

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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 2015**

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 2015 (the “**Reporting Period**”), together with comparative figures for the year ended 31 December 2014 as follows:

**GROUP FINANCIAL HIGHLIGHTS:**

- New automobile sales volume for the year of 2015 increased by 17.6% to 243,681 units as compared to the year of 2014
- Revenue for the year of 2015 increased by 8.0% to RMB59,143 million as compared to the year of 2014, among which, revenue from new automobile sales amounted to RMB51,843 million, representing a year-on-year increase of 8.1%, while revenue from after-sales and accessories business amounted to RMB7,300 million, representing a year-on-year increase of 7.0%
- Income from other value-added services for the year of 2015 increased by 22.3% to RMB972 million as compared to the year of 2014
- Profit attributable to owners of the parent for the year of 2015 was RMB461 million, decreasing by 38.6% as compared to the year of 2014. However, the adjusted profit attributable to owners of the parent under Non-HKFRSs measures for the year ended 31 December 2015 was RMB531 million, decreasing by 33.2% as compared to the year of 2014. Please refer to the section headed “Non-HKFRSs Measures – Adjusted profit attributable to owners of the parent” for details

## MARKET REVIEW

In 2015, the international economic environment remained complicated with increasing pressure from economic downturn. Despite a slowdown, China's economic growth rate remained at a reasonable range. China's GDP for the year amounted to RMB67.7 trillion, representing a year-on-year growth of 6.9%, and ranked high among the world's major economies. In general, China's economy showed moderate but sound and stable development momentum.

Notably, the living standard of the citizens was further improved. The disposable income per capita in China recorded an actual increase of 7.4%, outpacing the economic growth rate. As at the end of last year, the balance of savings deposits of residents increased by more than RMB4 trillion, representing an increase of 8.5%. In particular, the employment situation stayed stable in general with an increase in the employed population in urban areas of 13.12 million, marking a significant breakthrough in the construction of new urbanization. All of these have laid a solid foundation and provided opportunities for long-term development of the automobile market.

The overall automobile industry achieved healthy development in 2015. China's automobile market once again set a new record. Both the production volume and sales volume of automobiles for the whole year exceeded 24.50 million units, hitting the world's new high and ranking first in the world for seven consecutive years. The production volume and sales volume of passenger vehicles reached 21.0794 million units and 21.1463 million units, respectively, representing a year-on-year increase of 5.8% and 7.3%, and outpacing the increase rate in the overall automobile market by 2.5 and 2.6 percentage points, respectively. This is the first time in the history that both the production volume and sales volume of passenger vehicles have exceeded 20 million units. As a major component of Chinese automobile products, the proportion of sales volume of passenger vehicles in the total sales volume of vehicles further increased to 86% in the year of 2015.

In contrast to the performance of the sales volume of new automobile, the selling price and profit margin of new automobiles were not satisfactory. Though the initiatives to destock taken by the entire automobile dealership industry made certain achievements in 2015, they were yet to reach a desirable level and the finance cost pressure was still relatively high. The imbalance between market demand and supply intensified the price competition, which resulted in a lower profit margin for new automobiles as compared to 2014.

As the industrial development has reached a critical phase of adjustments, the automobile dealership industry is undergoing a process of large-scale elimination and integration. The structure of China's automobile dealership industry is changing due to business restructurings. During this process, all dealership groups are facing not only tremendous pressure but also unprecedented opportunities.

