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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 2017**

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 2017 (the “**Reporting Period**”), together with comparative figures for the year ended 31 December 2016 as follows:

**GROUP FINANCIAL HIGHLIGHTS**

- New automobile sales volume for the year of 2017 increased by 13.5% to 341,319 units as compared to the year of 2016;
- Revenue for the year of 2017 increased by 20.5% to RMB86,290.3 million as compared to the year of 2016;
- Gross profit margin for the year of 2017 was 10.1%, representing a 0.9 percentage point increase from 9.2% for the year of 2016;
- Gross profit from other value-added services for the year of 2017 increased by 39.4% to RMB1,788.6 million as compared to the year of 2016;
- Profit attributable to owners of the parent for the year of 2017 was RMB3,350.4 million, representing an increase of 80.1% from RMB1,860.2 million for the year of 2016. Earnings per share for the year of 2017 amounted to RMB1.52 (corresponding period of 2016: RMB0.87); and
- The proposed final dividend for the year of 2017 is HK\$0.36 (approximately RMB0.30) per ordinary share, subject to the approval of the Shareholders at the forthcoming AGM.

## **MARKET REVIEW**

In 2017, the global economy experienced a sound recovery and the overall economy in China maintained a healthy growth momentum, which also had a positive impact on global economic development. In 2017, there were over 13 million new jobs in urban and rural regions in China, and per capita disposable income of national residents achieved a real growth of 7.3%. China took a big step towards achieving its goal of building a moderately prosperous society with people's living standard further improved, and thereby drove consumption to improve the economy.

China's automobile industry benefited from the prospering economy and developed steadily in 2017. In particular, with strong demand for improvement and upgrade led by the increase of resident consumption power, sales of luxury automobiles sustained high growth during the year. Twelve leading luxury brands including Mercedes-Benz, BMW, Audi, Lexus, Land Rover and Volvo reached sales volume of approximately 2.53 million in total, a year-on-year increase of 16.4%, which was far above the industry average.

According to the statistics from the Ministry of Public Security of China, by the end of 2017, the nationwide motor vehicles ownership was 310 million, of which 217 million was automobiles. In 2017, there were 33.52 million newly registered motor vehicles at Traffic Management Bureau of Ministry of Public Security, of which 28.13 million were newly registered automobiles, both reaching historic high. With a stable and long-term development plan of China's economy, we remain optimistic about China's automobile industry. Furthermore, we envisage greater opportunities for the future market development and opportunities in view of the continuously increasing automobile ownerships statistics.

