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中升集團控股有限公司
Zhongsheng Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 881)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Zhongsheng Group Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (together, the "**Group**" or "**we**") for the year ended 31 December 2019 (the "**Reporting Period**"), together with comparative figures for the year ended 31 December 2018 as follows:

GROUP FINANCIAL HIGHLIGHTS

- New car sales volume for the year ended 31 December 2019 increased by 10.6% to 455,705 units as compared to the year ended 31 December 2018.
- Revenue for the year ended 31 December 2019 increased by 15.1% to RMB124,042.5 million as compared to the year ended 31 December 2018, among which revenue from new car sales increased by 13.9% to RMB106,199.1 million while revenue from after-sales and accessories business increased by 22.9% to RMB17,843.4 million as compared to the year ended 31 December 2018.
- Income from value-added services for the year ended 31 December 2019 increased by 20.0% to RMB2,885.2 million as compared to the year ended 31 December 2018.
- Profit attributable to owners of the parent for the year ended 31 December 2019 was RMB4,501.7 million, representing an increase of 23.8% as compared to the year ended 31 December 2018.
- Basic earnings per share was RMB1.98 for the year ended 31 December 2019 (the year ended 31 December 2018: RMB1.60).

MARKET REVIEW

In 2019, against the backdrop of uncertainties such as the ongoing Sino-US trade dispute and Brexit, the global economy slowed down with mounting pressure. Despite its significant economic structural difficulties domestically, China had strengthened its macroeconomic anti-cyclical policy and persisted with supply-side structural reform as its main direction in enhancing the development quality, and as a result, the macro-economy showed its strong resilience. According to information published by the National Bureau of Statistics of China, China's gross domestic production (GDP) reached RMB99.0865 trillion, representing a year-on-year increase of 6.1%, and GDP per capita had exceeded US$10,000 for the first time. In 2019, consumer spending contributed to 57.8% of the economic growth, representing an increase of 3.5%, and this had been the main driver of economic growth for the sixth consecutive year. The proportion of tertiary industry increased by 0.6% with the economic structure continued to be optimised. New urban employment for the year reached 13.52 million, with urban employment accounting for 57.1% of the national employment, representing an increase of 1.1% over last year. At the same time, the employment structure between the urban and rural regions continued to be optimised.

China's car production and sales volume continued to lead the world and its domestic car market has already begun a period of transformation and enhancements after experiencing over two decades of continuous high-speed growth. In 2019, due to the impact of multiple complicated factors such as the Sino-US trade dispute, the overall slowdown in the domestic economy, the switch from the China Auto Emission National Standard V to VI and the reduction in new energy subsidies, according to the statistics published by the China Association of Automobile Manufacturing, car production and sales volumes in China dropped by 7.5% and 8.2%, respectively as compared to 2018. However, despite the overall decrease in the national car market, luxury brands still achieved a solid growth with new car sales volumes exceeding 12% year-on-year, an accelerated growth in its market share. The market share for passenger vehicles of brands from both Japan and Germany increased by more than 2% year-on-year, respectively. The sales volume for Mercedes-Benz (including Smart) reached 702,088 units in 2019, representing a year-on-year increase of 4%. The annual sales volume for BMW (including Mini) and Audi amounted to 723,680 units and 688,888 units in 2019, respectively, representing a year-on-year increase of 13.1% and 4.2%, respectively. The sales volume for the Japanese luxury brand Lexus, our fully-imported automobile brand, had surpassed 200,000 units in China for the first time with 200,521 units sold in total, representing a significant increase of 24.9% over last year. At present, the high-end cars market in China still remains firm and stable. Sales volume for luxury brands accounted for approximately 11% of the overall sales volume of passenger vehicles, which is relatively low as compared to matured markets, providing a tremendous potential for continued growth for luxury brands. We believe that the trend in consumption upgrades in the future will remain stable and the growth momentum for luxury brands will remain positive.

In 2019, the PRC government put forward a series of favourable policies to boost the automobile market. On 1 April 2019, the value-added tax rate for the automotive industry was lowered from 16% to 13% as a result of the comprehensive policy implementation of reducing value-added tax rate. The "Notice on Continuing the Implementation of Preferential Policies of Tax on Vehicle Purchases" (《關於繼續執行的車輛購置稅優惠政策的公告》) released by the Ministry of Finance and the State Taxation Administration on 28 June 2019 had reduced and exempted vehicle purchases tax for the purchase of new energy vehicles. The "Notice on Issuing the Implementation Plan for Promoting the Upgrade of Key Consumer Goods and Resource Recycling (2019–2020)" (《推動重點消費品更新升級暢通資源迴圈利用實施方案 (2019–2020年)》) issued on 6 June 2019 and the "Opinions on Accelerating the Development of Circulation Industry and Promoting Consumer Spending" (《關於加快發展流通促進商業消費的意見》) issued on 27 August 2019 proposed removing the restriction on traffic and restriction on purchasing, pushing forward the vehicle upgrades in rural areas, replacing public transportation in urban cities, promoting the use of new energy vehicles and gradually loosening up or removing the restriction on purchasing, and the restriction policy on second-hand automobile transfers and providing support to newly purchased new energy vehicles.

