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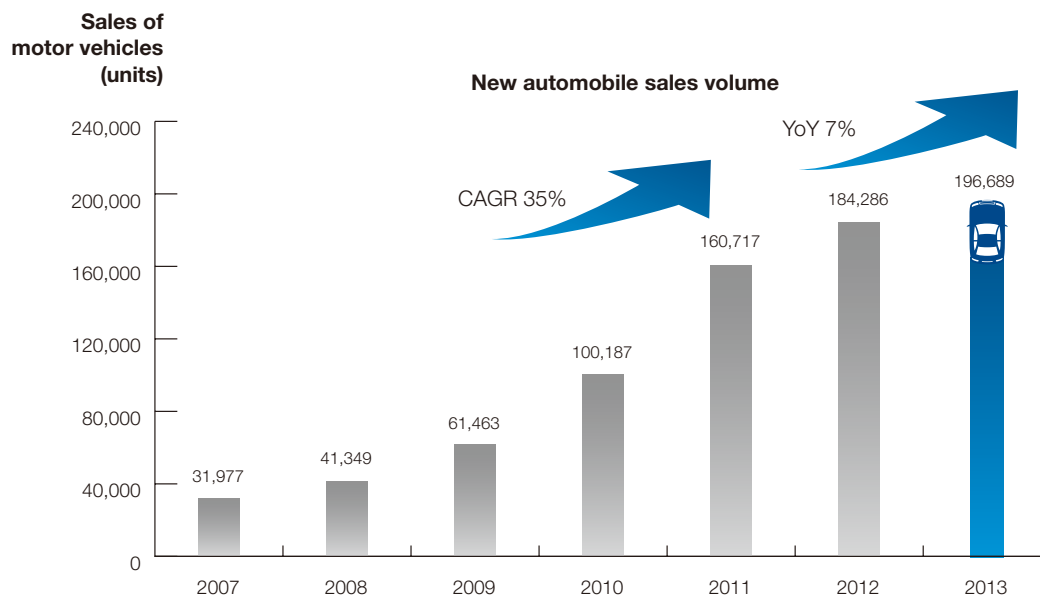