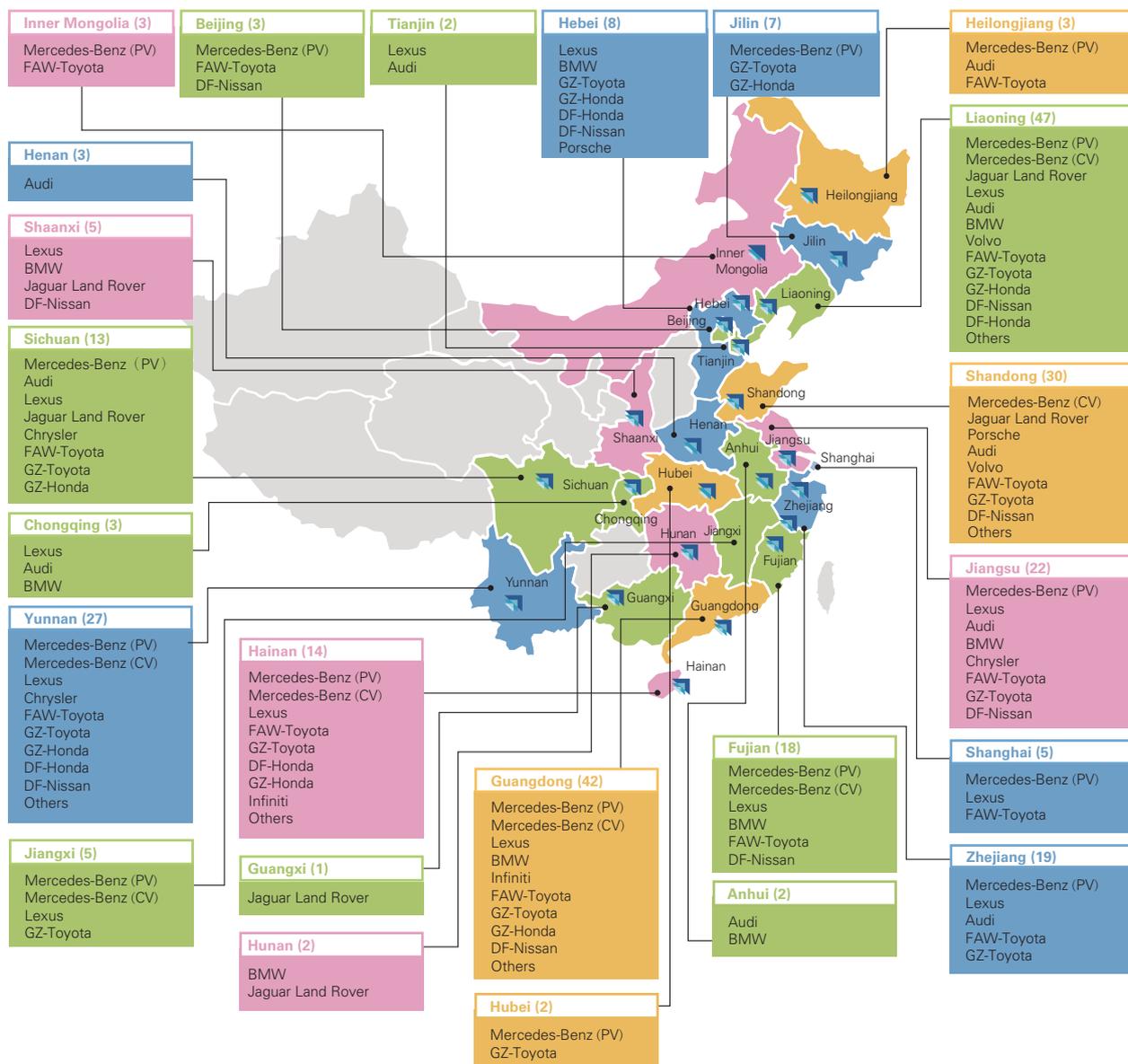
## **BUSINESS REVIEW**

### **Emerging Advantages in Brand Portfolio and Improving Network Layout**

By looking at the automobile ownership distribution as at the end of 2017, the number of automobile ownerships in 53 cities had exceeded one million, with 24 cities having automobile ownerships of over 2 million and 7 cities over 3 million. These cities were Beijing, Chengdu, Chongqing, Shanghai, Suzhou, Shenzhen and Zhengzhou respectively. All these industry data analysis correlated well with our brands and regional strategic layout.

As of 31 December 2017, the total number of dealerships of the Group reached 286, including 151 luxury brand dealerships and 135 mid-to-high-end brand dealerships, covering 24 provinces and regions, and nearly 90 cities across China. The number of our luxury brand dealerships had exceeded 50% for the first time, which are mainly located in regions with high consumption potential and consumption willingness. The market will continue to benefit from the opportunities brought by automobile replacement and consumption upgrading.

The coverage of the Group's dealerships as of 31 December 2017 is as follows:



	Luxury brands	Mid-to-high-end brands	Total
Northeastern and Northern China regions	25	45	70
Eastern and Central China regions	61	29	90
Southern China region	41	33	74
Southwestern and Northwestern mainland regions	24	28	52
<b>Total</b>	<b>151</b>	<b>135</b>	<b>286</b>

Currently, the Group's brand portfolio covers luxury brands such as Mercedes-Benz, Lexus, Audi, BMW, Jaguar Land Rover, Porsche and Volvo, as well as mid-to-high-end brands such as Toyota, Nissan and Honda. In 2017, the Group achieved new automobiles sales volume of 341,319 units, a year-on-year increase of 13.5%, of which luxury brand accounted for 42% of the Group's total sales volume.

### **Continuous Growth of After-sales Business and Rapid Development of Value-added Service**

With the sustained growth of the entire automobile ownership in China and increased ageing of automobiles, the development prospect of China's automobile aftermarket segment became apparent. In 2017, the automotive after-sales market began to enter into a "trillion" scale and is expected to fulfill its true potential in the future. With the outburst of automotive after-sales market, automobile users are becoming more mature and more demanding on product quality, service concepts as well as innovativeness and convenience. The tendency to increase professionalism and branding in automotive after-sales market is becoming clearer. In 2017, total revenue from after-sales and accessories business reached RMB 11,593.9 million, representing a year-on-year increase of 26.9% and accounted for 13.4% of the Group's total revenue, and achieved a breakthrough for the 10 billion mark for the first time.