According to the statistics released by the Ministry of Public Security of China, national motor vehicle ownership reached 348 million units in 2019, of which automobile ownership amounted to 260 million units, representing an increase of 8.83% over 2018. The newly registered motor vehicles nationwide amounted to 32.14 million units, of which 25.78 million units were first-time registrations. Private cars (private small-to-mini-sized passenger vehicles) continued to grow rapidly and achieved a breakthrough of 200 million units for the first time. The number of automobile ownership in 66 cities across China had exceeded one million units, among which 11 cities had automobile ownership of over 3 million units.

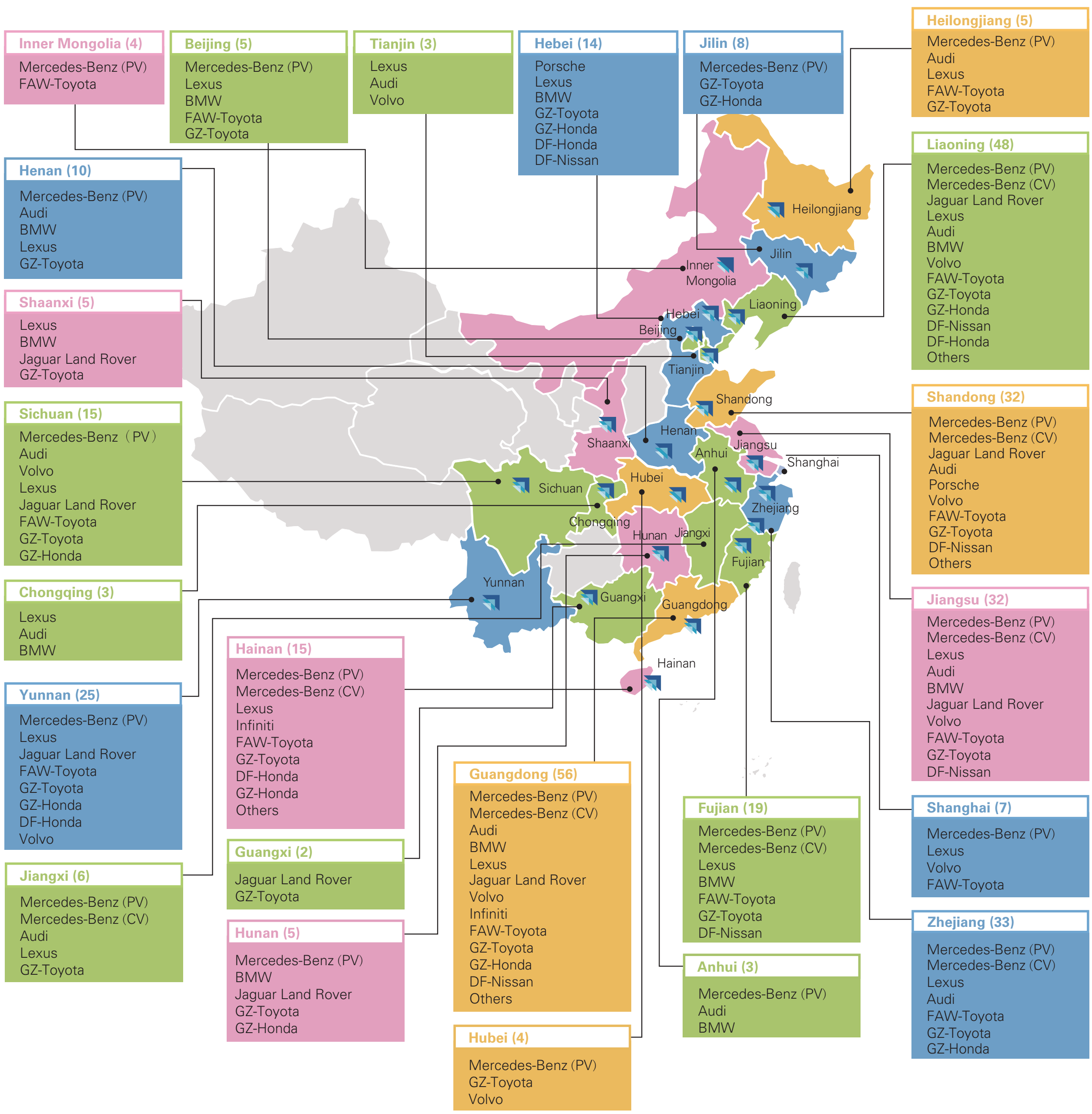
As far as the second-hand automobile market is concerned, its transactional growth slowed down due to the switch from the China Auto Emission National Standard V to VI in 2019. The statistics released by the China Automobile Dealers Association showed that the total transaction volume nationwide reached approximately 14.923 million units in 2019, representing a year-on-year increase of 7.96%. The Company expects that the second-hand automobile market will resume its high-quality development momentum with the relaxation of the restrictive policy, gradual removal of its circulation barriers and the continuous improvement in trading-related regulatory policies.