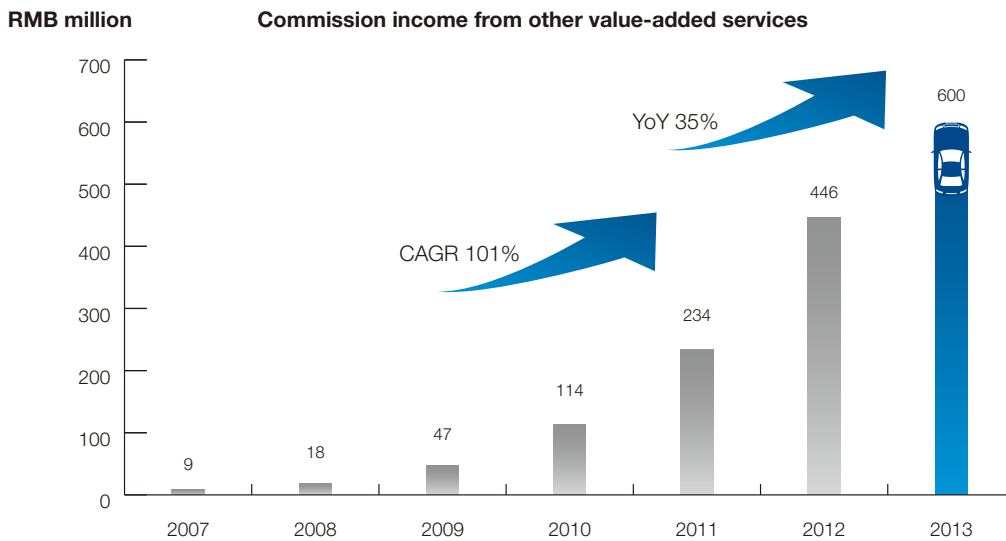
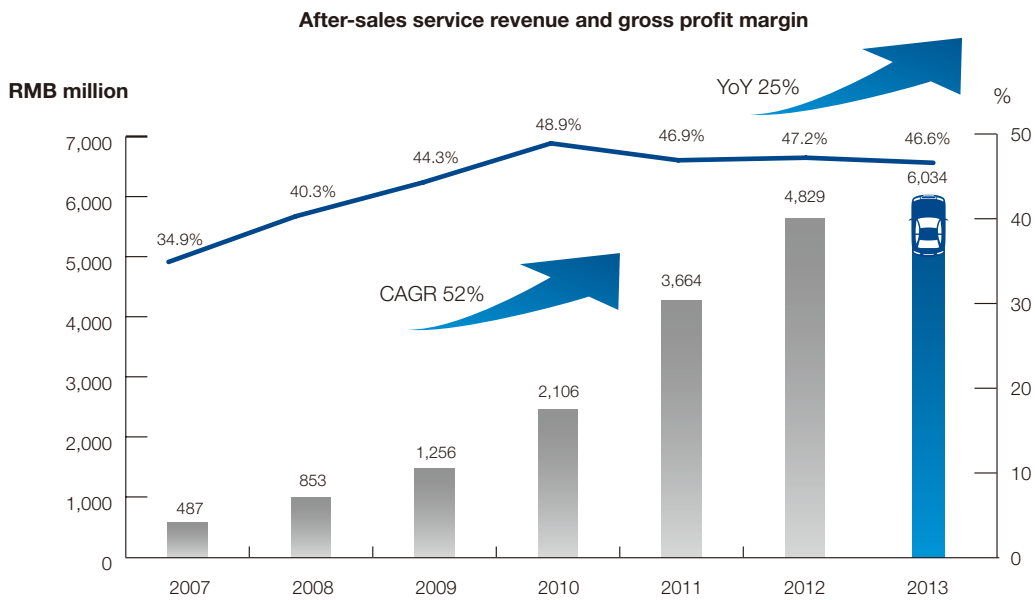
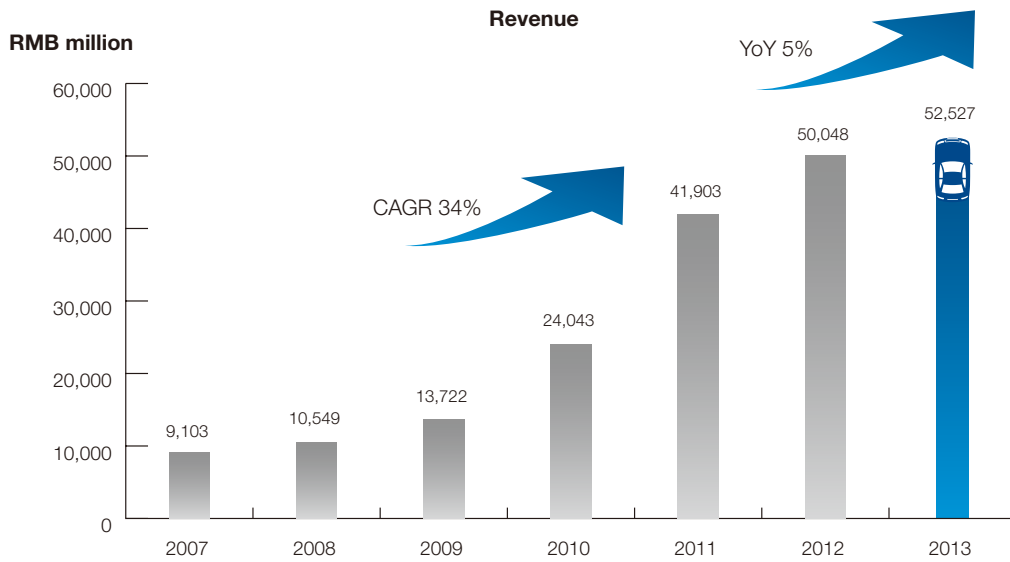
中升集團控股有限公司
Zhongsheng Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 881)

**Announcement of Annual Results
for the Year Ended 31 December 2013**

The board of directors (the “**Board**”) 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 2013 (the “**Reporting Period**”), together with comparative figures for the year ended 31 December 2012 as follows:

FINANCIAL HIGHLIGHTS





CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

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

	<i>Notes</i>	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
REVENUE	4	52,527,376	50,048,288
Cost of sales and services provided	5	(47,766,636)	(45,764,357)
Gross profit		4,760,740	4,283,931
Other income and gains, net	4	759,403	689,459
Selling and distribution expenses		(2,130,114)	(1,951,472)
Administrative expenses		(929,548)	(838,531)
Profit from operations		2,460,481	2,183,387
Finance costs		(1,075,227)	(1,032,130)
Share of profits and losses of:			
Joint ventures		4,791	5,309
Profit before tax	5	1,390,045	1,156,566
Income tax expense	6	(366,958)	(291,023)
Profit for the year		1,023,087	865,543
Attributable to:			
Owners of the parent		1,010,067	750,480
Non-controlling interests		13,020	115,063
		1,023,087	865,543
Earnings per share attributable to ordinary equity holders of the parent			
Basic			
– For profit for the year (RMB)	7	0.53	0.39
Diluted			
– For profit for the year (RMB)	7	0.53	0.39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