In 2017, the Group gained obvious results in the value-added service sector including car insurance, car finance and second-hand automobiles. It achieved an income from value-added service of RMB1,788.6 million for the year, representing an increase of 39.4% as compared to the corresponding period of last year.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

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

	Notes	2017 RMB'000	2016 RMB'000
<b>REVENUE</b>	4	<b>86,290,288</b>	71,599,221
Cost of sales and services provided	5	<u>(77,606,286)</u>	<u>(65,046,942)</u>
<b>Gross profit</b>		<b>8,684,002</b>	6,552,279
Other income and gains, net	4	<b>1,842,863</b>	1,325,514
Selling and distribution expenses		<b>(3,294,302)</b>	(2,806,807)
Administrative expenses		<u><b>(1,347,069)</b></u>	<u>(1,178,687)</u>
<b>Profit from operations</b>		<b>5,885,494</b>	3,892,299
Finance costs		<b>(1,076,712)</b>	(1,018,020)
Share of profits and losses of:			
Joint ventures		<u><b>4,595</b></u>	<u>4,148</u>
<b>Profit before tax</b>	5	<b>4,813,377</b>	2,878,427
Income tax expense	6	<u><b>(1,337,523)</b></u>	<u>(836,689)</u>
<b>Profit for the year</b>		<u><b>3,475,854</b></u>	<u>2,041,738</u>
<b>Attributable to:</b>			
Owners of the parent		<b>3,350,413</b>	1,860,228
Non-controlling interests		<u><b>125,441</b></u>	<u>181,510</u>
		<u><b>3,475,854</b></u>	<u>2,041,738</u>
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic			
— For profit for the year (RMB)	7	<u><b>1.52</b></u>	<u>0.87</u>
Diluted			
— For profit for the year (RMB)	7	<u><b>1.48</b></u>	<u>0.85</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Profit for the year</b>	<u>3,475,854</u>	<u>2,041,738</u>
<b>Other comprehensive income/(loss)</b>		
Exchange differences on translation of foreign operations	<u>309,921</u>	<u>(279,938)</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<u>309,921</u>	<u>(279,938)</u>
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<u>309,921</u>	<u>(279,938)</u>
Total comprehensive income for the year	<u><u>3,785,775</u></u>	<u><u>1,761,800</u></u>
<b>Attributable to:</b>		
Owners of the parent	3,660,334	1,580,290
Non-controlling interests	<u>125,441</u>	<u>181,510</u>
	<u><u>3,785,775</u></u>	<u><u>1,761,800</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

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

		<b>31 December</b>	
		<b>2017</b>	2016
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>10,055,748</b>	8,810,138
Land use rights		<b>2,495,923</b>	1,953,734
Prepayments		<b>984,591</b>	999,506
Intangible assets		<b>5,737,441</b>	3,306,307
Goodwill		<b>3,940,056</b>	2,732,547
Investments in joint ventures		<b>42,614</b>	48,019
Deferred tax assets		<b>278,923</b>	307,243
		<hr/>	<hr/>
Total non-current assets		<b>23,535,296</b>	18,157,494
<b>CURRENT ASSETS</b>			
Inventories	<i>8</i>	<b>7,509,806</b>	6,529,742
Trade receivables	<i>9</i>	<b>1,082,746</b>	1,149,141
Prepayments, deposits and other receivables		<b>8,644,378</b>	8,062,394
Amounts due from related parties		<b>555</b>	952
Available-for-sale investments		<b>19,100</b>	25,850
Pledged bank deposits		<b>1,405,646</b>	1,241,999
Cash in transit		<b>356,063</b>	320,223
Cash and cash equivalents		<b>5,027,202</b>	4,157,264
		<hr/>	<hr/>
Total current assets		<b>24,045,496</b>	21,487,565
<b>CURRENT LIABILITIES</b>			
Bank loans and other borrowings		<b>16,828,479</b>	13,382,299
Convertible bonds		<b>1,883,958</b>	2,753,130
Trade and bills payables	<i>10</i>	<b>3,470,593</b>	4,057,369
Other payables and accruals		<b>2,935,400</b>	2,011,732
Other liabilities		<b>245,000</b>	245,000
Amounts due to related parties		<b>577</b>	820
Income tax payable		<b>1,373,395</b>	1,133,583
Dividends payable		<b>9</b>	9
		<hr/>	<hr/>
Total current liabilities		<b>26,737,411</b>	23,583,942
<b>NET CURRENT LIABILITIES</b>		<b>(2,691,915)</b>	(2,096,377)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>20,843,381</b>	16,061,117
		<hr/> <hr/>	<hr/> <hr/>