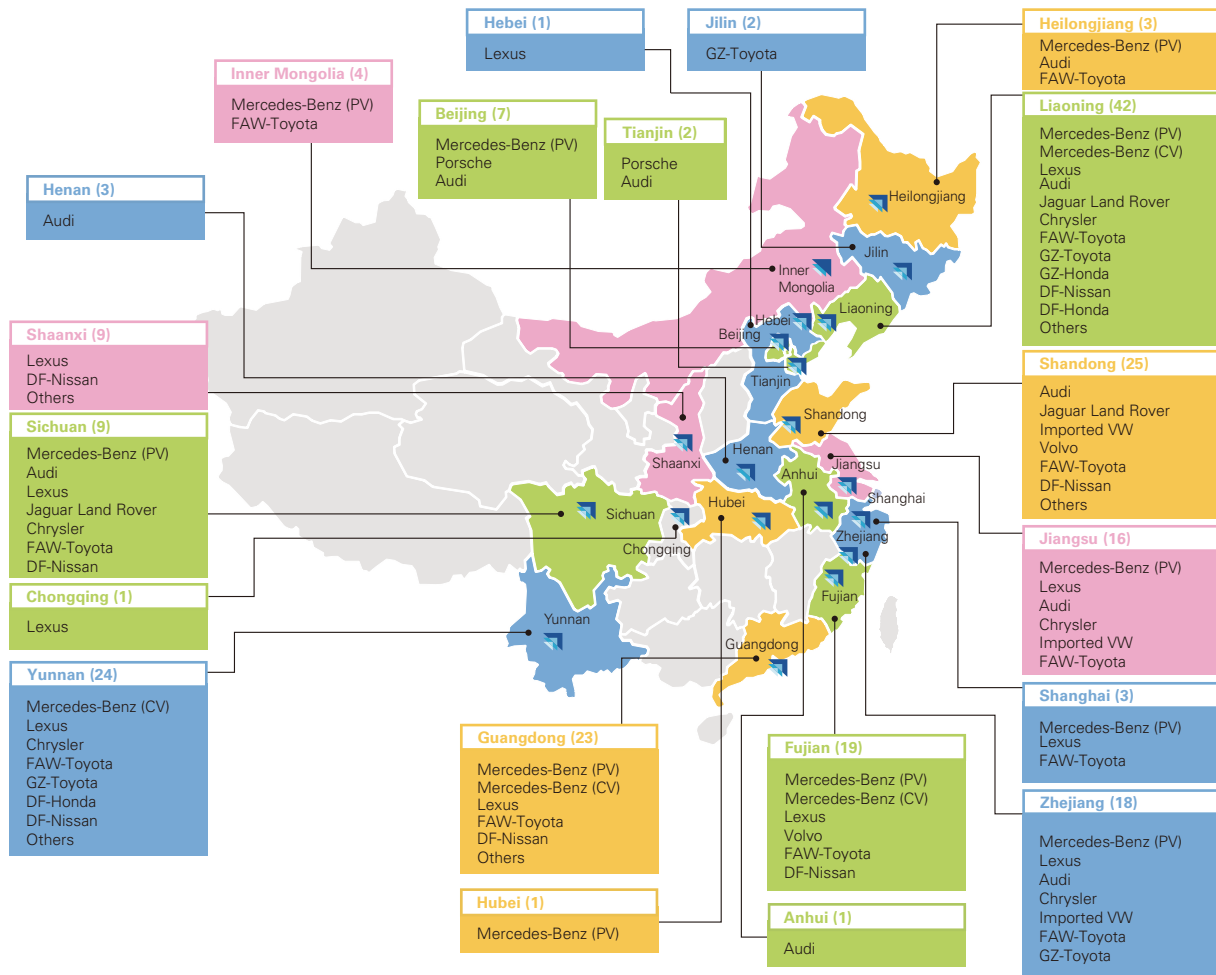
2016 is the first year of the "Thirteenth Five-Year Plan". One of the core missions for the "Thirteenth Five-Year Plan" period is to construct a moderately prosperous society. This core mission has laid a solid foundation for the development of China's automobile industry and provided huge space for further development of the automobile dealership industry.

## BUSINESS REVIEW

### Commitments to Optimization and Expansion of Distribution Network

Looking back on 2015, despite that a slight decrease was seen in the sales volume of the passenger vehicle market between June and August, the general trend was still upward and the growth rate continued to recover. In particular, the year-on-year increase rates for November and December were even more than 20%. In light of this, the Group continued to uphold its commitment and actively optimized and expanded its distribution network coverage. As at 31 December 2015, the total number of dealerships of the Group increased to 213 which were mainly located in regions with high consumption power or great potential for car purchasing, and covered 20 provinces and regions and more than 70 cities across China. Among them, 102 were luxury brand dealerships, representing an increase of 22 dealerships in 2015.