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

		31 December	
	<i>Notes</i>	2013	2012
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		6,259,615	5,039,957
Investment properties		49,447	–
Land use rights		2,105,515	1,447,091
Prepayments		852,358	1,463,918
Intangible assets		2,382,218	2,471,513
Goodwill		2,033,576	2,033,576
Investments in joint ventures		39,625	49,834
Deferred tax assets		196,591	132,086
		<hr/>	<hr/>
Total non-current assets		13,918,945	12,637,975
CURRENT ASSETS			
Inventories	8	6,810,486	6,346,679
Trade receivables	9	590,221	576,706
Prepayments, deposits and other receivables		6,892,901	5,504,213
Amounts due from related parties		670	1,451
Financial assets at fair value through profit or loss		59,794	63,949
Pledged bank deposits		1,612,276	2,079,167
Cash in transit		195,844	187,910
Cash and cash equivalents		3,654,041	4,096,803
		<hr/>	<hr/>
Total current assets		19,816,233	18,856,878
CURRENT LIABILITIES			
Bank loans and other borrowings		14,281,944	13,540,899
Short term bonds		1,222,700	821,198
Senior notes, current portion		1,259,180	11,581
Trade and bills payables	10	3,915,609	3,739,674
Other payables and accruals		1,384,494	1,354,499
Amounts due to related parties		814	16,094
Income tax payable		630,521	455,298
Dividends payable		9	402
		<hr/>	<hr/>
Total current liabilities		22,695,271	19,939,645
NET CURRENT LIABILITIES		(2,879,038)	(1,082,767)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,039,907	11,555,208
		<hr/>	<hr/>

		31 December	
		2013	2012
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		784,675	778,629
Senior notes		–	1,239,951
Bank loans and other borrowings		558,106	706,738
		<hr/>	<hr/>
Total non-current liabilities		1,342,781	2,725,318
		<hr/>	<hr/>
NET ASSETS		9,697,126	8,829,890
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		168	168
Reserves		8,214,698	7,385,870
Proposed final dividend	<i>11</i>	204,106	152,679
		<hr/>	<hr/>
		8,418,972	7,538,717
		<hr/>	<hr/>
Non-controlling interests		1,278,154	1,291,173
		<hr/>	<hr/>
Total equity		9,697,126	8,829,890
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1. CORPORATE 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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company has established a principal place of business in Hong Kong which is located at Rooms 3504-12, 35th 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 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 Hong Kong 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.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i> (early adopted)
HK(IFRIC)-Int 20 <i>Annual Improvements 2009-2011 Cycle</i>	<i>Stripping Costs in the Production Phase of a Surface Mine</i> Amendments to a number of HKFRSs issued in June 2012

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

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 identifiable assets and liabilities 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 customers' information is presented in accordance with HKFRS 8 *Operating Segments*.

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

	2013 RMB'000	2012 RMB'000
Revenue from the sale of motor vehicles	46,492,958	45,219,229
Others	6,034,418	4,829,059
	<u>52,527,376</u>	<u>50,048,288</u>

(b) Other income and gains, net:

	2013 RMB'000	2012 RMB'000
Commission income	599,770	445,968
Rental income	38,541	27,643
Interest income	57,060	40,502
Government grants	11,176	19,178
Net loss on disposal of items of property, plant and equipment	(24,374)	(10,511)
Net loss on disposal of intangible assets	(2)	(797)
Gain on disposal of available-for-sale investments	–	3,370
Fair value (losses)/gains, net:		
Available-for-sale investments (transfer from equity on disposal)	–	(1,820)
Financial assets at fair value through profit or loss		
– listed equity investments held for trading	(2,248)	14,189
Dividend income from listed equity investments	1,215	1,250
Others	78,265	150,487
	<u>759,403</u>	<u>689,459</u>