	<b>31 December</b>	
	<b>2017</b>	2016
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<b>1,679,590</b>	1,068,885
Bank loans and other borrowings	<b>2,494,628</b>	1,893,273
	<hr/>	<hr/>
Total non-current liabilities	<b>4,174,218</b>	2,962,158
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>16,669,163</b>	13,098,959
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	<b>197</b>	186
Reserves	<b>15,912,794</b>	12,218,142
	<hr/>	<hr/>
	<b>15,912,991</b>	12,218,328
	<hr/>	<hr/>
<b>Non-controlling interests</b>	<b>756,172</b>	880,631
	<hr/>	<hr/>
Total equity	<b>16,669,163</b>	13,098,959
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## 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 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 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.

As at 31 December 2017, the Group had net current liabilities of approximately RMB2,691,915,000. The Directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the financial statements are prepared on a going concern basis.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

The adoption of the 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 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

#### (a) Revenue:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Revenue from the sale of motor vehicles	74,696,340	62,459,485
Others	<u>11,593,948</u>	<u>9,139,736</u>
	<u><u>86,290,288</u></u>	<u><u>71,599,221</u></u>

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Commission income	1,788,556	1,282,816
Rental income	23,730	22,684
Interest income	26,375	31,243
Government grants	10,063	9,026
Net loss on disposal of items of property, plant and equipment	(67,596)	(71,845)
Net loss on disposal of subsidiaries	(18,186)	(1,293)
Others	<u>79,921</u>	<u>52,883</u>
	<u><u>1,842,863</u></u>	<u><u>1,325,514</u></u>

## 5. PROFIT BEFORE TAX

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>(a) Employee benefit expense (including directors' and chief executive officer's remuneration):</b>		
Wages and salaries	2,346,934	1,906,072
Pension scheme contributions	327,339	267,938
Other welfare	175,699	139,261
	<u>2,849,972</u>	<u>2,313,271</u>
<b>(b) Cost of sales and services provided:</b>		
Cost of sales of motor vehicles	71,684,639	60,370,388
Others	5,921,647	4,676,554
	<u>77,606,286</u>	<u>65,046,942</u>
<b>(c) Other items</b>		
Depreciation and impairment of property, plant and equipment	751,906	712,031
Amortisation of land use rights	57,674	43,618
Amortisation of intangible assets	183,907	153,749
Impairment of goodwill	32,257	58,208
Impairment of intangible assets	15,164	29,355
Auditor's remuneration	5,800	5,800
Lease expenses	276,286	254,427
Advertisement and promotion expenses	722,759	619,519
Office expenses	225,527	212,464
Logistics expenses	113,924	91,015
Write-down of inventories to net realisable value	1,573	(1,833)
Net loss on disposal of items of property, plant and equipment	67,596	71,845
Net loss on disposal of subsidiaries	18,186	1,293

## 6. INCOME TAX EXPENSE

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Current Mainland China corporate income tax	1,302,753	848,422
Deferred tax	<u>34,770</u>	<u>(11,733)</u>
	<u><u>1,337,523</u></u>	<u><u>836,689</u></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 (but 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% (2016: 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 rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Profit before tax	4,813,377	2,878,427
Tax at the statutory tax rate (25%)	1,203,344	719,607
Tax effect of non-deductible expenses	94,827	95,888
Income not subject to tax	(330)	(321)
Profits attributable to joint ventures	(1,149)	(1,037)
Lower tax rates for specific provinces or enacted by local authority	13,540	8,808
Tax losses not recognised	<u>27,291</u>	<u>13,744</u>
Tax charge	<u><u>1,337,523</u></u>	<u><u>836,689</u></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 2,208,602,205 (2016: 2,146,506,957) 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>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<b>3,350,413</b>	1,860,228
Interest on convertible bonds	<b>68,065</b>	155,363
	<u><b>3,418,478</b></u>	<u>2,015,591</u>

