sales of new automobiles and the after-sales services business accounted for 88.3% and 9.9% of our total revenue respectively, representing an increase of 0.1 percentage point in revenue from the after-sales services business.

Cost of sales

For the six months ended 30 June 2014, the Group's cost of sales rose approximately 11.3%, which was in line with the increase in turnover, to approximately RMB14,143 million as compared to approximately RMB12,711 million in the first half of 2013. In the first half of 2014, the cost of sales for new automobiles increased by approximately 10.5% to RMB13,056 million as compared to approximately RMB11,811 million in the first half of 2013. In the sales of new automobile segment, the increase in cost of sales is slightly lower than the increase in revenue, which was mainly attributed to our favorable new automobiles product mix adjustment according to market. Cost of the after-sales services business increased by approximately 13.8% to RMB831 million in the first half of 2014 from approximately RMB730 million in the first half of 2013. In the after-sales services business segment, the increase in cost of sales is slightly higher than the increase in turnover, which was mainly caused by temporary effect as the after-sales services business of our certain newly established stores was at its taking-off stage.

Gross profit

For the six months ended 30 June 2014, the Group's gross profit increased by approximately 12.9% to approximately RMB1,467 million from approximately RMB1,299 million in the first half of 2013, and The Group's gross profit margin increased by 0.1 percentage point to 9.4% from 9.3% in the first half of 2013.

The Group's gross profit was principally generated from sales of new automobiles and after-sales services business. In the first half of 2014, gross profit of sales of new automobiles was approximately RMB722 million, representing an increase of approximately 13.2% as compared to the same period in 2013; gross profit margin of sales of new automobiles increased by 0.1 percentage point to 5.2% from 5.1% in the first half of 2013. In particular, gross profit of sales of luxury and ultra-luxury branded automobiles increased by approximately 13.5% to approximately RMB699 million. Gross profit margin of sales of luxury and ultra-luxury branded automobiles increased to 5.7% from 5.6% in the first half of 2013.

	For the six months ended 30 June			
	2014		2013	
Sources of gross profit	Gross profit (RMB'000)	Contribution (%)	Gross profit (RMB'000)	Contribution (%)
Sales of new automobiles	**721,677**	**49.2**	637,691	49.1
After-sales services	**710,525**	**48.4**	637,048	49.0
Logistics and lubricant oil	**34,490**	**2.4**	24,637	1.9
Total	**1,466,692**	**100**	1,299,376	100.0

In the first half of 2014, gross profit of our after-sales services business was approximately RMB711 million, representing an increase of approximately 11.6% as compared with the same period last year; and gross profit margin of after-sales services business slightly decreased to 46.1% from 46.6% in the first half of 2013 but increased from 44.1% in the second half of 2013.

Selling and distribution expenses

For the six months ended 30 June 2014, the Group's selling and distribution expenses increased by approximately 26.9% to approximately RMB401 million from approximately RMB316 million in the first half of 2013. Such increase was primarily due to the incremental sales growth and network expansion of the Group.

Administrative expenses

For the six months ended 30 June 2014, the Group's administrative expenses increased by approximately 34.3%, to approximately RMB376 million from approximately RMB280 million in the first half of 2013. Such increase was mainly caused by the incremental sales growth and the foreign exchange loss due to exchange rate fluctuation.

Profit from operations

For the six months ended 30 June 2014, the Group's profit from operations increased by approximately 9.2% to approximately RMB941 million from approximately RMB862 million in the first half of 2013, and the operating profit margin was approximately 6.0%, representing a decrease of approximately 0.2 percentage point over 6.2% in the first half of 2013.

Income tax expenses

For the six months ended 30 June 2014, the Group's income tax expenses amounted to approximately RMB219 million and the effective tax rate was approximately 30.1%.

Profit for the period

For the six months ended 30 June 2014, the Group's profit for the period increased by approximately 7.4% to approximately RMB509 million from approximately RMB474 million in the first half of 2013. During the period, net profit margin was decreased by approximately 0.1 percentage point to 3.3% from 3.4% in the first half of 2013.

Interim dividend

The board of directors of the Company (the "Directors") resolved not to declare the payment of an interim dividend for the six months ended 30 June 2014.

Contingent liabilities

As at 30 June 2014, 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 2014, the Group's current assets amounted to approximately RMB10,568 million, representing an increase of RMB255 million as compared to current assets of approximately RMB10,313 million as at 31 December 2013.

As at 30 June 2014, the Group's current liabilities amounted to approximately RMB8,397 million, representing an increase of approximately RMB192 million as compared to approximately RMB8,205 million as at 31 December 2013. Such increase was mainly due to a growth in the scale of our business.

Cash flow

As at 30 June 2014, the Group has cash and cash equivalents amounting to approximately RMB716 million, representing a decrease of approximately RMB752 million over approximately RMB1,468 million as at 31 December 2013. The Group's transactions and monetary assets are principally conducted in RMB. In the first half of 2014, the Group's working capital or liquidity did not face any material difficulties or material impacts as a result of the movement in exchange rate.