BUSINESS REVIEW

Deepening the "Brand + Region" portfolio strategy to further expand and improve national sales network

According to the statistics released by the Ministry of Public Security of China, there are 14 provinces in China with over 10 million motor vehicles ownership, and the number of ownership in Guangdong Province is approximately 31.51 million units, which also became the first province in China to achieve a breakthrough of 30 million units. Besides, three provinces, namely Shandong, Henan and Jiangsu, have over 20 million motor vehicles ownership and 66 cities in China have more than one million units, among which 30 cities have more than two million units and 11 cities, including Zhengzhou, Shenzhen, Xi'an, Wuhan and Dongguan, have more than three million units, and five cities, namely Beijing, Chengdu, Chongqing, Suzhou and Shanghai, have over four million units. Beijing has the largest automobile ownership of 5.934 million units in total. The Group will further deepen its sales network development in the key regions.

The Group always upholds the "Brand + Region" strategy to deepen the optimisation of its existing brand portfolio. At the same time, we will continue to develop new regions on the basis of expanding our existing regional advantages. As at 31 December 2019, the total number of the Group's dealerships increased to 360, of which 208 are luxury brand dealerships and 152 mid-to-high-end brand dealerships covering 24 provinces, municipalities or autonomous regions and nearly 90 cities in China. As at 31 December 2019, the geographical distribution of the Group's dealership is as follows:



Currently, the Group's brand portfolio covers luxury brands such as Mercedes-Benz, Lexus, Audi, BMW, Volvo, Jaguar and Land Rover, as well as mid-to-high-end brands such as Toyota, Nissan and Honda.

Each business segment grew steadily with diversification, operational efficiency and profitability improved continuously

In 2019, the Group achieved a new automobile sales volume of 455,705 units, representing a year-on-year increase of 10.6%. Sales volume for luxury brands reached 228,020 units, accounting for 50.04% of the Group's total sales volume and representing a further increase over 2018 with the continuous optimisation of the Group's product structure. The revenue from new automobile sales for 2019 amounted to RM106,199.1 million, representing a year-on-year increase of 13.9%.

In recent years, driven by the rapid growth in the number of automobile ownership, the automobile after-sales market in China has also been developing rapidly and has maintained a high double-digit growth rate for the past five years with its market size achieving a breakthrough of over RMB1 trillion in 2017. The automobile after-sales market will become the main growth driver in the automobile industry going forward. With the continuous integration of the automobile after-sales market industry and business model sophistication, small-scale companies with weak competitiveness and poor brand effects will be eliminated, resulting in a more monopolistic and scalable automobile after-sales market. In 2019, the revenue generated from the after-sales and accessories business of the Group reached RMB17,843.4 million, representing a year-on-year increase of 22.9%, and accounted for 14.4% of the Group's total revenue, which showed a steady growth in its contribution to the total revenue of the Group.

As one of the Group's main growth drivers and key development sectors in the future, the value-added service segment, which includes car insurance, car finance and second-hand automobiles, continued to show innovativeness and rapid growth momentum in 2019, and the Group achieved a revenue from value-added services of RMB2,885.2 million for the year, representing a year-on-year increase of 20.0%. The trade volume for second-hand automobiles reached 71,395 units during the year, representing a year-on-year increase of 30.0%. In 2019, our financial penetration of new automobile sales had exceeded 50% and maintained its stable growth, which demonstrated an enormous potential for future development.

FUTURE STRATEGIES AND OUTLOOK

Following many consecutive years of rapid growth, the downward trend in China's automobile market continued in 2019 after the first downturn in 2018, and the automobile industry has entered into a period of transformation and adjustment. While the number of domestic automobile ownership per thousand people is still much lower than that of the developed countries at present, showing that total automobile consumption and market size in China still have tremendous growth potentials. With the implementation of favourable government macroeconomic policies and the gradual virtuous competition cycle in the automobile market, the automobile market in China is expected to continue to develop steadily in the next few years.

The Group will adhere to its people-oriented and customer-first principles, and actively participate in the supply-side structural reform of the national automobile industry with a view to further strengthening its market leader position, enhancing in-depth cooperation with industry chain participants to continuously improve operation efficiency, service standard and customer satisfaction, and effectively expanding the distribution networks in the key regions in China. Moreover, we will be market-oriented to take an innovative and systematic approach to capture the tremendous development potential of the after-sales market, and take full advantage of the Group's platform and economy of scale in order to sustain the long-term development potential and competitive edge of the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2019

The following table sets forth our consolidated statement of profit or loss for the years indicated:

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	4	**124,042,520**	107,735,655
Cost of sales and services provided	5	**(112,554,874)**	(97,812,525)
Gross profit		**11,487,646**	9,923,130
Other income and gains, net	4	**3,109,521**	2,561,221
Selling and distribution expenses		**(4,938,772)**	(4,310,827)
Administrative expenses		**(1,940,062)**	(1,745,100)
Profit from operations		**7,718,333**	6,428,424
Finance costs		**(1,390,554)**	(1,230,522)
Share of (losses)/profits of joint ventures		**(1,208)**	2,856
Profit before tax	5	**6,326,571**	5,200,758
Income tax expense	6	**(1,807,055)**	(1,505,440)
Profit for the year		**4,519,516**	3,695,318
Attributable to:			
Owners of the parent		**4,501,673**	3,636,636
Non-controlling interests		**17,843**	58,682
		4,519,516	3,695,318
Earnings per share attributable to ordinary equity holders of the parent			
Basic			
— For profit for the year (RMB)	7	**1.98**	1.60
Diluted			
— For profit for the year (RMB)	7	**1.92**	1.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