### Shares

	<b>Number of shares</b>	
	<b>2017</b>	2016
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>2,208,602,205</b>	2,146,506,957
Effect of dilution — weighted average number of ordinary shares: Convertible bonds	<b>94,186,747</b>	238,560,258
	<u><b>2,302,788,952</b></u>	<u>2,385,067,215</u>

## Earnings per share

	2017 <i>RMB</i>	2016 <i>RMB</i>
Basic	1.52	0.87
Diluted	<u>1.48</u>	<u>0.85</u>

## 8. INVENTORIES

Inventories in the consolidated statement of financial position represent:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Motor vehicles	6,846,563	5,839,065
Spare parts and others	<u>668,374</u>	<u>694,235</u>
	7,514,937	6,533,300
Less: Provision for inventories	<u>5,131</u>	<u>3,558</u>
	<u><u>7,509,806</u></u>	<u><u>6,529,742</u></u>

As at 31 December 2017, certain of the Group's inventories with a carrying amount of approximately RMB3,494,023,000 (2016: RMB2,481,770,000) were pledged as security for the Group's bank loans and other borrowings.

As at 31 December 2017, certain of the Group's inventories with a carrying amount of approximately RMB1,345,204,000 (2016: RMB1,812,774,000) were pledged as security for the Group's bills payable.

## 9. TRADE RECEIVABLES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade receivables	1,082,746	1,149,141
Impairment	<u>—</u>	<u>—</u>
	<u><u>1,082,746</u></u>	<u><u>1,149,141</u></u>

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize 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>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
Within 3 months	<b>1,051,824</b>	1,089,745
More than 3 months but less than 1 year	<b>15,553</b>	14,490
Over 1 year	<b>15,369</b>	44,906
	<b><u>1,082,746</u></b>	<u>1,149,141</u>

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

	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
Neither past due nor impaired	<b>1,067,377</b>	1,130,651
Over one year past due	<b>15,369</b>	18,490
	<b><u>1,082,746</u></b>	<u>1,149,141</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

	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade payables	<b>1,205,263</b>	1,007,924
Bills payable	<b>2,265,330</b>	3,049,445
	<b><u>3,470,593</u></b>	<u>4,057,369</u>

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>2017</b>	2016
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 3 months	<b>3,176,626</b>	3,808,531
3 to 6 months	<b>282,975</b>	242,724
6 to 12 months	<b>4,386</b>	4,101
Over 12 months	<b>6,606</b>	2,013
	<u><b>3,470,593</b></u>	<u>4,057,369</u>

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

## 11. DIVIDENDS

	<b>2017</b>	2016
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Proposed final — HK\$0.36 (approximately RMB0.30) (2016: HK\$0.30) per ordinary share	<u><b>680,119</b></u>	<u>572,164</u>

The calculation of the proposed final dividend for the year ended 31 December 2017 is based on the proposed final dividend per ordinary share, and the total number of ordinary shares as at 18 March 2018.

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 2017, a final dividend of HK\$0.30 per ordinary share in respect of the year ended 31 December 2016 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 2017 was HK\$643,952,000.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue for the year ended 31 December 2017 was RMB86,290.3 million, representing an increase of RMB14,691.1 million or 20.5% as compared to the corresponding period in 2016, among which, revenue from new automobile sales amounted to RMB74,696.3 million, representing an increase of RMB12,236.8 million or 19.6% as compared to the corresponding period in 2016. Revenue from after-sales and accessories business amounted to RMB11,593.9 million, representing an increase of RMB2,454.2 million or 26.9% as compared to the corresponding period in 2016. The revenue from new automobile sales business accounted for 86.6% of our total revenue in 2017 (2016: 87.2%), and the portion of revenue from after-sales and accessories business increased from 12.8% in the year of 2016 to 13.4% in the year of 2017.

In terms of new automobile sales revenue in 2017, Mercedes-Benz is our top-selling brand, representing approximately 30.6% of our total new automobile sales revenue (2016: 28.1%).

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

Cost of sales and services for the year ended 31 December 2017 amounted to RMB77,606.3 million, representing an increase of RMB12,559.3 million or 19.3% as compared to the corresponding period in 2016. Cost attributable to our new automobile sales business amounted to RMB71,684.6 million for the year ended 31 December 2017, representing an increase of RMB11,314.3 million or 18.7% as compared to the corresponding period in 2016. Cost attributable to our after-sales and accessories business amounted to RMB5,921.6 million for the year ended 31 December 2017, representing an increase of RMB1,245.1 million or 26.6% as compared to the same period of 2016.