5. PROFIT BEFORE TAX

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
(a) Employee benefit expense (including directors' and chief executive officer's remuneration):		
Wages and salaries	1,200,961	1,098,629
Pension scheme contributions	179,139	157,592
Other welfare	82,287	80,000
	<u>1,462,387</u>	<u>1,336,221</u>
(b) Cost of sales and services provided:		
Cost of sales of motor vehicles	44,544,024	43,215,761
Others	3,222,612	2,548,596
	<u>47,766,636</u>	<u>45,764,357</u>
(c) Other items:		
Depreciation and impairment of property, plant and equipment	447,812	351,430
Depreciation and impairment of investment properties	885	–
Amortisation of land use rights	34,199	24,529
Amortisation of intangible assets	126,498	117,099
Auditors' remuneration	5,600	5,400
Lease expenses	148,651	108,642
Advertisement expenses	163,820	146,743
Office expenses	166,476	159,349
Logistics expenses	105,735	95,604
Business promotion expenses	237,368	257,425
Provision for impairment of trade receivables and other receivables	–	27
Net loss on disposal of items of property, plant and equipment	24,374	10,511
Net loss on disposal of intangible assets	2	797
Fair value losses/(gains), net:		
Available-for-sale investments (transfer from equity on disposal)	–	1,820
Financial assets at fair value through profit or loss		
– listed equity investments held for trading	2,248	(14,189)
Dividend income from listed equity investments	(1,215)	(1,250)
Gain on disposal of available-for-sale investments	–	(3,370)

6. INCOME TAX EXPENSE

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Current Mainland China corporate income tax	427,811	364,796
Deferred tax	<u>(60,853)</u>	<u>(73,773)</u>
	<u>366,958</u>	<u>291,023</u>

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 these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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 rates for the regions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Profit before tax	1,390,045	1,156,566
Tax at the statutory tax rate (25%)	347,511	289,142
Tax effect of non-deductible expenses	14,084	16,383
Income not subject to tax	(4,226)	(6,838)
Profits attributable to joint ventures	(1,198)	(1,327)
Lower tax rates for specific provinces or enacted by local authority	8,502	2,961
Tax losses utilised from previous periods	–	(9,834)
Tax losses not recognised	<u>2,285</u>	<u>536</u>
Tax charge	<u>366,958</u>	<u>291,023</u>

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

The calculation of basic earnings per share amounts 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 1,908,481,295 (2012: 1,908,481,295) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented in 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during 2013 and 2012.

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

Earnings

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Profit attributable to ordinary equity holders of the parent	<u>1,010,067</u>	<u>750,480</u>

Shares

	Number of Shares	
	2013	2012
Weighted average number of ordinary shares in issue during the year	<u>1,908,481,295</u>	<u>1,908,481,295</u>

Earnings per share

	2013 <i>RMB</i>	2012 <i>RMB</i>
Basic	0.53	0.39
Diluted	<u>0.53</u>	<u>0.39</u>

8. INVENTORIES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Motor vehicles	6,161,059	5,694,250
Spare parts and others	<u>649,427</u>	<u>652,429</u>
	<u>6,810,486</u>	<u>6,346,679</u>

As at 31 December 2013, certain of the Group's inventories with a carrying amount of approximately RMB1,269,547,000 (31 December 2012: RMB1,132,547,000) were pledged as security for the Group's bank loans and other borrowings.

As at 31 December 2013, certain of the Group's inventories with a carrying amount of approximately RMB731,256,000 (31 December 2012: RMB445,218,000) were pledged as security for the Group's bills payable.

9. TRADE RECEIVABLES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Trade receivables	590,439	576,924
Impairment	(218)	(218)
	<u>590,221</u>	<u>576,706</u>

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

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Within 3 months	483,032	507,171
More than 3 months but less than 1 year	45,647	51,283
Over 1 year	61,542	18,252
	<u>590,221</u>	<u>576,706</u>

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Neither past due nor impaired	564,935	570,832
Over one year past due	25,286	5,874
	<u>590,221</u>	<u>576,706</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. TRADE AND BILLS PAYABLES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Trade payables	1,056,468	602,601
Bills payable	2,859,141	3,137,073
	<u>3,915,609</u>	<u>3,739,674</u>

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Within 3 months	3,650,732	3,066,559
3 to 6 months	249,101	666,262
6 to 12 months	6,490	2,577
Over 12 months	9,286	4,276
	<u>3,915,609</u>	<u>3,739,674</u>

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

11. DIVIDENDS

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Proposed final – HK\$0.12 (approximately RMB0.10) (2012: HK\$0.10) per ordinary share	<u>204,106</u>	<u>152,679</u>

The calculation of the proposed final dividend for the year ended 31 December 2013 is based on the proposed final dividend per ordinary share, and the total number of ordinary shares as at this announcement date.