The coverage of the Group's dealerships as of 31 December 2015 was as follows:



	<b>Luxury brand</b>	<b>Mid-to-high-end brand</b>	<b>Total</b>
Northeastern China region	14	33	47
Northern China region	10	–	10
Eastern and Central China region	39	25	64
Southern China region	24	18	42
Southwestern and Northwestern inland regions	15	35	50
<b>Total</b>	<b>102</b>	<b>111</b>	<b>213</b>

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

### **Continuing to Develop After-Sales Services with Innovative Concepts of Services and Products**

According to statistics, the scale of China’s automobile after-sales market reached RMB600 billion in 2015, and the average annual growth rate was more than 30%. Since 2015, China has been promoting innovation across the country, and the automobile dealership industry has been undergoing innovation and reforms. The overall driving force and competitiveness has been moving towards the after-sales market and the development of innovative and highly efficient services will become an important means for dealership groups to break out from the tradition.

The Group places great emphasis on the improvement and enhancement of the quality of after-sales services. A professional after-sales R&D team has been established by the Group to provide customers with high quality driving experience at all times through providing differentiated products and services. As an automobile dealership group which provides one-stop services including sales of new and second-hand automobiles, after-sales, refitting, accessories, finance, insurance and leasing services, we have fully explored the value of automobile after-sales industrial chain, and achieved rapid development in exploring every extended business lines.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

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

	<i>Notes</i>	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
<b>REVENUE</b>	4	<b>59,142,607</b>	54,786,660
Cost of sales and services provided	5	<b>(54,473,414)</b>	(50,011,837)
<b>Gross profit</b>		<b>4,669,193</b>	4,774,823
Other income and gains, net	4	<b>1,104,143</b>	944,500
Selling and distribution expenses		<b>(2,609,155)</b>	(2,373,479)
Administrative expenses		<b>(1,154,254)</b>	(981,466)
<b>Profit from operations</b>		<b>2,009,927</b>	2,364,378
Finance costs		<b>(1,295,697)</b>	(1,272,568)
Share of profits and losses of:			
Joint ventures		<b>1,408</b>	3,638
<b>Profit before tax</b>	5	<b>715,638</b>	1,095,448
Income tax expense	6	<b>(234,329)</b>	(314,727)
<b>Profit for the year</b>		<b>481,309</b>	780,721
<b>Attributable to:</b>			
Owners of the parent		<b>460,964</b>	750,905
Non-controlling interests		<b>20,345</b>	29,816
		<b>481,309</b>	780,721
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic			
– For profit for the year (RMB)	7	<b>0.21</b>	0.35
Diluted			
– For profit for the year (RMB)	7	<b>0.21</b>	0.35

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
<b>Profit for the year</b>	<u>481,309</u>	<u>780,721</u>
<b>Other comprehensive (loss)/income</b>		
Exchange differences on translation of foreign operations	<u>(161,069)</u>	<u>6,552</u>
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	<u>(161,069)</u>	<u>6,552</u>
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<u>(161,069)</u>	<u>6,552</u>
Total comprehensive income for the year	<u><b>320,240</b></u>	<u><b>787,273</b></u>
<b>Attributable to:</b>		
Owners of the parent	<u>299,895</u>	<u>757,457</u>
Non-controlling interests	<u>20,345</u>	<u>29,816</u>
	<u><b>320,240</b></u>	<u><b>787,273</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