The Group's primary uses of cash are to pay for purchases of new automobiles, spare parts and automobile accessories and automobile lubricant oil, to repay the Group's loans, borrowings and other indebtedness, to fund the Group's working capital and ordinary recurring expenses and to establish new dealership stores or to acquire dealership stores or other businesses. The Group finances its liquidity requirements through a combination of cash flows generated from the operating activities, bank loans and other financings. For the six months ended 30 June 2014, the Group had net cash outflow of approximately RMB225 million used for its operating activities (six months ended 30 June 2013: net cash inflow of approximately RMB305 million).

Capital expenditure and investment

For the six months ended 30 June 2014, the Group's capital expenditure and investment were approximately RMB546 million.

Inventory analysis

The Group's inventories included vehicles, which primarily consisted of new automobiles kept in its dealership stores and warehouses as well as automobiles in transit of which the titles and risks had been transferred to the Group.

The Group's inventories also included automobile spare parts. Generally, each of the Group's dealership stores individually manages the quotas and orders for new automobiles, automobile spare parts and other inventories. In addition, the Group also monitors the inventories within its whole dealership network and, subject to the consent of automobile manufacturers, may also transfer automobiles from one dealership store to another to rebalance inventory levels. The Group utilizes its information technology systems to manage its inventory.

The inventories of the Group increased from approximately RMB2,528 million as at 31 December 2013 to approximately RMB3,245 million as at 30 June 2014, which was primarily attributable to a growth in the scale of our business.

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	
	2014	**2013**
Average inventory turnover days	**36.7**	44.4

Exchange risks

The Group conducts its business primarily in Renminbi. Certain bank deposits, bank loans and credit enhanced bonds were denominated in foreign currencies. However, the Group's operating cash flow and liquidity has not been subject to significant influence from fluctuations in exchange rate. Nevertheless, the Group will closely monitor currency fluctuations and will consider hedging these exposures should the need arise.

Liquidity and capital resources

Working capital and capital expenditures of the Group were primarily funded through cash generated from internal operation and borrowings provided by principal banks. As at 30 June 2014, the Group's cash and bank deposits were approximately RMB2,251 million (including: restricted bank deposits of approximately RMB1,535 million and cash and cash equivalents), representing a decrease of approximately RMB763 million, from approximately RMB3,014 million as at 31 December 2013. As at 30 June 2014, loans and borrowings and bonds payable of the Group amounted to approximately RMB5,724 million (31 December 2013: approximately RMB5,295 million). Net gearing ratio of the Group as at 30 June 2014 was 43.5% (31 December 2013: 29.9%). Net gearing ratio was calculated as loans and borrowings and bonds payable less cash and bank deposits divided by owner's equity.

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 2014, the pledged assets of the Group amounted to approximately RMB2,921 million (31 December 2013: approximately RMB2,795 million).

Investments held in foreign currency and hedging

For the six months ended 30 June 2014, 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 2014, the Group had a total of 8,242 employees in China (31 December 2013: 7,903 employees). The Group offers competitive remuneration packages and welfare benefits, including pension, work-related compensation benefits, maternity insurance, medical and unemployment benefit plans. The Group also provides good working environment and diversified training program. The Company has adopted share option schemes and a restricted share award scheme for granting shares to eligible employees as incentives or rewards for their contribution to the Group.

SUBSEQUENT EVENTS

On 13 July 2014, the Group entered into a share purchase agreement to acquire the entire equity and loan interests in the Target Company, the consideration of which is approximately RMB550,000,000. The Target Company indirectly owns the entire equity interest in a parcel of land in Baoan District of Shenzhen (the "SZ Land"), whose site area is approximately 41,000 square meters. After the SZ Land acquisition, the Group intends to build an auto plaza with an estimated gross floor area of around 100,000 square meters hosting multiple luxurious automobile brands and further substantiate its dominance across the region. For details, please refer to the announcement of the Company dated 14 July 2014.

OUTLOOK AND STRATEGY

In the first half of 2014, China's automobile market witnessed a robust volume growth coupled with intensified competition on brands, models, and the changes of consumer behaviors and macro environment. In this challenging and promising market, the Group is dedicated to improving management and operation efficiency, and leveraging on technology and innovative marketing strategies to promote new car sales growth. On after-sales services, we rely on constantly improving repair and maintenance services quality and providing customized and personalized solutions to promote customer retention rate and expand customer base, the very foundation for the growth of our traditional after-sales services and beyond.

The Group is dedicated to our extended services. For car insurance business, the Group will strive to increase the penetration rate of new and renewal insurance to increase commission income, and optimize referral rate from the insurance companies to generate extra force for after-sales growth. For car financing business, the establishment of automobile financing company will further help to differentiate the Group's service offering and cultivate our financing business to become one of our core businesses in terms of profit contribution in the near future by addressing a huge demand for financing services in the market. For pre-owned automobile business, the Group will take the initiative in exploring e-commerce platforms and fully utilize its advantages in assessment, improving its ownership and replacement rate.