### **Gross Profit**

Gross profit for the year ended 31 December 2017 amounted to RMB8,684.0 million, representing an increase of RMB2,131.7 million or 32.5% as compared to the corresponding period in 2016, of which the gross profit from new automobile sales business amounted to RMB3,011.7 million, representing an increase of RMB922.6 million or 44.2% as compared to the corresponding period in 2016. Gross profit from after-sales and accessories business was RMB5,672.3 million, representing an increase of RMB1,209.1 million or 27.1% as compared to the corresponding period of 2016. For the year ended 31 December 2017, the gross profit from after-sales and accessories business accounted for 65.3% of the total gross profit (2016: 68.1%). Our gross profit margin for the year ended 31 December 2017 was 10.1% (2016: 9.2%), of which the gross profit margin of new automobile sales business was 4.0% (2016: 3.3%). Gross profit margin of after-sales and accessories business was 48.9% (2016: 48.8%).

## **Profit from Operations**

Profit from operations for the year ended 31 December 2017 amounted to RMB5,885.5 million, representing an increase of RMB1,993.2 million or 51.2% as compared to the corresponding period in 2016. Our operating profit margin for the year ended 31 December 2017 was 6.8% (2016: 5.4%).

## **Profit for the Year**

Our profit for the year ended 31 December 2017 amounted to RMB3,475.9 million, representing an increase of RMB1,434.2 million or 70.2% as compared to the corresponding period in 2016. Our net profit margin for the year ended 31 December 2017 was 4.0% (2016: 2.9%).

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

Our profit attributable to owners of the parent for the year ended 31 December 2017 was RMB3,350.4 million, representing an increase of RMB1,490.2 million or 80.1% as compared to the corresponding period in 2016.

## **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 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 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 2017, our net cash generated from operating activities was RMB5,234.5 million, arising from operating profit of RMB6,987.4 million before working capital movement, deducting a net increase in working capital of RMB692.5 million and deducting payment of tax of RMB1,060.4 million.

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

For the year ended 31 December 2017, our net cash used in investing activities was RMB4,837.8 million, consisting primarily of purchases of property, plant and equipment of RMB1,849.0 million, purchases of land use rights of RMB259.9 million and acquisition of subsidiaries of RMB2,694.2 million, partially offset by proceeds from disposal of items of property, plant and equipment of RMB533.6 million.

### **Cash Flow Generated from Financing Activities**

For the year ended 31 December 2017, our net cash generated from financing activities was RMB490.9 million, consisting primarily of proceeds from bank loans and other borrowings of RMB55,283.3 million, net proceeds from issue of new shares of RMB1,175.9 million, net proceeds from issue of convertible bonds of RMB1,959.9 million, partially offset by repayment of bank loans and other borrowings of RMB51,664.6 million, repayment of convertible bonds of RMB2,735.3 million, interest paid for bank loans and other borrowings of RMB1,051.9 million and decrease in notes payable of RMB1,207.5 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 2017, our total capital expenditures were RMB5,305.3 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 increased by 15.0% from RMB6,529.7 million as at 31 December 2016 to RMB7,509.8 million as at 31 December 2017. The increase of our inventory balance was primarily due to the expansion of the business scale as well as the preparation for the coming sales peak season before the Chinese Spring Festival in February 2018.

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

	<b>Year ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
Average inventory turnover days	<b>29.8</b>	34.5

Our average inventory turnover days in 2017 decreased to 29.8 days from 34.5 days in 2016, primarily benefited from our continuous sophisticated monitoring over the inventory.

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

Our bank loans and other borrowings as at 31 December 2017 were RMB19,323.1 million, and our convertible bonds liability portion amounted to RMB1,884.0 million. The increase in our bank loans and other borrowings and convertible bonds liability during the year was primarily due to the funding for further expansion in the business scale which enabling the Company to develop sustainably in the long-term perspective.

### **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 2017, the pledged group assets amounted to approximately RMB7.2 billion (2016: RMB6.2 billion).

### **Contingent Liabilities**

As at 31 December 2017, neither the Company nor the Group had any significant contingent liabilities.