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

		<b>31 December</b>	
	<i>Notes</i>	<b>2015</b>	2014
		<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>8,092,754</b>	7,460,041
Investment properties		<b>47,086</b>	48,266
Land use rights		<b>2,520,331</b>	2,185,744
Prepayments		<b>883,468</b>	1,152,084
Intangible assets		<b>2,953,635</b>	2,675,267
Goodwill		<b>2,622,410</b>	2,432,635
Investments in joint ventures		<b>43,871</b>	43,263
Deferred tax assets		<b>357,649</b>	285,347
		<hr/>	<hr/>
Total non-current assets		<b>17,521,204</b>	16,282,647
<b>CURRENT ASSETS</b>			
Inventories	8	<b>6,289,279</b>	8,319,367
Trade receivables	9	<b>936,326</b>	631,451
Prepayments, deposits and other receivables		<b>7,982,139</b>	7,376,013
Amounts due from related parties		<b>1,185</b>	1,288
Available-for-sale investments		<b>23,880</b>	84,050
Financial assets at fair value through profit or loss		<b>–</b>	36,033
Pledged bank deposits		<b>1,295,865</b>	1,887,427
Cash in transit		<b>210,920</b>	198,755
Cash and cash equivalents		<b>4,464,517</b>	4,091,220
		<hr/>	<hr/>
Total current assets		<b>21,204,111</b>	22,625,604
<b>CURRENT LIABILITIES</b>			
Bank loans and other borrowings		<b>13,734,023</b>	16,844,969
Short term bonds		<b>414,977</b>	–
Bonds payable, current portion		<b>622,646</b>	23,129
Convertible bonds, current portion		<b>13,537</b>	12,810
Trade and bills payables	10	<b>3,494,918</b>	3,085,791
Other payables and accruals		<b>1,652,959</b>	1,595,188
Amounts due to related parties		<b>4,493</b>	3,895
Income tax payable		<b>714,068</b>	637,809
Dividends payable		<b>1,479</b>	9
		<hr/>	<hr/>
Total current liabilities		<b>20,653,100</b>	22,203,600
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>551,011</b>	422,004
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/> <b>18,072,215</b> <hr/>	<hr/> 16,704,651 <hr/>

	<b>31 December</b>	
	<b>2015</b>	2014
	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<b>979,805</b>	891,818
Bonds payable	–	598,678
Convertible bonds	<b>2,488,664</b>	2,275,711
Bank loans and other borrowings	<b>1,987,751</b>	557,516
	<hr/>	<hr/>
Total non-current liabilities	<b>5,456,220</b>	4,323,723
	<hr/>	<hr/>
NET ASSETS	<b>12,615,995</b>	12,380,928
	<hr/>	<hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	<b>186</b>	186
Treasury shares	–	(2,964)
Reserves	<b>11,268,325</b>	11,121,575
	<hr/>	<hr/>
	<b>11,268,511</b>	11,118,797
	<hr/>	<hr/>
<b>Non-controlling interests</b>	<b>1,347,484</b>	1,262,131
	<hr/>	<hr/>
Total equity	<b>12,615,995</b>	12,380,928
	<hr/>	<hr/>



## 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 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 (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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. 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 revised standards for the first time for the current year’s financial statements.

*Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions*  
*Annual Improvements to HKFRSs 2010-2012 Cycle*  
*Annual Improvements to HKFRSs 2011-2013 Cycle*

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the 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 customer information is presented in accordance with HKFRS 8 *Operating Segments*.

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

##### (a) Revenue:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Revenue from the sale of motor vehicles	51,842,665	47,961,591
Others	7,299,942	6,825,069
	<u>59,142,607</u>	<u>54,786,660</u>

##### (b) Other income and gains, net:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Commission income	972,167	795,083
Rental income	28,469	33,007
Interest income	68,041	54,538
Government grants	9,759	9,144
Net loss on disposal of items of property, plant and equipment	(89,624)	(45,264)
Net gain on disposal of land use rights	33,499	4,241
Net loss on disposal of subsidiaries	(9,469)	–
Fair value gains, net:		
Financial assets at fair value through profit or loss		
– listed equity investments held for trading	–	7,195
Dividend income from listed equity investments	–	1,606
Net gain on disposal of listed equity investments	3,891	4,091
Others	87,410	80,859
	<u>1,104,143</u>	<u>944,500</u>