For our strategic development, the Group will continue to follow the diversified luxury automobile brand portfolio strategy, and leverage on favorable macro or policy changes to actively explore innovative ways of collaboration with the automakers, and selectively expand our diversified and productive sales network.

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

As at 30 June 2014, 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 (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

Name of Director	Capacity/nature of interest	Number of Shares/ underlying Shares	Approximate percentage of shareholding
Wang Muqing	Settlor of The Grand Glory Trust	1,372,516,820 (Note 1)	62.10%
Wang Kunpeng	Beneficial Owner	1,230,000 (Note 2)	0.056%
Li Zhubo	Beneficial Owner	1,550,000 (Note 3)	0.070%

Notes:

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

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

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

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

Name of Director	Name of associated corporation	Capacity	Approximate percentage of equity interest
Wang Muqing	Joy Capital	Settlor of The Grand Glory Trust (Note 1)	100%
Wang Muqing	Shantou Hongxiang Materials Co., Ltd. ("Shantou Hongxiang") (Note 2)	Interest of controlled corporation (Note 3)	80%

Notes:

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

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

3. Shantou Hongxiang is held as to 80% by Hubei Shengze, which in turn is held as to 100% by Mr. Wang Muqing. He 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.

Save as disclosed above, as at 30 June 2014, 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 2014, the interests or short positions of the substantial shareholders (other than the Directors) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO were as follows:

Long positions in the shares of the Company:

Name of Shareholders	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding
Joy Capital	Beneficial owner (Note 1)	1,372,516,820	62.10%
Grand Glory	Interest of controlled corporation (Note 1)	1,372,516,820	62.10%
GMT Capital Corp.	Interest of controlled corporation (Note 2)	111,595,000	5.05%

Notes:

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

2. Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by GMT Capital Corp. on 25 March 2014, GMT Capital Corp. shall be deemed to be interested in 111,595,000 shares of the Company. These shares were deemed to be held by GMT Capital Corp. through Bay II Resource Partners LP, Bay Resource Partners LP, Bay Resource Partners Offshore Master Fund, Lyxor/ Bay Resource Partners and Thomas Claugus (such companies were 100% controlled by GMT Capital Corp.).

SHARE OPTION SCHEMES

(A) Share Option Scheme

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

Eligible participants of the Share Option Scheme include the following:

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

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

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

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

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

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

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

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

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

As of the date of this report, the total number of shares of the Company available for issue under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue on the day on which trading of the shares commence on the Stock Exchange, i.e. 200,000,000 shares, representing 9.05% of the issued share capital of the Company as at the date of this report.

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

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

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

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

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

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

(B) Pre-IPO Share Option Scheme

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

Details of movements in the Pre-IPO Share Option Scheme during the six months ended 30 June 2014 are as follows:

Grantees	Date of grant	Exercise price per share (RMB)	Exercise period	Outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2014
Directors								
Wang Kunpeng	10/8/2010	1.50	01/01/2012–10/08/2017	205,000	0	0	0	205,000
	10/8/2010	1.50	01/01/2013–10/08/2017	512,500	0	0	0	512,500
	10/8/2010	1.50	01/01/2014–10/08/2017	512,500	0	0	0	512,500
				1,230,000	0	0	0	1,230,000

Grantees	Date of grant	Exercise price per share (RMB)	Exercise period	Outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2014
Li Zhubo	10/8/2010	1.50	01/01/2012–10/08/2017	205,000	0	0	0	205,000
	10/8/2010	1.50	01/01/2013–10/08/2017	512,500	0	0	0	512,500
	10/8/2010	1.50	01/01/2014–10/08/2017	512,500	0	0	0	512,500
				1,230,000	0	0	0	1,230,000
Sub-total				2,460,000	0	0	0	2,460,000
Employees and former employees	10/8/2010	1.50	01/01/2012–10/08/2017	240,050	0	0	16,420	223,630
	10/8/2010	1.50	01/01/2013–10/08/2017	1,083,375	0	0	79,300	1,004,075
	10/8/2010	1.50	01/01/2014–10/08/2017	2,238,375	0	0	79,300	2,159,075
				3,561,800	0	0	175,020	3,386,780
	10/8/2010	2.00	01/04/2012–10/08/2017	216,200	0	0	0	216,200
	10/8/2010	2.00	01/04/2013–10/08/2017	183,500	0	0	0	183,500
	10/8/2010	2.00	01/04/2014–10/08/2017	183,500	0	0	0	183,500
				583,200	0	0	0	583,200
	10/8/2010	2.50	01/07/2012–10/08/2017	0	0	0	0	0
	10/8/2010	2.50	01/07/2013–10/08/2017	0	0	0	0	0
	10/8/2010	2.50	01/07/2014–10/08/2017	0	0	0	0	0
				0	0	0	0	0
	20/8/2010	2.50	01/07/2012–20/08/2017	17,400	0	0	6,200	11,200
	20/8/2010	2.50	01/07/2013–20/08/2017	43,500	0	0	15,500	28,000
	20/8/2010	2.50	01/07/2014–20/08/2017	43,500	0	0	15,500	28,000
				104,400	0	0	37,200	67,200