The following table sets forth our consolidated statement of comprehensive income for the years indicated:

	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**4,519,516**	3,695,318
Other comprehensive loss		
Exchange differences on translation of foreign operations	**(182,061)**	(362,630)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(182,061)**	(362,630)
Other comprehensive loss for the year, net of tax	**(182,061)**	(362,630)
Total comprehensive income for the year	**4,337,455**	3,332,688
Attributable to:		
Owners of the parent	**4,319,612**	3,274,006
Non-controlling interests	**17,843**	58,682
	4,337,455	3,332,688

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

The following table sets forth our consolidated statement of financial position as at the dates indicated:

		31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**12,361,556**	11,506,929
Right-of-use assets		**4,195,225**	—
Land use rights		**2,931,884**	2,977,418
Prepayments		**731,332**	1,013,004
Intangible assets		**6,217,559**	6,330,872
Goodwill		**4,640,137**	4,563,686
Investments in joint ventures		**44,262**	45,470
Investment in an associate		**3,000**	—
Deferred tax assets		**257,580**	269,297
Total non-current assets		**31,382,535**	26,706,676
CURRENT ASSETS			
Inventories	*8*	**9,828,486**	10,980,498
Trade receivables	*9*	**1,462,767**	1,341,740
Prepayments, other receivables and other assets		**11,645,669**	10,110,948
Amounts due from related parties		**727**	850
Financial assets at fair value through profit or loss		**997,908**	141,190
Pledged bank deposits		**1,341,025**	1,312,577
Cash in transit		**263,989**	431,044
Cash and cash equivalents		**6,101,176**	6,142,664
Total current assets		**31,641,747**	30,461,511

		31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
CURRENT LIABILITIES			
Bank loans and other borrowings		**17,089,711**	17,066,954
Lease liabilities (2018: finance lease payables)		**236,636**	5,751
Trade and bills payables	*10*	**4,875,067**	4,814,761
Other payables and accruals		**3,223,610**	2,996,549
Other liabilities		**245,000**	245,000
Amounts due to related parties		**436**	1,119
Income tax payable		**1,476,360**	1,470,353
Dividends payable		**9**	9
Total current liabilities		**27,146,829**	26,600,496
NET CURRENT ASSETS		**4,494,918**	3,861,015
TOTAL ASSETS LESS CURRENT LIABILITIES		**35,877,453**	30,567,691
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,917,525**	1,909,282
Bank loans and other borrowings		**3,924,341**	5,574,824
Lease liabilities (2018: finance lease payables)		**3,564,989**	640
Convertible bonds		**4,293,929**	4,046,722
Total non-current liabilities		**13,700,784**	11,531,468
NET ASSETS		**22,176,669**	19,036,223
EQUITY			
Equity attributable to owners of the parent			
Share capital		**197**	197
Reserves		**21,758,356**	18,239,418
		21,758,553	18,239,615
Non-controlling interests		**418,116**	796,608
Total equity		**22,176,669**	19,036,223

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands. The Company has established a principal place of business in Hong Kong which is located at Rooms 1803–09, 18th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 March 2010.

During the year, the Group was principally engaged in the sale and service of motor vehicles.

In the opinion of the directors of the Company (the "**Directors**"), the ultimate controlling shareholders of the Company are Mr. Huang Yi and Mr. Li Guoqiang.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised HKFRSs has had no significant financial effect on these financial statements.

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land and buildings and motor vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the consolidated financial statements as at 31 December 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of RMB6,391,000 that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019

As a lessee — Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	3,412,538
Decrease in property, plant and equipment	(6,391)
Decrease in prepaid lease payments	(376,684)
Increase in total assets	3,029,463
Liabilities	
Decrease in bank loans and other borrowings	(6,391)
Increase in lease liabilities	3,035,854
Increase in total liabilities	3,029,463

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	4,314,004
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(25,814)
	4,288,190
Weighted average incremental borrowing rate as at 1 January 2019	5.3%
Discounted operating lease commitments as at 1 January 2019	3,029,463
Add: Finance lease payables recognised as at 31 December 2018	6,391
Lease liabilities as at 1 January 2019	3,035,854

3. OPERATING SEGMENT INFORMATION

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

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

Information about geographical area

Since over 90% of the Group's revenue and operating profit were generated from the sale and service of motor vehicles in Mainland China and over 90% of the Group's non-current assets other than deferred tax assets were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year, no major customer information is presented in accordance with HKFRS 8 *Operating Segments*.