## 5. PROFIT BEFORE TAX

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
<b>(a) Employee benefit expense (including directors' and chief executive officer's remuneration):</b>		
Wages and salaries	1,434,181	1,346,697
Pension scheme contributions	216,048	210,269
Other welfare	96,395	96,336
	<u>1,746,624</u>	<u>1,653,302</u>
<b>(b) Cost of sales and services provided:</b>		
Cost of sales of motor vehicles	50,493,492	46,386,796
Others	3,979,922	3,625,041
	<u>54,473,414</u>	<u>50,011,837</u>
<b>(c) Other items:</b>		
Depreciation and impairment of property, plant and equipment	594,155	514,174
Depreciation and impairment of investment properties	1,181	1,181
Amortisation of land use rights	54,052	47,323
Amortisation of intangible assets	161,631	135,456
Impairment of goodwill	12,431	–
Impairment of intangible assets	28,202	–
Auditors' remuneration	5,600	5,600
Lease expenses	169,034	157,446
Advertisement expenses	138,652	163,485
Office expenses	193,130	196,500
Logistics expenses	133,356	126,059
Business promotion expenses	422,394	394,357
Impairment of trade receivables	–	11,898
Write-down of inventories to net realisable value	657	4,734
Net loss on disposal of items of property, plant and equipment	89,624	45,264
Net gain on disposal of land use rights	(33,499)	(4,241)
Fair value gains, net:		
Financial assets at fair value through profit or loss		
– listed equity investments held for trading	–	(7,195)
Dividend income from listed equity investments	–	(1,606)
Net loss on disposal of subsidiaries	9,469	–
Net gain on disposal of listed equity investments	(3,891)	(4,091)

## 6. INCOME TAX EXPENSE

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Current Mainland China corporate income tax	313,150	384,463
Deferred tax	<u>(78,821)</u>	<u>(69,736)</u>
	<u>234,329</u>	<u>314,727</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 (except only a registered office) or carry on any business in the BVI.

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit before tax	715,638	1,095,448
Tax at the statutory tax rate (25%)	178,910	273,862
Tax effect of non-deductible expenses	39,240	30,552
Income not subject to tax	(4,042)	(1,032)
Profits attributable to joint ventures	(352)	(909)
Lower tax rates for specific provinces or enacted by local authority	16,071	9,606
Tax losses not recognised	<u>4,502</u>	<u>2,648</u>
Tax charge	<u>234,329</u>	<u>314,727</u>

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,146,506,957 (2014: 2,131,938,346) 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

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<b>460,964</b>	750,905
Interest on convertible bonds	<b>141,356</b>	91,591
	<b>602,320</b>	842,496

### Shares

	<b>Number of Shares</b>	
	<b>2015</b>	2014
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>2,146,506,957</b>	2,131,938,346
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	<b>238,560,258</b>	163,846,331
Weighted average number of ordinary shares used in diluted earnings per share calculation	<b>2,385,067,215</b>	2,295,784,677

## Earnings per share

	<b>2015</b> <b>RMB</b>	2014 <b>RMB</b>
Basic	<b>0.21</b>	0.35
Diluted	<b>0.21*</b>	0.35

\* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the year attributable to owners of the parent of RMB460,964,000 and the weighted average number of ordinary shares of 2,146,506,957 in issue during 2015.

## 8. INVENTORIES

	<b>2015</b> <b>RMB'000</b>	2014 <b>RMB'000</b>
Motor vehicles	<b>5,586,644</b>	7,650,794
Spare parts and others	<b>708,026</b>	673,307
	<b>6,294,670</b>	8,324,101
Less: Provision for inventories	<b>5,391</b>	4,734
	<b>6,289,279</b>	8,319,367

As at 31 December 2015, certain of the Group's inventories with a carrying amount of approximately RMB1,456,529,000 (2014: RMB1,350,541,000) were pledged as security for the Group's bank loans and other borrowings.

As at 31 December 2015, certain of the Group's inventories with a carrying amount of approximately RMB1,322,884,000 (2014: RMB822,537,000) were pledged as security for the Group's bills payable.