Grantees	Date of grant	Exercise price per share (RMB)	Exercise period	Outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2014
	17/11/2010	2.50	01/07/2012–17/11/2017	26,000	0	0	0	26,000
	17/11/2010	2.50	01/07/2013–17/11/2017	13,000	0	0	0	13,000
	17/11/2010	2.50	01/07/2014–17/11/2017	13,000	0	0	0	13,000
				52,000	0	0	0	52,000
Sub-total				4,301,400	0	0	212,220	4,089,180
Total				6,761,400	0	0	212,220	6,549,180

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a securities dealing code ("Securities Dealing Code") regarding securities transactions of the directors with standards no less exacting than that of the Model Code. In response to a specific enquiry by the Company, all Directors confirmed that they had compiled with the Securities Dealing Code and the Model Code throughout the six months ended 30 June 2014.

REVIEW OF INTERIM RESULTS

The audit committee of the Company comprises three members, of which all are independent non-executive Directors, namely Dr. Wong Tin Yau, Kelvin (the chairman of the Audit Committee), Mr. Zhao Chunjun and Mr. Chang Xiuze.

A meeting of the audit committee of the Company was held on 22 August 2014 to review the unaudited interim financial statements for six months ended 30 June 2014. KPMG, the Group's external auditor, has carried out a review of the unaudited interim financial statements for the six months ended 30 June 2014 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

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 2014.

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules. The Company had complied with the code provisions set out in the CG Code throughout the six months ended 30 June 2014.

CHANGES IN DIRECTORS' INFORMATION

The following are the changes in the information of Directors since the date of the 2013 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. Chang Xiuze, independent non-executive director of the Company, ceased to act as an independent director of Tianjin Property Development (Group) Company Limited with effect from 26 May 2014.

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

29 August 2014

INDEPENDENT REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 21 to 44 which comprises the consolidated statement of financial position of China ZhengTong Auto Services Holdings Limited as of 30 June 2014, and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as of 30 June 2014 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 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014 – unaudited
(Expressed in RMB'000)

	Note	Six months ended 30 June 2014	2013
Turnover	4	**15,609,267**	14,010,012
Cost of sales		**(14,142,575)**	(12,710,636)
Gross profit		**1,466,692**	1,299,376
Other revenue	5	**214,897**	139,125
Other net income	5	**37,190**	18,969
Selling and distribution expenses		**(401,328)**	(315,642)
Administrative expenses		**(376,287)**	(280,029)
Profit from operations		**941,164**	861,799
Finance costs	6(a)	**(226,005)**	(208,025)
Share of profit of a joint venture		**12,638**	7,894
Profit before taxation	6	**727,797**	661,668
Income tax	7	**(219,271)**	(188,057)
Profit for the period		**508,526**	473,611
Attributable to:			
Equity shareholders of the Company		**499,328**	465,164
Non-controlling interests		**9,198**	8,447
Profit for the period		**508,526**	473,611
Earnings per share	8		
– Basic (RMB cents)		**22.6**	21.0
– Diluted (RMB cents)		**22.6**	21.0

The notes on pages 27 to 44 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014 – unaudited
(Expressed in RMB'000)

	Note	Six months ended 30 June 2014	2013
Profit for the period		**508,526**	473,611
Other comprehensive income for the period:			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of:			
– financial statements of overseas subsidiaries		**2,014**	(2,547)
Other comprehensive income for the period		**2,014**	(2,547)
Total comprehensive income for the period		**510,540**	471,064
Attributable to:			
Equity shareholders of the Company		**501,342**	462,617
Non-controlling interests		**9,198**	8,447
Total comprehensive income for the period		**510,540**	471,064

The notes on pages 27 to 44 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 – unaudited
(Expressed in RMB'000)

	Note	At 30 June 2014	At 31 December 2013
Non-current assets			
Property, plant and equipment	10	**2,582,596**	2,283,436
Lease prepayments		**418,803**	416,381
Intangible assets		**3,924,805**	3,974,260
Goodwill		**1,926,551**	1,926,551
Interest in a joint venture		**175,340**	162,702
Interest in an associate		**3,200**	3,200
Deferred tax assets	17	**60,428**	36,270
		9,091,723	8,802,800
Current assets			
Inventories	11	**3,245,308**	2,528,302
Trade and other receivables	12	**5,071,869**	4,770,851
Pledged bank deposits	13	**1,516,352**	1,527,283
Time deposits		**18,458**	18,291
Cash and cash equivalents	14	**715,933**	1,468,264
		10,567,920	10,312,991
Current liabilities			
Loans and borrowings	15	**3,350,374**	2,941,676
Trade and other payables	16	**4,343,694**	4,628,256
Income tax payables		**703,248**	635,535
		8,397,316	8,205,467
Net current assets		**2,170,604**	2,107,524
Total assets less current liabilities		**11,262,327**	10,910,324