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 2013, a final dividend of HK\$0.10 per ordinary share in respect of the year ended 31 December 2012 was declared and paid to the ordinary equity holders of the Company. The aggregate amount of the final dividend declared and paid in the year ended 31 December 2013 amounted to HK\$190,848,000 (equivalent to RMB152,679,000).

MARKET REVIEW

2013 marked a year of transition as the global landscape continued to undergo adjustments and the world's economy remained downturn. The overall macro-economy of China remained stable but its restructuring had been accelerated. In light of complicated market conditions and changes, performance of the automobile market has been the focus of market. According to the statistics of China Association of Automobile Manufacturers, the sales volume of automobiles in China reached 21.98 million units, representing an increase of 13.9% and ranked first in the world for five consecutive years. In particular, passenger vehicles market experienced rapid recovery. Driven by basic passenger cars ("passenger cars") and sport utility vehicles ("SUV"), sales volume in the domestic passenger vehicles market reached 17.93 million units in 2013, representing an increase of 15.7% over 2012, which was the sector with highest growth rate in automobile production and sales volume.

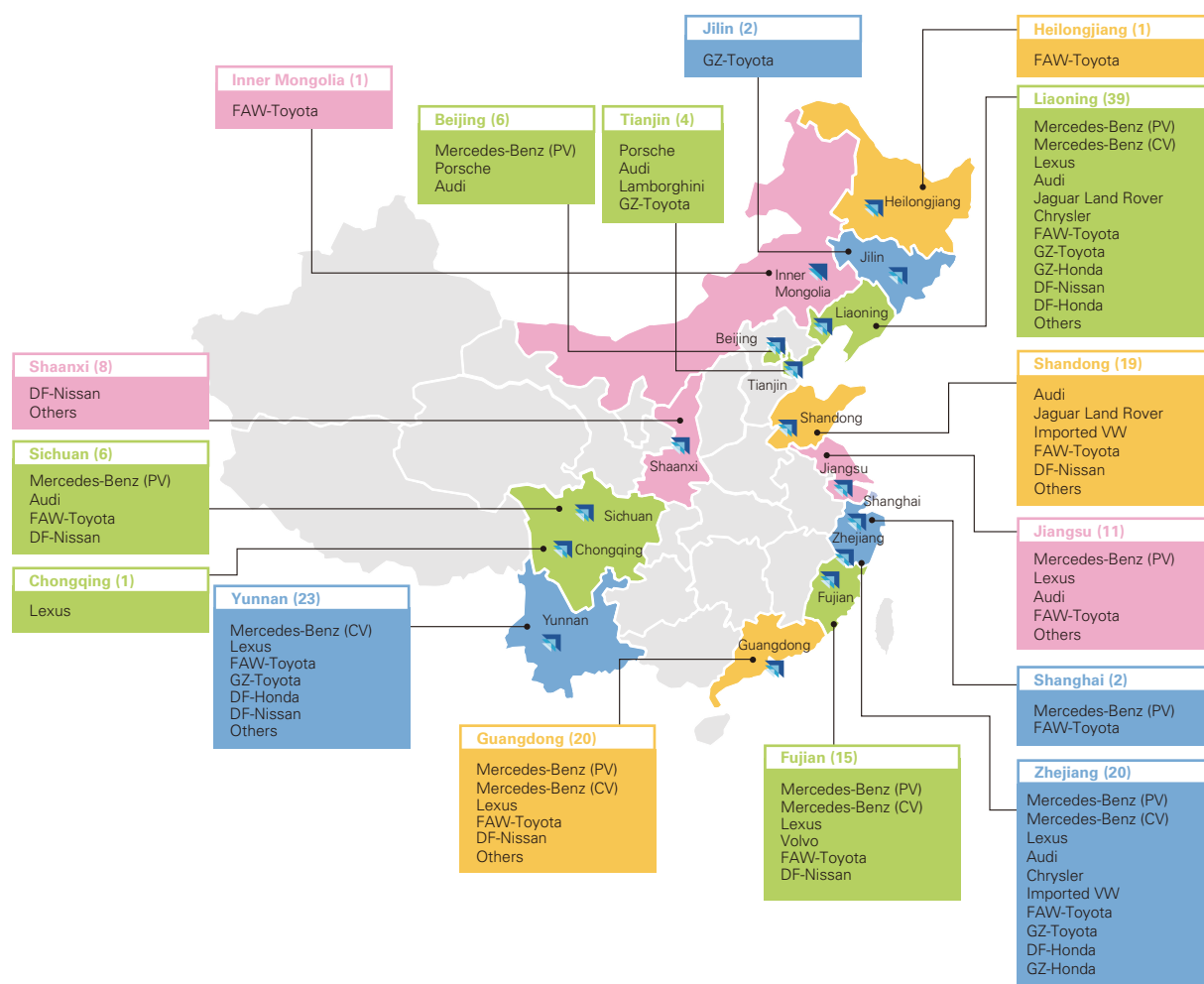
Over the past ten years, automobile ownership in large and medium cities in China experienced rapid growth. According to the relevant industry data as at the end of 2013, automobile ownership in China was approximately 137 million units, which was 5.7 times of the automobile ownership as at the end of 2003. Notwithstanding the aforesaid, the ownership of automobiles in China was still lower than 100 units per 1,000 people as shown from the figures, representing a gap as compared with global average of approximately 150 units per 1,000 people, and largely fell behind the developed countries or regions such as United States and Europe in terms of automobile penetration rate. There is still plenty of demand in China's automobile market and there is still enormous demand for aftersales services along with the rapid growth in automobile ownership.