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue and other income and gains is as follows:

(a) Revenue:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Disaggregated revenue information		
Type of goods or service		
Revenue from sales of motor vehicles	**106,199,132**	93,221,612
Revenue from after-sales service	**17,843,388**	14,514,043
Total revenue from contracts with customers	**124,042,520**	107,735,655
Timing of revenue recognition		
At a point in time	**124,042,520**	107,735,655

(b) Other income and gains, net:

	2019	2018
	RMB'000	*RMB'000*
Commission income	**2,885,199**	2,404,411
Rental income	**21,842**	22,016
Interest income	**59,975**	57,048
Government grants	**43,319**	37,232
Net loss on disposal of items of property, plant and equipment	**(30,879)**	(27,579)
Net loss on disposal of subsidiaries	**—**	(2,711)
Fair value gains/(losses), net:		
Financial assets at fair value through profit or loss		
— listed equity investments	**12,809**	(5,039)
— financial products	**1,776**	613
Investment income from financial assets at fair value through profit or loss	**37,137**	—
Dividend income from listed equity investments	**1,816**	—
Others	**76,527**	75,230
	3,109,521	2,561,221

5. PROFIT BEFORE TAX

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

		2019 *RMB'000*	2018 *RMB'000*
(a)	**Employee benefit expense (including directors' and chief executive officer's remuneration):**		
	Wages and salaries	**3,366,356**	2,938,704
	Pension scheme contributions	**486,423**	458,063
	Other welfare	**240,075**	247,019
	Equity-settled share option expense	**16,024**	33,367
		4,108,878	3,677,153
(b)	**Cost of sales and services provided:**		
	Cost of sales of motor vehicles	**103,311,643**	90,359,798
	Others	**9,243,231**	7,452,727
		112,554,874	97,812,525
(c)	**Other items:**		
	Depreciation and impairment of property, plant and equipment	**1,002,150**	855,503
	Depreciation of right-of-use assets	**394,173**	—
	Amortisation of land use rights	**83,734**	74,173
	Amortisation of intangible assets	**258,297**	245,225
	Auditor's remuneration	**5,800**	5,800
	Lease expenses	**53,125**	364,700
	Promotion and advertisement	**943,388**	763,980
	Office expenses	**316,180**	314,819
	Logistics expenses	**127,237**	119,647
	Impairment of trade receivables	**6,401**	5,279
	Write-down of inventories to net realisable value	**2,352**	2,099
	Net loss on disposal of items of property, plant and equipment	**30,879**	27,579
	Fair value (gains)/losses, net:		
	Financial assets at fair value through profit or los		
	— listed equity investments	**(12,809)**	5,039
	— financial products	**(1,776)**	(613)
	Investment income from financial assets at fair value through profit or loss	**(37,137)**	—
	Dividend income from listed equity investments	**(1,816)**	—
	Impairment of goodwill	**4,742**	—
	Net loss on disposal of subsidiaries	**—**	2,711

6. INCOME TAX EXPENSE

(a) Tax in the consolidated statement of profit or loss represents:

	2019	2018
	RMB'000	*RMB'000*
Current Mainland China corporate income tax	**1,812,577**	1,513,179
Deferred tax	**(5,522)**	(7,739)
	1,807,055	1,505,440

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gain or appreciation shall apply to the Company or its operations.

The subsidiaries incorporated in the BVI are not subject to income tax as such subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

No Hong Kong tax has been provided as the Group had no assessable profits arising in Hong Kong during the year (2018: Nil).

According to the Corporate Income Tax Law ("**CIT**") of the People's Republic of China, the income tax rates for both domestic and foreign investment enterprises in Mainland China are unified at 25% effective from 1 January 2008.

Certain subsidiaries of the Group enjoyed preferential CIT rates which were lower than 25% during the reporting period as approved by the relevant tax authorities or operated in designated areas with preferential CIT policies in the PRC.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

A reconciliation of the tax expense applicable to profit before tax using the applicable rate for the regions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**6,326,571**	5,200,758
Tax at the statutory tax rate (25%)	**1,581,643**	1,300,190
Tax effect of non-deductible expenses	**124,203**	118,044
Income not subject to tax	**(3,216)**	(720)
Losses/(profits) attributable to jointly-controlled entities	**302**	(714)
Lower tax rates for specific provinces or enacted by local authority	**27,569**	30,672
Adjustments in respect of current tax of previous periods	**15,811**	15,190
Tax losses not recognised	**60,743**	42,778
Tax charge	**1,807,055**	1,505,440

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,271,697,955 (2018: 2,269,601,362) in issue during the year.

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

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

Earnings

	2019	2018
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**4,501,673**	3,636,636
Interest on convertible bonds	**155,064**	129,413
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**4,656,737**	3,766,049

Shares

	Number of shares	
	2019	2018
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,271,697,955**	2,269,601,362
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	**156,597,763**	140,912,183
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**2,428,295,718**	2,410,513,545

Earnings per share

	2019	2018
	RMB	*RMB*
Basic	**1.98**	1.60
Diluted	**1.92**	1.56

8. INVENTORIES

Inventories in the consolidated statement of financial position represent:

	2019	2018
	RMB'000	*RMB'000*
Motor vehicles	**9,035,201**	10,223,680
Spare parts and others	**802,867**	764,048
	9,838,068	10,987,728
Less: Provision for inventories	**9,582**	7,230
	9,828,486	10,980,498

9. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**1,474,447**	1,347,019
Impairment	**(11,680)**	(5,279)
	1,462,767	1,341,740

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

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**1,410,924**	1,290,645
More than 3 months but less than 1 year	**41,107**	38,490
Over 1 year	**10,736**	12,605
	1,462,767	1,341,740

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**5,279**	—
Impairment losses, net	**6,401**	5,279
At end of year	**11,680**	5,279