The notes on pages 27 to 44 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 – unaudited
(Expressed in RMB'000)

	Note	At 30 June 2014	At 31 December 2013
Non-current liabilities			
Loans and borrowings	15	**333,489**	333,489
Bonds payable		**2,040,471**	2,019,845
Deferred tax liabilities	17	**910,843**	918,903
		3,284,803	3,272,237
NET ASSETS		**7,977,524**	7,638,087
Capital and reserves	18		
Share capital		**188,776**	188,776
Reserves		**7,680,225**	7,354,486
Total equity attributable to shareholders of the Company		**7,869,001**	7,543,262
Non-controlling interests		**108,523**	94,825
TOTAL EQUITY		**7,977,524**	7,638,087

Approved and authorised for issue by the board of directors on 29 August 2014.

Wang Kunpeng
Director, CEO

Li Zhubo
Director, CFO

The notes on pages 27 to 44 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014 – unaudited

(Expressed in RMB'000)

	Attributable to shareholders of the Company									
	Share capital	Share premium	Capital reserves	PRC statutory reserves	Exchange reserves	Discretionary surplus reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2013	188,666	4,544,907	336,268	139,555	11,040	4,459	1,483,843	6,708,738	91,849	6,800,587
Changes in equity for the six months ended 30 June 2013:										
Shares issued pursuant to pre-IPO employee share option scheme	108	3,781	(1,747)	–	–	–	–	2,142	–	2,142
Total comprehensive income for the period	–	–	–	–	(2,547)	–	465,164	462,617	8,447	471,064
Equity settled share-based transactions	–	–	(203)	–	–	–	–	(203)	–	(203)
Balance at 30 June 2013 and 1 July 2013	188,774	4,548,688	334,318	139,555	8,493	4,459	1,949,007	7,173,294	100,296	7,273,590
Changes in equity for the six months ended 31 December 2013:										
Shares issued pursuant to pre-IPO employee share option scheme	2	77	(29)	–	–	–	–	50	–	50
Total comprehensive income for the period	–	–	–	–	(2,839)	–	372,226	369,387	8,361	377,748
Equity settled share-based transactions	–	–	531	–	–	–	–	531	–	531
Dividends	–	–	–	–	–	–	–	–	(13,832)	(13,832)
Appropriation to reserves	–	–	–	82,887	–	–	(82,887)	–	–	–
Balance at 31 December 2013	188,776	4,548,765	334,820	222,442	5,654	4,459	2,238,346	7,543,262	94,825	7,638,087

	Attributable to shareholders of the Company									
	Share capital	Share premium	Capital reserves	PRC statutory reserves	Exchange reserves	Discretionary surplus reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2014	**188,776**	**4,548,765**	**334,820**	**222,442**	**5,654**	**4,459**	**2,238,346**	**7,543,262**	**94,825**	**7,638,087**
Changes in equity for the six months ended 30 June 2014:										
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**2,014**	**–**	**499,228**	**501,242**	**9,198**	**510,440**
Contribution by non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,500**	**4,500**
Equity settled share-based transactions	**–**	**–**	**(145)**	**–**	**–**	**–**	**–**	**(145)**	**–**	**(145)**
Dividends (note 18)	**–**	**–**	**–**	**–**	**–**	**–**	**(175,358)**	**(175,358)**	**–**	**(175,358)**
Balance at 30 June 2014	**188,776**	**4,548,765**	**334,675**	**222,442**	**7,668**	**4,459**	**2,562,216**	**7,869,001**	**108,523**	**7,977,524**

The notes on pages 27 to 44 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2014 – unaudited
(Expressed in RMB'000)

		Six months ended 30 June	
	Note	2014	2013
Operating activities			
Cash (used in)/generated from operations		**(41,061)**	451,903
Tax paid		**(183,776)**	(146,945)
Net cash (used in)/generated from operating activities		**(224,837)**	304,958
Investing activities			
Payment for the purchase of property, plant and equipment		**(622,011)**	(434,551)
Other cash generated from investing activities		**172,576**	136,114
Net cash used in investing activities		**(449,435)**	(298,437)
Financing activities			
Dividend paid to equity shareholders of the Company		**(175,358)**	–
Other cash arising from financing activities		**93,707**	12,045
Net cash (used in)/generated from financing activities		**(81,651)**	12,045
Net (decrease)/increase in cash and cash equivalents		**(755,923)**	18,566
Cash and cash equivalents at 1 January		**1,468,264**	1,202,800
Effect of foreign exchange rate changes		**3,592**	(2,474)
Cash and cash equivalents at 30 June	14	**715,933**	1,218,892

The notes on pages 27 to 44 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 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").