## 9. TRADE RECEIVABLES

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade receivables	<b>936,326</b>	631,451
Impairment	–	–
	<b><u>936,326</u></b>	<b><u>631,451</u></b>

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 aging 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:

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Within 3 months	<b>850,468</b>	530,582
More than 3 months but less than 1 year	<b>37,464</b>	33,521
Over 1 year	<b>48,394</b>	67,348
	<b><u>936,326</u></b>	<b><u>631,451</u></b>

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

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Neither past due nor impaired	<b>914,348</b>	612,666
Over one year past due	<b>21,978</b>	18,785
	<b><u>936,326</u></b>	<b><u>631,451</u></b>

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.

The movements in provision for impairment of trade receivables are as follows:

	<b>2015</b> <b>RMB'000</b>	2014 <b>RMB'000</b>
At the beginning of the year	–	218
Impairment losses recognised	–	11,898
Amounts written off as uncollectible	–	(12,116)
	<hr/>	<hr/>
At the end of the year	<b>–</b>	<b>–</b>

## 10. TRADE AND BILLS PAYABLES

	<b>2015</b> <b>RMB'000</b>	2014 <b>RMB'000</b>
Trade payables	<b>1,023,626</b>	688,148
Bills payable	<b>2,471,292</b>	2,397,643
	<hr/>	<hr/>
Trade and bills payables	<b>3,494,918</b>	<b>3,085,791</b>

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

	<b>2015</b> <b>RMB'000</b>	2014 <b>RMB'000</b>
Within 3 months	<b>3,200,783</b>	2,762,233
3 to 6 months	<b>285,342</b>	311,366
6 to 12 months	<b>4,770</b>	3,401
Over 12 months	<b>4,023</b>	8,791
	<hr/>	<hr/>
	<b>3,494,918</b>	<b>3,085,791</b>

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

## 11. DIVIDENDS

	<b>2015</b> <b>RMB'000</b>	2014 <b>RMB'000</b>
Proposed final – HK\$0.05 (approximately RMB0.04) (2014: HK\$0.09) per ordinary share	<b>90,153</b>	150,181
	<hr/>	<hr/>

The calculation of the proposed final dividend for the year ended 31 December 2015 is based on the proposed final dividend per ordinary share, and the total number of ordinary shares as at 31 March 2016.

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 2015, a final dividend of HK\$0.09 per ordinary share in respect of the year ended 31 December 2014 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 2015 was HK\$190,375,000 (equivalent to RMB150,181,000).



## **FINANCIAL REVIEW**

### **Revenue**

Revenue for the year ended 31 December 2015 was RMB59,142.6 million, representing an increase of RMB4,355.9 million or 8.0% as compared to the corresponding period in 2014. Revenue from new car sales amounted to RMB51,842.7 million, representing an increase of RMB3,881.1 million or 8.1% as compared to the corresponding period in 2014. Revenue from after-sales and accessories business amounted to RMB7,299.9 million, representing an increase of RMB474.8 million or 7.0% as compared to the corresponding period in 2014. Our new car sales business generated a substantial portion of our revenue, accounting for 87.7% of our revenue for the year ended 31 December 2015 (2014: 87.5%).

For the year ended 31 December 2015, revenue from sales of luxury brand automobiles amounted to RMB34,880.2 million (2014: RMB31,930.1 million), accounting for 67.3% (2014: 66.6%) of our revenue from new car sales for the same period. Revenue from sales of mid-to-high-end brand automobiles amounted to RMB16,962.5 million (2014: RMB16,031.5 million), accounting for 32.7% (2014: 33.4%) of our revenue from new car sales. In terms of new car sales revenue in 2015, Mercedes-Benz and Audi were our two top-selling brands, representing approximately 27.2% and 17.6% of our total new car sales revenue, respectively (2014: 27.5% and 18.0% respectively).

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

Cost of sales and services for the year ended 31 December 2015 amounted to RMB54,473.4 million, representing an increase of RMB4,461.6 million or 8.9% as compared to the corresponding period in 2014. Cost attributable to our new car sales business amounted to RMB50,493.5 million for the year ended 31 December 2015, representing an increase of RMB4,106.7 million or 8.9% as compared to the corresponding period in 2014. Cost attributable to our after-sales and accessories business amounted to RMB3,979.9 million for the year ended 31 December 2015, representing an increase of RMB354.9 million or 9.8% as compared to the same period of 2014.