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

10. TRADE AND BILLS PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**1,659,356**	1,607,975
Bills payable	**3,215,711**	3,206,786
Trade and bills payables	**4,875,067**	4,814,761

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

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**4,568,395**	4,100,991
3 to 6 months	**285,097**	694,485
6 to 12 months	**15,452**	12,350
Over 12 months	**6,123**	6,935
	4,875,067	4,814,761

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

11. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Proposed final — HK$0.45 (approximately RMB0.40) (2018: HK$0.37) per ordinary share	**900,335**	727,327

The calculation of the proposed final dividend for the year ended 31 December 2019 is based on the proposed final dividend per ordinary share, and the total number of ordinary shares as at 20 March 2020.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year ended 31 December 2019, a final dividend of HK$0.37 per ordinary share in respect of the year ended 31 December 2018 was declared and paid to the ordinary shareholders of the Company. The aggregate amount of the final dividend declared and paid in the year ended 31 December 2019 was HK$840,528,000 (equivalent to RMB738,698,000).

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2019 was approximately RMB124,042.5 million, representing an increase of approximately RMB16,306.9 million or 15.1% as compared to the year ended 31 December 2018, among which, revenue from new automobile sales amounted to approximately RMB106,199.1 million, representing an increase of approximately RMB12,977.5 million or 13.9% as compared to the year ended 31 December 2018. Revenue from after-sales and accessories business amounted to approximately RMB17,843.4 million, representing an increase of approximately RMB3,329.4 million or 22.9% as compared to the year ended 31 December 2018. The revenue from new automobile sales business accounted for approximately 85.6% of our total revenue (2018: 86.5%) in 2019, and the portion of revenue from after-sales and accessories business increased from approximately 13.5% in the year ended 31 December 2018 to approximately 14.4% in the year ended 31 December 2019.

In terms of new automobile sales revenue in 2019, Mercedes-Benz was our top-selling brand, representing approximately 29.3% of our total new automobile sales revenue (2018: 29.7%).

Cost of Sales and Services

Cost of sales and services for the year ended 31 December 2019 amounted to approximately RMB112,554.9 million, representing an increase of approximately RMB14,742.4 million or 15.1% as compared to the year ended 31 December 2018. Cost attributable to our new automobile sales business amounted to approximately RMB103,311.6 million for the year ended 31 December 2019, representing an increase of approximately RMB12,951.8 million or 14.3% as compared to the year ended 31 December 2018. Cost attributable to our after-sales and accessories business amounted to approximately RMB9,243.2 million for the year ended 31 December 2019, representing an increase of approximately RMB1,790.5 million or 24.0% as compared to the year ended 31 December 2018.

Gross Profit

Gross profit for the year ended 31 December 2019 amounted to approximately RMB11,487.6 million, representing an increase of approximately RMB1,564.5 million or 15.8% as compared to the year ended 31 December 2018, of which the gross profit attributable to new automobile sales business amounted to approximately RMB2,887.5 million, representing an increase of approximately RMB25.7 million or 0.9% as compared to the year ended 31 December 2018. Gross profit attributable to after-sales and accessories business was approximately RMB8,600.2 million, representing an increase of approximately RMB1,538.8 million or 21.8% as compared to the year ended 31 December 2018. For the year ended 31 December 2019, the gross profit attributable to after-sales and accessories business accounted for approximately 74.9% of the total gross profit (2018: 71.2%).

Our gross profit margin for the year ended 31 December 2019 was approximately 9.3% (2018: 9.2%).

Other Income and Gains, Net

The other income and gains, net, for the year ended 31 December 2019 amounted to approximately RMB3,109.5 million, representing an increase of approximately RMB548.3 million or 21.4% as compared to the year ended 31 December 2018. The other income and gains mainly consisted of service income from automobile insurance and automobile financing services, gains from second-hand automobile trading business, rental income and interest income, etc..

Profit from Operations

Profit from operations for the year ended 31 December 2019 amounted to approximately RMB7,718.3 million, representing an increase of approximately RMB1,289.9 million or 20.1% as compared to the year ended 31 December 2018. Our operating profit margin for the year ended 31 December 2019 was approximately 6.2% (2018: 6.0%).

Profit for the Year

Our profit for the year ended 31 December 2019 amounted to approximately RMB4,519.5 million, representing an increase of approximately RMB824.2 million or 22.3% as compared to the year ended 31 December 2018. Our net profit margin for the year ended 31 December 2019 was approximately 3.6% (2018: 3.4%).

Profit Attributable to Owners of the Parent

Our profit attributable to owners of the parent for the year ended 31 December 2019 was approximately RMB4,501.7 million, representing an increase of approximately RMB865.1 million or 23.8% as compared to the year ended 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flow

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

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

We have adopted a prudent financial management approach towards our treasury policies and thus maintained a health liquidity position throughout the year ended 31 December 2019.

Cash Flow Generated from Operating Activities

For the year ended 31 December 2019, our net cash generated from operating activities was approximately RMB7,799.5 million, arising from operating profit of RMB9,403.6 million before working capital movement, adding a decrease in working capital of RMB204.1 million and deducting payment of tax of RMB1,808.3 million.