### **CONVERTIBLE BONDS**

On 19 January 2014, the Company and Jardine Strategic Holdings Limited (the “Investor”) entered into a subscription agreement, according to which the Company agreed to issue, and the Investor agreed to subscribe for (or procure its nominee to subscribe for) in principal amount of HK\$3,091,500,000 with interest rate of 2.85 per cent. convertible bonds due 2017 (the “2014 Convertible Bonds”). The 2014 Convertible Bonds matured on 25 April 2017 and none of the convertible bonds were converted into any shares of the Company.

On 11 October 2017, the Company and J.P. Morgan Securities Plc (the “**Manager**”) entered into a subscription agreement, according to which the Company agreed to issue, and the Manager agreed to subscribe for (or procure its nominee to subscribe for) in principal amount of HK\$2,350,000,000 with zero coupon rate convertible bonds due 2018 (the “**Convertible Bonds**”).

The Convertible Bonds are convertible into shares at the initial conversion price of HK\$20.2860 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 date falling ten days prior to the maturity date, being a date falling on or about 25 October 2018. There was 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. The issue of Convertible Bonds were completed on 30 October 2017. Upon full conversion of the outstanding Convertible Bonds, the Company may issue 115,843,438 shares, adding the issued shares of the Company to 2,382,907,658 shares.

## **CONNECTED TRANSACTIONS**

On 13 April 2017, the Company entered into a subscription agreement with the Investor (the “**Subscription Agreement**”), according to which the Company agreed to issue, and the Investor agreed to subscribe for, 120,557,263 shares of the Company (the “**Subscription Shares**”) at an aggregate subscription price of HK\$1,344,290,639 (the “**Placing**”). The Placing was completed on 26 June 2017 and the Subscription Shares were successfully placed and issued to JSH investment Holdings Limited, a wholly-owned subsidiary of the Investor and a substantial shareholder of the Company. Upon completion of the Placing, the total number of the issued shares of the Company has increased to 2,267,064,220. As of the date of the Subscription Agreement, the Investor, through its wholly-owned subsidiary JSH Investment Holdings Limited, indirectly holds 332,855,581 Shares, representing 15.51% of the issued share capital the Company, and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the Placing constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcements of the Company dated 13 April 2017, 1 June 2017 and 26 June 2017 and the circular of the Company dated 9 May 2017 for detailed information.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company, or any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2017.

## **FUTURE OUTLOOK**

Looking forward, to match the State Council's policy initiatives to facilitate industry transformation and upgrade, enhance innovative capability and promote policy guidance on industry quality development, the Group will actively seize the favourable policy and market opportunities, take into full play its branding edge, extend and refine its industry chain business, consolidate the after-sales service market, improve operation and management efficiency as well as individual performance and maintain continuous and steady development. After considering the enormous development opportunities for the after-sales service market, the Group will vigorously expand its business scale, solidify its competitive edge and increase market share.

The Group will stand by its corporate motto of “Zhongsheng Group — Lifetime Partner” as always, and on the basis of closer cooperation with its partners, it will actively establish the “Zhongsheng” brand image and continue to invest in service innovation to provide rich and all-rounded sales and after-sales service experience to its customers. It will also regard professional automobile branding services as the cornerstone of its business development strategy to foster a high quality, convenient and comprehensive automobile consumption environment to its customers, thereby creating higher values to its shareholders, employees and the society.

## **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 all the mandatory 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 of the Company and the directors of the Company have confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

## **AUDIT COMMITTEE**

The Company's annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee on 18 March 2018.

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

The figures above in respect of this annual results announcement for the year ended 31 December 2017 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 (the "**Shareholders**") on the forthcoming annual general meeting on 11 June 2018 (the "**AGM**") for the distribution of a final dividend of HK\$0.36 per share for the year ended 31 December 2017 payable to the Shareholders whose names are listed in the register of the Company on 19 June 2018, in an aggregate amount of HK\$813.6 million (equivalent to RMB680.1 million). It is expected that the final dividend will be paid on 6 July 2018. 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**

The Register of Members will be closed from Wednesday, 6 June 2018 to Monday, 11 June 2018 (both days inclusive) and from Friday, 15 June 2018 to Tuesday, 19 June 2018 (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, 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 Tuesday, 5 June 2018. 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, 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 Thursday, 14 June 2018.

**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 2017 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, 18 March 2018

*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. Pang Yiu Kai and Mr. Cheah Kim Teck; and the independent non-executive directors of the Company are Mr. Shen Jinjun, Mr. Lin Yong, Mr. Shoichi Ota and Mr. Ying Wei.*