2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised on 29 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report is unaudited, but has been reviewed by the Company's auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA. KPMG's independent review report to the board of directors is included on page 20.

The financial information relating to the financial year ended 31 December 2013 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 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those statutory financial statements in their report dated 28 March 2014.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's interim financial report as the Group did not have impaired non-financial assets as at 30 June 2014.

Amendments to HKAS 39, Novation of derivatives and continuation of hedge Accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group did not hold any derivatives.

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

4 TURNOVER

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

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

	Six months ended 30 June	
	2014	**2013**
	RMB'000	**RMB'000**
Sales of passenger motor vehicles	**13,777,980**	12,448,978
Sales of motor spare parts	**358,586**	229,000
Provision of maintenance services	**1,183,413**	1,138,004
Provision of logistics services	**138,309**	88,429
Sales of lubricant oil	**150,979**	105,601
	15,609,267	14,010,012

5 OTHER REVENUE AND NET INCOME

	Six months ended 30 June	
	2014	**2013**
	RMB'000	**RMB'000**
Other revenue:		
Commission income	**197,646**	129,970
Interest income from bank deposits	**13,769**	7,442
Others	**3,482**	1,713
	214,897	139,125
Other net income:		
Net gain on disposal of property, plant and equipment	**28,343**	14,033
Others	**8,847**	4,936
	37,190	18,969

6 PROFIT BEFORE TAXATION

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

		Note	Six months ended 30 June 2014 RMB'000	2013 RMB'000
(a)	**Finance costs:**			
	Interest on loans and borrowings wholly repayable within 5 years		**220,428**	204,127
	Other finance costs	(i)	**24,029**	14,544
	Less: interest capitalised		**(18,452)**	(10,646)
			226,005	208,025
(b)	**Staff costs:**			
	Salaries, wages and other benefits		**281,970**	234,987
	Contributions to defined contribution retirement plans	(ii)	**19,586**	15,321
	Equity settled share-based transactions		**(245)**	(203)
			301,311	250,105

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

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

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

		Six months ended 30 June 2014 RMB'000	2013 RMB'000
(c)	**Other items:**		
	Cost of inventories	**13,956,178**	12,579,326
	Depreciation	**113,696**	93,599
	Amortisation of lease prepayments	**4,094**	4,094
	Amortisation of intangible assets	**49,455**	50,805
	Operating lease charges	**112,278**	93,909
	Net foreign exchange loss/(gain)	**19,361**	(35,094)

7 INCOME TAX

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

	Six months ended 30 June	
	2014	**2013**
	RMB'000	**RMB'000**
Current tax:		
Provision for PRC income tax for the period	**251,489**	204,566
Deferred tax:		
Origination of temporary differences (note 17)	**(32,218)**	(16,509)
	219,271	188,057

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

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

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

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

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to shareholders of the Company for the six months of RMB499,328,000 (30 June 2013: RMB465,164,000) and the weighted average number of ordinary shares of 2,210,050,440 (30 June 2013: 2,209,858,622) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2014 is based on the profit attributable to ordinary equity shareholders of the Company of RMB499,328,000 (30 June 2013: RMB465,164,000) and the weighted average number of ordinary shares of 2,213,673,760 (30 June 2013: 2,214,284,796) in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's pre-IPO employee share option scheme.

Weighted average number of shares (diluted)

	Six months ended 30 June	
	2014 Number of shares	**2013 Number of shares**
Weighted average number of ordinary shares	**2,210,050,440**	2,209,858,622
Effect of deemed issue of shares under the pre-IPO employee share option scheme	**3,623,320**	4,426,174
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,213,673,760**	2,214,284,796

9 SEGMENT REPORTING

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

1 4S dealership business

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

2 Logistics business

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

3 Lubricant oil business

Lubricant oil business mainly includes trading of lubricant oil.

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

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

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

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

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

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

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

9 SEGMENT REPORTING (CONTINUED)

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

	4S dealership business		Logistics and lubricant oil businesses		Total	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
For six months ended 30 June						
Turnover from external customers	**15,319,979**	13,815,982	**289,288**	194,030	**15,609,267**	14,010,012
Inter-segment turnover	**–**	–	**8,835**	3,058	**8,835**	3,058
Reportable segment turnover	**15,319,979**	13,815,982	**298,123**	197,088	**15,618,102**	14,013,070
Reportable segment profit	**719,608**	707,832	**10,924**	18,467	**730,532**	726,299
Depreciation and amortisation for the period	**163,389**	144,833	**3,856**	3,665	**167,245**	148,498
Reportable segment assets as at 30 June 2014/31 December 2013	**11,212,923**	10,937,396	**2,021,368**	1,799,654	**13,234,291**	12,737,050
Additions to non-current segment assets during the period	**543,310**	399,129	**2,193**	15,195	**545,503**	414,324
Reportable segment liabilities as at 30 June 2014/31 December 2013	**(8,529,606)**	(8,489,265)	**(1,307,499)**	(1,234,735)	**(9,837,105)**	(9,724,000)
Investment in a joint venture/ an associate as at 30 June 2014/ 31 December 2013	**–**	–	**178,540**	165,902	**178,540**	165,902