## **Gross Profit**

Gross profit for the year ended 31 December 2015 amounted to RMB4,669.2 million, representing a decrease of RMB105.6 million or 2.2% as compared to the corresponding period in 2014, of which the gross profit from new car sales business amounted to RMB1,349.2 million, representing a decrease of RMB225.6 million or 14.3% as compared to the corresponding period in 2014. Gross profit from after-sales and accessories business was RMB3,320.0 million, representing an increase of RMB120.0 million or 3.8% as compared to the corresponding period of 2014. For the year ended 31 December 2015, the gross profit from after-sales and accessories business accounted for 71.1% of the total gross profit (2014: 67.0%). Our gross profit margin for the year ended 31 December 2015 was 7.9% (2014: 8.7%), of which the gross profit margin of new car sales business was 2.6% (2014: 3.3%). Gross profit margin of after-sales and accessories business was 45.5% (2014: 46.9%).

## **Profit from Operations**

Profit from operations for the year ended 31 December 2015 amounted to RMB2,009.9 million, representing a decrease of RMB354.5 million or 15.0% as compared to the corresponding period in 2014. Our operating profit margin for the year ended 31 December 2015 was 3.4% (2014: 4.3%).

## **Profit for the Year**

Our profit for the year ended 31 December 2015 amounted to RMB481.3 million, representing a decrease of RMB299.4 million or 38.4% as compared to the corresponding period in 2014. Our net profit margin for the year ended 31 December 2015 was 0.8% (2014: 1.4%).

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

Our profit attributable to owners of our Company for the year ended 31 December 2015 was RMB461.0 million, representing a decrease of RMB289.9 million or 38.6% as compared to the corresponding period in 2014.

## Non-HKFRSs Measures – Adjusted profit attributable to owners of the parent

In addition to our consolidated financial statements which are presented in accordance with HKFRSs, we also provide further information based on the adjusted net profit attributable to owners of the parent as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of our business performance. We also believe that these non-HKFRSs measures provide additional information to investors and others, helping them to understand and evaluate our consolidated results of operations in the same manner as our management and to compare financial results across accounting periods and with those of our peer companies.

We define adjusted net profit attributable to owners of the parent as net income or loss attributable to owners of the parent excluding the interest expense of convertible bonds recognised under HKFRSs using the effective interest rate method and adding back the interest expense of convertible bonds calculated based on coupon interest rate for the year ended 31 December 2015.

	<b>2015</b>	2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit for the year attributable to owners of the parent	<b>460,964</b>	750,905
Add:		
Interest expense of convertible bonds recognised under HKFRSs using the effective interest rate method	<b>141,356</b>	91,591
Less:		
Interest expense of convertible bonds calculated based on coupon interest rate	<b>71,660</b>	47,657
Adjusted profit attributable to owners of the parent	<b><u>530,660</u></b>	<u>794,839</u>

## 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 dealerships and acquire other dealerships. We finance our liquidity needs through a combination of cash flows generated from our operating activities and financing activities.

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

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

For the year ended 31 December 2015, our net cash generated from operating activities was RMB4,651.7 million, arising primarily from operating profit of RMB2,855.9 million before working capital movement, adding a net decrease in working capital of RMB2,042.1 million and deducting payment of tax of RMB246.3 million.

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

For the year ended 31 December 2015, our net cash used in investing activities was RMB1,690.1 million, consisting primarily of purchases of property, plant and equipment of RMB1,596.1 million, purchases of land use rights of RMB185.6 million and acquisition of subsidiaries of RMB392.7 million, partially offset by proceeds from disposal of items of property, plant and equipment of RMB564.0 million.

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

For the year ended 31 December 2015, our net cash used in financing activities was RMB2,597.7 million, consisting of proceeds from bank loans and other borrowing of RMB31,218.1 million, offset by repayment of bank loans and other borrowings of RMB33,117.9 million and interest paid for bank loans and other borrowings of RMB1,200.0 million.