Cash Flow Used in Investing Activities

For the year ended 31 December 2019, our net cash used in investing activities was approximately RMB3,139.1 million, consisting primarily of purchases of property, plant and equipment of RMB2,667.5 million, purchases of land use rights of RMB91.0 million, purchases of financial assets at fair value through profit or loss, net of RMB838.6 million, partially offset by proceeds from disposal of items of property, plant and equipment of RMB875.2 million.

Cash Flow Used in Financing Activities

For the year ended 31 December 2019, our net cash used in financing activities was approximately RMB4,711.5 million, consisting primarily of repayment of bank loans and other borrowings of RMB92,572.2 million and interest paid for bank loans and other borrowings of RMB1,077.7 million, partially offset by proceeds from bank loans and other borrowings of RMB90,790.3 million.

Net Current Assets

As at 31 December 2019, we had net current assets of approximately RMB4,494.9 million, representing an increase of approximately RMB633.9 million from our net current assets as at 31 December 2018.

Capital Expenditures and Investment

Our capital expenditures comprised expenditures on property, plant and equipment, land use rights and business acquisition. For the year ended 31 December 2019, our total capital expenditures were approximately RMB1,742.7 million. Save as disclosed above, the Group did not make any significant investments during the year ended 31 December 2019.

Inventory Analysis

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

Our inventories decreased by 10.5% from approximately RMB10,980.5 million as at 31 December 2018 to approximately RMB9,828.5 million as at 31 December 2019. The decrease of our inventory balance was primarily due to our effective inventory management.

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

	For the year ended 31 December	
	2019	2018
Average inventory turnover days	**30.4**	31.2

Our average inventory turnover days in 2019 decreased to 30.4 days from 31.2 days in 2018, primarily due to our effective inventory management.

Order Book and Prospect for New Business

Due to its business nature, the Group does not maintain an order book as at 31 December 2019. The Group has no new services to be introduced to the market.

Bank Loans and Other Borrowings

As at 31 December 2019, our bank loans and other borrowings amounted to approximately RMB21,014.1 million, and our convertible bonds liability portion amounted to approximately RMB4,293.9 million. The decrease in our bank loans and other borrowings during the year ended 31 December 2019 was primarily because we paid back some of the debts with the cash flow generated from our operating activities. The annual interest rates of the bank loans and other borrowings ranged mainly from 1.0% to 5.9%.

Interest Rate Risk and Foreign Exchange Rate Risk

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

Employee and Remuneration Policy

As at 31 December 2019, the Group had 29,293 employees (31 December 2018: 26,969). The Group strives to offer a good working environment, a diversified range of training programmes as well as an attractive remuneration package to its employees. The Group endeavours to motivate its staff with performance-based remuneration. On top of basic salary, the Group will reward staff who had outstanding performances with cash bonuses, share options, honorary awards or a combination of all the above to attract talented individuals, and to create long-term incentive for its staff to further align the interests of the employees, the Company and the shareholders of the Company.

Pledge of the Group's Assets

The Group pledged its group assets as securities for bank and other loan and banking facilities which were used to finance our daily business operation. As at 31 December 2019, the pledged assets of the Group amounted to approximately RMB6.0 billion (31 December 2018: RMB7.3 billion).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Save as disclosed above, during the year ended 31 December 2019, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

Future Plans and Expected Funding

Going forward, the Company will continue to expand its business in the luxury and mid-to-high end passenger vehicle market by capitalising on the opportunities arising from the market and exploring developing potential. We aim to expand our distribution network through establishing new stores and undertaking appropriate mergers and acquisitions in the future. We plan to fund our future capital expenditure through the cash flow generated from our operating activities and debt facilities and we currently have sufficient credit facilities granted by banks.

Gearing Ratio

As at 31 December 2019, the gearing ratio of our Group was approximately 57.3% (31 December 2018: 58.5%), which was calculated from net debt divided by the sum of net debt and total equity.

CONVERTIBLE BONDS

On 4 May 2018, the Company and J.P. Morgan Securities plc (the "**Manager**") entered into a bond subscription agreement, according to which (i) the Company agreed to issue, and the Manager agreed to subscribe and pay for (or procure subscribers to subscribe and pay for) zero coupon convertible bonds due 2023 of an aggregate principal amount of HK$3,925 million (the "**2023 Convertible Bonds**"); and (ii) the Company agreed to grant the Manager an option to subscribe for up to an additional HK$775 million in principal amount of the 2023 Convertible Bonds (the "**Option Bonds**", together with the 2023 Convertible Bonds, the "**Convertible Bonds**"). On 14 May 2018, the Manager exercised in full the option granted by the Company, pursuant to which the Company was required to issue the Option Bonds in the aggregate principal amount of HK$775 million.

The Convertible Bonds are convertible into shares of the Company at the initial conversion price of HK$30.0132 per conversion share at the option of the holder thereof, at any time on or after the 41st day after the issue date up to the close of business on the tenth day prior to the maturity date, being a date falling on or about 23 May 2023. The issue of the Convertible Bonds in the aggregate amount of HK$4,700 million was completed on 23 May 2018.

There has been no conversion of the Convertible Bonds as at the date of this announcement. The Company will redeem each Convertible Bond on the maturity date at its principal amount together with accrued and unpaid interest thereon. Upon full conversion of the outstanding Convertible Bonds, the Company may issue 156,597,763 shares, increasing the total issued shares of the Company to 2,428,295,718 shares (calculated as at the date of this announcement).