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Reportable segment profit	**730,532**	726,299
Unallocated head office expenses	**(28,817)**	(14,700)
Other revenue	**214,897**	139,125
Other net income	**37,190**	18,969
Finance costs	**(226,005)**	(208,025)
Consolidated profit before taxation	**727,797**	661,668

(c) Geographic information

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

9 SEGMENT REPORTING (CONTINUED)

(d) Reconciliations of reportable segment assets and liabilities

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Assets:		
Reportable segment assets	**13,234,291**	12,737,050
Intangible assets	**3,924,805**	3,974,260
Goodwill	**1,926,551**	1,926,551
Deferred tax assets	**60,428**	36,270
Unallocated head office assets	**285,552**	245,102
Elimination of inter-segment receivables	**228,016**	196,558
Consolidated total assets	**19,659,643**	19,115,791
Liabilities:		
Reportable segment liabilities	**(9,837,105)**	(9,724,000)
Income tax payables	**(703,248)**	(635,535)
Deferred tax liabilities	**(910,843)**	(918,903)
Unallocated head office liabilities	**(2,907)**	(2,708)
Elimination of inter-segment (payables)	**(228,016)**	(196,558)
Consolidated total liabilities	**(11,682,119)**	(11,477,704)

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment with original costs of RMB545,503,000 in aggregate (six months ended 30 June 2013: RMB414,324,000). Items of property, plant and equipment with a net book value of RMB132,535,000 were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB113,879,000), resulting in net gain on disposal of RMB28,343,000 (six months ended 30 June 2013: RMB14,033,000).

11 INVENTORIES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Motor vehicles	**2,894,755**	2,174,365
Motor spare parts	**336,832**	342,287
Others	**13,721**	11,650
	3,245,308	2,528,302

12 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 3 months	**1,504,938**	1,387,360
More than 3 months but within 1 year	**14,687**	90,933
Over 1 year	**589**	310
Trade debtors and bills receivable, net of allowance for doubtful debts	**1,520,214**	1,478,603
Prepayments	**588,687**	764,758
Other receivables and deposits	**2,960,230**	2,517,410
Amount due from third parties	**5,069,131**	4,760,771
Amount due from related parties (note 21(b))	**2,738**	10,080
Trade and other receivables	**5,071,869**	4,770,851

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

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

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

Reportable segments	**Credit terms in general**
4S dealership business	Cash on delivery to 180 days
Logistics and lubricant oil business	30 to 90 days

13 PLEDGED BANK DEPOSITS

Guarantee deposits in respect of:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Bank loans	**297,842**	270,167
Bills payable	**1,022,510**	937,116
Standby letter of credit	**196,000**	320,000
	1,516,352	1,527,283

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

14 CASH AND CASH EQUIVALENTS

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Deposit with banks within 3 months of maturity	**12,333**	24,743
Cash at banks and in hand	**703,600**	1,443,521
Cash and cash equivalents in the statements of financial position	**715,933**	1,468,264
Cash and cash equivalents in the cash flow statements	**715,933**	1,468,264

15 LOANS AND BORROWINGS

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Current		
Unsecured bank loans	**2,114,800**	1,995,800
Unsecured borrowings from other financial institutions	**200,000**	220,000
Unsecured short-term commercial paper	**700,000**	350,000
	3,014,800	2,565,800
Secured bank loans	**175,500**	290,019
Secured borrowings from other financial institutions	**160,074**	85,857
Sub-total	**3,350,374**	2,941,676
Non-current		
Secured bank loans	**333,489**	333,489
Sub-total	**333,489**	333,489
	3,683,863	3,275,165

16 TRADE AND OTHER PAYABLES

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 3 months	**3,475,986**	3,359,358
Over 3 months but within 6 months	**83,762**	295,748
Over 6 months but within 12 months	**127**	2,504
Total creditors and bills payable	**3,559,875**	3,657,610
Receipts in advance	**326,054**	412,502
Other payables and accruals	**457,765**	558,144
Trade and other payables	**4,343,694**	4,628,256

17 DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position 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	Deferred revenue RMB'000	Capitalisation of interest RMB'000	Total RMB'000
Deferred tax assets/ (liabilities) arising from:						
At 1 January 2014	(905,281)	(7,462)	33,038	5,312	(8,240)	(882,633)
Credited/(charged) to profit or loss (note 7)	12,404	(50)	24,698	(641)	(4,193)	32,218
At 30 June 2014	(892,877)	(7,512)	57,736	4,671	(12,433)	(850,415)

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Representing:		
Deferred tax assets	**60,428**	36,270
Deferred tax liabilities	**(910,843)**	(918,903)
	(850,415)	(882,633)

18 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Final dividend proposed in respect of the previous financial year, approved and paid during the following interim period, of HK$0.10 (RMB0.08) per ordinary share (six months ended 30 June 2013: nil)	**175,358**	–

(b) Share capital

The share capital of the Group represents the issued capital of the Company at the end of the respective reporting periods.