### **Capital Expenditure and Investment**

Our capital expenditures comprise expenditures on property, plant and equipment, land use rights and business combination. For the year ended 31 December 2015, our total capital expenditures were RMB1,834.5 million.

### **Inventory Analysis**

Our inventories primarily consist of new automobiles, spare parts and automobile accessories. Generally, each of our 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 dealership network. We manage our quotas and inventory levels through our ERP system. Our inventories decreased by 24.4% from RMB8,319.4 million as at 31 December 2014 to RMB6,289.3 million as at 31 December 2015. The decrease is primarily due to a series of destock action taken by us, which facilitated a decrease in our inventory of new automobiles by RMB2,064.2 million, or 27.0%, to RMB5,586.6 million as at 31 December 2015.

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

	<b>Year ended 31 December</b>	
	<b>2015</b>	2014
Average inventory turnover days	<b>43.5</b>	<b>50.9</b>

Our average inventory turnover days in 2015 decreased to 43.5 days from 50.9 days in 2014, primarily benefited from our continuous destock action and the ramp up of sales of new stores.

### **Bank Loans and Other Borrowings**

Our bank loans and other borrowings, short term bonds and bonds payable as at 31 December 2015 were RMB16,759.4 million, and our convertible bonds liability portion amounted to RMB2,502.2 million. The decrease in our bank loans and other borrowings during the year is primarily due to good cash-inflow from operating activities which enables us to reduce the borrowings.

### **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 2015, the pledged group assets amounted to approximately RMB5.4 billion (2014: RMB5.1 billion).

### **Contingent Liabilities**

As at 31 December 2015, 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 2015.

### **FUTURE OUTLOOK**

Looking ahead, there exist both opportunities and challenges as China's automobile industry has reached a critical phase of transformation and upgrading. While steadily optimizing our network coverage and enhancing our management standards, we will strive for excellence, continually increase our service capabilities and standards as well as enlarge the effect of scale economies. As an automobile dealership group which provides one-stop services including sales of new and second-hand automobiles, refitting, after-sales maintenance, accessories, finance, insurance and leasing services, we will stand by our corporate motto of "Zhongsheng Group – Lifetime Partner" as always, consistently uphold our operational policy of "Integrity and Innovation", strengthen our own management and enhance our core competitiveness. In light of the core mission under the "Thirteenth Five-Year Plan" to fully construct a moderately prosperous society, the Group will make its best endeavors to take a step forward to achieve comprehensive development.

## **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 (the “**Listing Rules**”). Throughout the Reporting Period, the Company has complied with the code provisions in the CG Code, save for one exception: Code provision A.5.1 which stipulates that a nomination committee should comprise a majority of independent non-executive directors.

Since the retirement of Mr. Shigeno Tomihei as an independent non-executive director and his cessation to act as the chairman of the remuneration committee and a member of the nomination committee of the Company have been effective on 16 June 2015, the composition of the nomination committee did not meet the requirement under code provision A.5.1 of the CG Code. In order to comply with such requirement, the Company appointed Mr. Lin Yong, an independent non-executive director of the Company, as a member of the nomination committee on 31 August 2015 to fill the casual vacancy.

## **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 2015.

## **AUDIT COMMITTEE**

The Company’s annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee on 31 March 2016.

## **SCOPE OF WORK OF THE AUDITOR**

The figures above in respect of this annual results announcement for the year ended 31 December 2015 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 17 June 2016 (the “**AGM**”) for the distribution of a final dividend of HK\$0.05 per share for the year ended 31 December 2015 payable to the shareholders of the Company whose names are listed in the register of members of the Company on 27 June 2016, in an aggregate amount of HK\$107.3 million (equivalent to RMB90.2 million). It is expected that the final dividend will be paid on 11 July 2016. 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 Tuesday, 14 June 2016 to Friday, 17 June 2016 (both days inclusive) and from Thursday, 23 June 2016 to Monday, 27 June 2016 (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 Monday, 13 June 2016. 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 Wednesday, 22 June 2016.

## **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 2015 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.

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

Hong Kong, 31 March 2016

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