BUSINESS REVIEW

Further Enhancing Network Distribution and Optimizing Brand Portfolios through Steady Expansion

During the year under review, China's macro-economy grew at a steady rate with a gradual increase in the sales volume of passenger vehicles. However, in consideration of the complexity of the market environment and the rationalization trend in China's automobile market, the Group continued to closely monitor market restructuring, demand distribution and upgrade of brand automobiles. By adopting steady and flexible development strategies, the Group mainly consolidated and enhanced its market share and competitive strengths in major regions and cities, as well as proactively expanded into new markets. As at the date of this announcement, the total number of dealerships of the Group increased to 178, including 64 luxury brand dealerships and 114 mid-to-high-end brand dealerships, covering 16 provinces and regions and nearly 70 cities across China.

The nationwide coverage of the Group's dealerships as at the date of this announcement is as follows:



	Mid-to- Luxury brand	high-end brand	Total
Northeastern region	9	33	42
Northern region	9	1	10
Eastern region	24	28	52
Southern region	17	18	35
Southwestern and Northwestern inland regions	5	34	39
Total	64	114	178

During the period under review and as at the date of this announcement, the Group has set up 11 luxury brand dealerships in regions with high consumption power or great potential for car purchasing such as Beijing, Shandong, Zhejiang, Jiangsu and Guangdong. Currently, the Group's existing brand portfolios include luxury brands such as Mercedes-Benz, Audi, Lexus, Jaguar Land Rover, Porsche, Lamborghini, Chrysler, Volvo and Imported Volkswagen, as well as mid-to-high-end brands such as Toyota, Nissan and Honda.

Enhancing Profitability by Developing After-sales Business and Highly Efficient Management

As at the end of 2013, automobile ownership in China reached approximately 137 million units. The market anticipates that the scale of automobile after-sales services has exceeded RMB450 billion. With increasing demand of consumers for services quality, after-sales services and other value-added services are emerging as a major driver for profit growth in the automobile business chain. As a one-stop automobile service dealer, the Group has capitalized on its precise market positioning, constantly improving service quality, innovation and diversified services and products as well as refining after-sales services development. In light of intensifying competition in automobile sales industry and decreasing profit margin of automobile sales, the Group's maturing after-sales services sector has shown its strong stability, and is gradually becoming a major driver for the Group's profit growth.

Introduction of a Strategic Investor

In January 2014, Zhongsheng Group introduced Jardine Strategic Holdings Limited as a strategic investor and approximately HK\$5.6 billion proceeds in aggregate was proposed to be raised through new shares placing and issuance of convertible bonds. This has demonstrated the confidence from our strategic investor on the significant development potential of the Group in the future and also enhanced the foundation for our accelerating development.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2013 was RMB52,527.4 million, representing an increase of RMB2,479.1 million or 5.0% as compared to 2012. This increase was primarily due to the increase in the number of our dealerships in operation and the new car sales and after-sales business of our existing dealerships continued to maintain a stable organic growth. Revenue from new car sales amounted to RMB46,493.0 million, representing an increase of RMB1,273.8 million or 2.8% as compared to 2012. Revenue from after-sales business amounted to RMB6,034.4 million, representing an increase of RMB1,205.3 million or 25.0% as compared to 2012. Our new car sales business generated a substantial portion of our revenue, accounting for 88.5% of our revenue for the year ended 31 December 2013 (2012: 90.4%).