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

	2014		2013	
	Number of shares (thousand)	Amount HK$('000)	Number of shares (thousand)	Amount HK$('000)
Ordinary shares, issued and fully paid:				
At 1 January	**2,210,050**	**221,005**	2,208,685	220,868
Shares issued pursuant to pre-IPO employee share option scheme	–	–	1,365	137
At 30 June/31 December	**2,210,050**	**221,005**	2,210,050	221,005
RMB equivalent ('000)		**188,776**		188,776

19 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding at 30 June 2014 not provided for in the condensed consolidated financial statements were as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Contracted for	**779,114**	586,185

(b) Operating lease commitments

At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year	**229,312**	192,661
After 1 year but within 5 years	**420,666**	427,009
After 5 years	**357,748**	385,590
	1,007,726	1,005,260

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

20 CONTINGENT LIABILITIES

As 30 June 2014 and 31 December 2013, the Group did not have any significant contingent liabilities.

21 MATERIAL RELATED PARTY TRANSACTIONS

During the period ended 30 June 2014, the directors are of the view that the following individual/companies are related parties of the Group:

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

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

21 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Recurring transactions

	Six months ended 30 June	
	2014	**2013**
	RMB'000	**RMB'000**
Rental expense:		
Hubei Shengze	**2,557**	1,812
Beijing Baoze Technology	**7,289**	3,258
Inner Mongolia Shengze Dingjie	**11,404**	546
Changsha Shengze Ruibao	**1,149**	1,050
Wuhan Jieyun	**5,984**	3,150
Wuhan Jiezhong	**1,075**	750
Wuhan Investment	**7,568**	–
	37,026	10,566

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

(b) Balances with related parties

As at the end of the respective reporting periods, the Group had the following balances with related parties:

	At 30 June 2014	**At 31 December 2013**
	RMB'000	**RMB'000**
Due from related parties:		
Inner Mongolia Shengze Dingjie	**188**	1,053
Changsha Shengze Ruibao	**–**	575
Beijing Baoze Technology	**2,101**	3,129
Wuhan Investment	**200**	5,323
Hubei Shengze	**249**	–
	2,738	10,080

22 ULTIMATE HOLDING COMPANY

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

23 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 13 July 2014, the Group entered into a share purchase agreement to acquire the entire equity in a target company. The target company is a limited liability company incorporated in BVI, which own the entire interest in a land located in Bao'an District of Shenzhen through its subsidiaries in Hong Kong and the PRC. The total consideration for the acquisition is approximately RMB550 million.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Director
Mr. Wang Muqing *(Chairman)*

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

Independent non-executive Directors
Dr. Wong Tin Yau, Kelvin
Mr. Zhao Chunjun
Mr. Chang Xiuze

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COMPANY SECRETARY

Ms. Luo Xiao Jing

AUTHORIZED REPRESENTATIVES

Mr. Shao Yong Jun
Ms. Luo Xiao Jing

MEMBERS OF THE OPERATION AND MANAGEMENT COMMITTEE

Mr. Wang Kunpeng
Mr. Li Zhubo
Mr. Chen Tao
Mr. Shao Yong Jun
Mr. Li Yi

MEMBERS OF THE AUDIT COMMITTEE

Dr. Wong Tin Yau, Kelvin *(Chairman)*
Mr. Zhao Chunjun
Mr. Chang Xiuze

MEMBERS OF THE NOMINATION COMMITTEE

Mr. Zhao Chunjun *(Chairman)*
Mr. Chang Xiuze
Mr. Shao Yong Jun

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Chang Xiuze *(Chairman)*
Dr. Wong Tin Yau, Kelvin
Mr. Wang Kunpeng

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Cayman Islands

PRINCIPAL BANKERS

China Construction Bank, Hubei Branch
Bank of China, Wuhan Branch, Huaqiao Sub-branch
China Merchants Bank, Wuhan Branch,
Liberation Park Sub-branch
Bank of Communications, Wuhan Branch,
Pacific Sub-branch
China Everbright Bank, Wuhan Branch
China Minsheng Bank, Wuhan Branch

AUDITORS

KPMG
Certified Public Accountants

HONG KONG LEGAL COUNSEL

Chiu & Partners
Solicitors

正 通

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