SHARE OPTION SCHEME

The Share Option Scheme (as defined in the Company's prospectus dated 16 March 2010) was conditionally approved by a resolution of the shareholders on 9 February 2010 and adopted by a resolution of the Board on the same day. The Board may, at its absolute discretion, offer any employee, management member or director of the Company, or any of our subsidiaries and third party service providers the options to subscribe for shares of the Company on the terms set out in the Share Option Scheme. Further details of the Share Option Scheme are set out in the Company's prospectus dated 16 March 2010.

Details of the outstanding options to subscribe for ordinary shares of the Company pursuant to the Share Option Scheme and the movement during the year ended 31 December 2019 are set out below:

Name of Grantees	Date of grant	Exercise price per share	Number of Share Options				
			Outstanding as at 31 December 2018	Granted during the Period	Exercised during the period	Lapsed/ Cancelled during the period	Outstanding as at 31 December 2019
Mr. Du Qingshan — Executive Director	26 April 2018	HK$22.60	5,500,000(1)	—	—	—	5,500,000
Mr. Zhang Zhicheng — Executive Director	26 April 2018	HK$22.60	5,500,000(1)	—	—	—	5,500,000
Total							11,000,000

Note:

(1) On 26 April 2018, the Company offered to grant share options (the "**Share Options**") to Mr. Du Qingshan and Mr. Zhang Zhicheng under the Share Option Scheme, which will entitle them to subscribe for an aggregate of 11,000,000 new ordinary shares of HK$0.0001 each in the capital of the Company. The Share Options were fully vested from 26 April 2019. The Share Options are exercisable from 26 April 2019 to 25 April 2028 (both dates inclusive) at a price of HK$22.60 per share. The closing price of the shares of the Company immediately before 26 April 2018 is HK$22.35 per share.

During the Reporting Period and up to the date of this announcement, no options had been granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme. As at 31 December 2019, the total number of shares available for issue under the Share Option Scheme was 186,555,729 shares (which comprise 11,000,000 shares in respect of share options which had been granted and 175,555,729 shares in respect of share options which had not been granted), representing approximately 8.21% of the issued share capital of the Company as at the date of this announcement. The Share Option Scheme will expire on 25 March 2020.

CONNECTED TRANSACTIONS

There was no connected transaction entered into by the Group during the year ended 31 December 2019 which is required to be disclosed under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

In response to the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been implemented across China. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2019 and up to the date of this announcement.

Purchase, Sale or Redemption of the Company's Listed Securities

Save as disclosed above, neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019 and up to the date of this announcement.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, being Mr. Ying Wei, Mr. Shen Jinjun and Mr. Chin Siu Wa Alfred.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the financial results of the Company for the year ended 31 December 2019. The Audit Committee considers that the financial results for the year ended 31 December 2019 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

SCOPE OF WORK OF THE AUDITOR

The figures above in respect of this annual results announcement for the year ended 31 December 2019 have been agreed with the Company's auditor, Ernst & Young, certified public accountants, to be consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

PROPOSED DISTRIBUTION OF FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting on 10 June 2020 (the "**AGM**") for the distribution of a final dividend of HK$0.45 per share for the year ended 31 December 2019 payable to the Shareholders whose names are listed in the register of the Company on 19 June 2020, in an aggregate amount of HK$1,022.3 million (equivalent to approximately RMB900.3 million). It is expected that the final dividend will be paid on 10 July 2020. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining who is entitled to attend the AGM, the register of members of the Company will be closed from Friday, 5 June 2020 to Wednesday, 10 June 2020 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, unregistered holders of shares of the Company shall lodge share transfer documents, together with relevant share certificates, with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Thursday, 4 June 2020.

In addition, the Company's register of members will be closed from Tuesday, 16 June 2020 to Friday, 19 June 2020 (both days inclusive) for the purpose of determining the Shareholder's entitlement to the proposed final dividend of the Company. In order to qualify for the proposed final dividend (subject to the approval by Shareholders at the AGM), unregistered holders of shares of the Company shall lodge share transfer documents, together with relevant share certificates, with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above-mentioned address for registration before 4:30 p.m. on Monday, 15 June 2020.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange and the Company. The annual report for the year ended 31 December 2019 containing all the information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 20 March 2020

As at the date of this announcement, the executive directors of the Company are Mr. Huang Yi, Mr. Li Guoqiang, Mr. Du Qingshan, Mr. Yu Guangming, Mr. Si Wei and Mr. Zhang Zhicheng; the non-executive directors of the Company are Mr. Cheah Kim Teck and Mr. David Alexander Newbigging and the independent non-executive directors of the Company are Mr. Shen Jinjun, Mr. Ying Wei, Mr. Chin Siu Wa Alfred and Mr. Li Yanwei.

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond control of the Group. These forward-looking statements may prove to be incorrect and may not be realised in the future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved. Furthermore, this announcement also contains statements based on the Group's management accounts, which have not been audited by the Group's auditor. Shareholders and potential investors of the Company should therefore not place undue reliance on such statements.