For the year ended 31 December 2013, revenue from sales of luxury brand automobiles amounted to RMB28,957.1 million (2012: RMB26,717.9 million), accounting for 62.3% (2012: 59.1%) of our revenue from new car sales for the same period. Revenue from sales of mid-to-high-end brand automobiles amounted to RMB17,535.9 million (2012: RMB18,501.3 million), accounting for 37.7% (2012: 40.9%) of our revenue from new car sales. In terms of new car sales revenue, Mercedes-Benz and Toyota are our top-selling brands representing approximately 22.9% and 21.5% of our total new car sales revenue respectively (2012: 23.6% and 24.3% respectively).

Cost of Sales and Services

Cost of sales and services for the year ended 31 December 2013 amounted to RMB47,766.6 million, representing an increase of RMB2,002.3 million or 4.4% as compared to 2012. Cost attributable to our new car sales business amounted to RMB44,544.0 million for the year ended 31 December 2013, representing an increase of RMB1,328.3 million or 3.1% as compared to 2012. Cost attributable to our after-sales business amounted to RMB3,222.6 million for the year ended 31 December 2013, representing an increase of RMB674.0 million or 26.4% as compared to 2012.

Gross Profit

Gross profit for the year ended 31 December 2013 amounted to RMB4,760.7 million, representing an increase of RMB476.8 million or 11.1% as compared to 2012, of which, the gross profit from new car sales business amounted to RMB1,948.9 million, representing a decrease of RMB54.5 million or 2.7% as compared to 2012. Gross profit from after-sales services was RMB2,811.8 million, representing an increase of RMB531.3 million or 23.3% as compared to 2012. For the year ended 31 December 2013, the gross profit from after-sales services accounted for 59.1% of the total gross profit (2012: accounted for 53.2% of the total gross profit). Our gross profit margin for the year ended 31 December 2013 was 9.1% (2012: 8.6%), of which, the gross profit margin of new car sales business was 4.2% (2012: 4.4%). Gross profit margin of after-sales services was 46.6% (2012: 47.2%).

Profit from Operations

Profit from operations for the year ended 31 December 2013 amounted to RMB2,460.5 million, representing an increase of RMB277.1 million or 12.7% as compared to 2012. Our operating profit margin for the year ended 31 December 2013 was 4.7% (2012: 4.4%).

Profit for the Year

Our profit for the year ended 31 December 2013 amounted to RMB1,023.1 million, representing an increase of RMB157.6 million or 18.2% as compared to 2012. Our net profit margin for the year ended 31 December 2013 was 1.9% (2012: 1.7%).

Profit Attributable to Owners of the Parent

Our profit attributable to owners of our Company for the year ended 31 December 2013 was RMB1,010.1 million, representing an increase of RMB259.6 million or 34.6% as compared to 2012.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our cash is primarily used to pay for the purchase of new automobiles, spare parts and automobile accessories, repay our indebtedness, fund our working capital and normal operating expenses, establish new 4S dealerships and acquire other 4S dealerships. We finance our liquidity requirements through a combination of cash flows generated from our operating activities and financing activities.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of the proceeds from bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time.

Cash Flow Generated from Operating Activities

For the year ended 31 December 2013, our net cash generated from operating activities was RMB1,806.6 million, arising from operating profit of RMB3,038.2 million before working capital movement, deducting an increase in working capital of RMB979.0 million and payment of tax of RMB252.6 million.

Cash Flow Used in Investing Activities

For the year ended 31 December 2013, our net cash used in investing activities was RMB2,009.8 million, consisting primarily of purchases of property, plant and equipment of RMB1,904.2 million, purchases of land use rights of RMB344.9 million and acquisition of subsidiaries of RMB170.8 million, partially offset by proceeds from disposal of items of property, plant and equipment of RMB480.3 million.

Cash Flow Used in Financing Activities

For the year ended 31 December 2013, our net cash used in financing activities was RMB238.2 million, consisting of proceeds from bank loans and other borrowings of RMB26,710.8 million and net proceeds from issue of short term bonds of RMB1,196.4 million, and offset by repayment of bank loans and other borrowings of RMB26,164.1 million, repayment of short term bonds of RMB800.0 million and interest paid for bank loans and other borrowings of RMB1,065.2 million.

Capital Expenditure and Investment

Our capital expenditures comprise expenditures on property, plant and equipment and land use rights. For the year ended 31 December 2013, our total capital expenditures were RMB2,166.7 million.

Inventory Analysis

Our inventories primarily consist of new automobiles, spare parts and automobile accessories. Generally, each of our 4S dealerships independently manages the orders for new automobiles and part of the after-sales products. We also coordinate and aggregate orders for automobile accessories and other automobile-related products across our 4S dealership network. We manage our quotas and inventory levels through our ERP system. Our inventories increased by 7.3% from RMB6,346.7 million as at 31 December 2012 to RMB6,810.5 million as at 31 December 2013. The increase is primarily due to temporary storage increasing to prepare for the next sales peak season before the Spring Festival, which resulted in an increase in our inventory of new automobiles by RMB466.8 million, or 8.2%, to RMB6,161.1 million as at 31 December 2013.

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

	Year ended 31 December	
	2013	2012
Average inventory turnover days	<u>46.3</u>	<u>50.1</u>

Our average inventory turnover days in 2013 decreased to 46.3 days from 50.1 days in 2012, primarily due to our continuous efforts in monitoring the inventory level and improving the efficiency of inventory turnovers.

Bank Loans and Other Borrowings and Short Term Bonds

Our bank loans and other borrowings and short term bonds as at 31 December 2013 were RMB16,062.8 million. Our bank loans and other borrowings and short term bonds increased during the year primarily to finance our expanded business scale and operations.

Pledge of the Group's Assets

The Group pledged its group assets as securities for bank loans and other borrowings and banking facilities which were used to finance our daily business operation. As at 31 December 2013, the pledged group assets amounted to approximately RMB4.8 billion (2012: RMB4.2 billion).

Contingent Liabilities

As at 31 December 2013, neither the Company nor the Group had any significant contingent liabilities.

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 year ended 31 December 2013.

FUTURE OUTLOOK

Looking forward, urbanization progress in China as well as upgrading and renovation demand of automobile will maintain huge demand for automobile industry. The Group sees opportunities in diversified demands for automobiles and its derivative industries in various regions. We remain positive and optimistic towards future automobile industry in China. Adhering to the corporate motto of “Zhongsheng Group – Lifetime Partner”, we will continue to provide comprehensive services with good quality to wide range of customers. We will seize the opportunities arising from the integration of the automobile dealership market by proactively identifying promising market players and exploring the opportunities for acquisition and co-branding while expanding steadily, with a view to further increasing our market share. We will continue to broaden and optimize our existing brand portfolios as well as fully seize on the market movement and consumers behavior to take the preemptive opportunities in potential market segments. We will also further develop after-sales services business to expand the profit stream in different scopes to strengthen our leading position in the automobile dealership industry.

Moreover, the Group will continue to enhance its internal control and business integration to upgrade its core competitiveness in all aspects. We will utilize our unique ERP platform to further optimize our management system and process in order to improve our management and lower our costs. Looking ahead, we will endeavor to make Zhongsheng Group the leading enterprise in the automobile dealership industry, and provide satisfactory return for our shareholders by further optimizing our brand portfolios, expanding our dealership network and improving after-sales services.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied 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 “**Stock Exchange**”) (the “**Listing Rules**”). Throughout the Reporting Period, the Company has complied with the code provisions in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 enquiry has 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 2013.

AUDIT COMMITTEE

The Company’s annual results for the year ended 31 December 2013 have been reviewed by the Audit Committee on 31 March 2014.

SCOPE OF WORK OF THE AUDITOR

The figures above in respect of this annual results announcement for the year ended 31 December 2013 have been agreed with the Company's auditor, Ernst & Young, certified public accountants ("Ernst & Young"), 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 on the forthcoming annual general meeting on 23 June 2014 (the "AGM") for the distribution of a final dividend of HK\$0.12 per share for the year ended 31 December 2013 payable to the shareholders of the Company whose names are listed in the register of members of the Company on 2 July 2014, in an aggregate amount of HK\$257.6 million (equivalent to RMB204.1 million). The proposal for the distribution of the final dividend above is subject to the consideration and approval of the shareholders at the AGM of the Company.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 18 June 2014 to Monday, 23 June 2014 (both days inclusive) and from Friday, 27 June 2014 to Wednesday, 2 July 2014 (both days inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, unregistered holders of shares of the Company shall lodge share transfer documents 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 Tuesday, 17 June 2014. In order to qualify for the proposed final dividend (subject to the approval by shareholders at the forthcoming AGM), unregistered holders of shares of the Company shall lodge share transfer documents 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 Thursday, 26 June 2014.

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 2013 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 March 2014

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. Leng Xuesong and Mr. Adam Keswick; and the independent non-executive directors of the Company are Mr. Shigeno Tomihei, Mr. Ng Yuk Keung, Mr. Shen Jinjun and Mr. Lin Yong.