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China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1728)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

For the year ended 31 December 2015:

- Turnover decreased by approximately 5.0% to approximately RMB29,361 million
- Overall gross profit decreased by approximately 5.1% to approximately RMB2,587 million, however, gross profit from after-sales services increased by 8.6% to approximately RMB1,636 million
- Interest and service income from the financial services business amounted to approximately RMB68.43 million for the year, representing an increase of approximately RMB65.99 million as compared to the first half of the year. The segment delivered reportable profit of approximately RMB18.25 million in the first year of its operation
- Profit attributable to shareholders decreased by approximately 23.0% to approximately RMB619 million
- Basic earnings per share decreased by approximately 23.1% to RMB28.0 cents per Share
- Recommended payment of a final dividend of HK$0.10 per share

The board of directors (the "Board") of China ZhengTong Auto Services Holdings Limited 中國正通汽車服務控股有限公司 (the "Company" or "ZhengTong", together with its subsidiaries, the "Group") is pleased to announce the Group's annual consolidated results for the year ended 31 December 2015 (the "Year under Review").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2015 (Expressed in RMB'000)

	Note	**For the year ended 31 December 2015**	2014
Revenue	*3*	**29,361,499**	30,910,087
Cost of sales		**(26,774,726)**	(28,184,536)
Gross profit		**2,586,773**	2,725,551
Other revenue	*4*	**457,505**	450,403
Other net income	*4*	**66,006**	41,479
Selling and distribution expenses		**(847,289)**	(817,648)
Administrative expenses		**(911,850)**	(770,700)
Profit from operations		**1,351,145**	1,629,085
Finance costs	*5(a)*	**(459,908)**	(478,100)
Share of profit of a joint venture		**30,542**	24,070
Profit before taxation	*5*	**921,779**	1,175,055
Income tax	*6(a)*	**(293,117)**	(351,517)
Profit for the year		**628,662**	823,538
Attributable to:			
Shareholders of the Company		**618,530**	803,792
Non-controlling interests		**10,132**	19,746
Profit for the year		**628,662**	823,538
Earnings per share	*7*		
Basic (RMB cent)		**28.0**	36.4
Diluted (RMB cent)		**27.9**	36.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2015 (Expressed in RMB'000)

	Note	At 31 December **2015**	2014
Non-current assets			
Property, plant and equipment		**3,428,069**	2,756,242
Lease prepayments		**1,067,350**	1,084,915
Receivables from financial services		**704,353**	–
Intangible assets		**3,789,357**	3,875,351
Goodwill		**1,926,551**	1,926,551
Interest in a joint venture		**217,314**	186,772
Interest in an associate		**3,200**	3,200
Deferred tax assets		**113,208**	67,180
Other financial assets		**27,041**	–
		11,276,443	9,900,211
Current assets			
Inventories	*9*	**3,193,735**	**4,346,017**
Trade and other receivables	*10*	**5,294,363**	**4,807,401**
Receivables from financial services		**834,684**	**–**
Pledged bank deposits and balances with central bank		**1,481,308**	**1,662,771**
Time deposits		**–**	**31,207**
Cash and cash equivalents		**1,599,117**	**1,435,083**
		12,403,207	12,282,479
Current liabilities			
Loans and borrowings for financial services		**1,169,500**	–
Loans and borrowings for non-financial services		**4,481,582**	4,347,831
Trade and other payables	*11*	**5,132,648**	5,826,051
Income tax payables		**972,331**	776,580
		11,756,061	10,950,462
Net current assets		**647,146**	1,332,017
Total assets less current liabilities		**11,923,589**	11,232,228

	Note	At 31 December 2015	2014
Non-current liabilities			
Loans and borrowings for financial services		**188,000**	–
Bonds payable		**2,158,071**	2,031,803
Deferred tax liabilities		**888,180**	903,317
		3,234,251	2,935,120
NET ASSETS		**8,689,338**	8,297,108
Equity			
Share capital		**188,788**	188,776
Reserves		**8,399,844**	7,983,299
Equity attributable to shareholders of the Company		**8,588,632**	8,172,075
Non-controlling interests		**100,706**	125,033
TOTAL EQUITY		**8,689,338**	8,297,108

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

China ZhengTong Auto Services Holdings Limited (the "Company") was incorporated in the Cayman Islands on 9 July 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in 4S dealership business, motor-related logistics business, lubricant oil trading business and financial services in the People's Republic of China (the "PRC").

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions
- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

3 REVENUE

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

The amount of each significant category of revenue recognised in revenue during the year is as follows:

	For the year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Sales of passenger motor vehicles	**25,302,074**	27,130,117
Sales of motor spare parts	**766,214**	806,673
Provision of maintenance services	**2,609,350**	2,373,011
Provision of logistics services	**350,995**	297,380
Sales of lubricant oil	**264,434**	302,906
Interest and service income from financial services	**68,432**	–
	29,361,499	30,910,087

4 OTHER REVENUE AND NET INCOME

	For the year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Other revenue:		
Commission income	**424,264**	421,798
Interest income from bank deposits	**31,518**	23,609
Others	**1,723**	4,996
	457,505	450,403
Other net income:		
Net gain on disposal of property, plant and equipment	**23,294**	25,606
Net gain on derivative financial instruments	**15,981**	–
Others	**26,731**	15,873
	66,006	41,479

5 PROFIT BEFORE TAXATION

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

		For the year ended 31 December	
	Note	**2015**	2014
		RMB'000	*RMB'000*
(a) Finance costs:			
Interest on loans and borrowings and bonds payable		**471,112**	469,313
Other finance costs	*(i)*	**37,818**	50,325
Less: interest capitalised*		**(49,022)**	(41,538)
		459,908	478,100

* The borrowing costs have been capitalised at a rate of 4.50–7.80% per annum (2014: 4.50–8.20%).

(b) Staff costs:			
Salaries, wages and other benefits		**605,502**	617,417
Contributions to defined contribution retirement plans	*(ii)*	**47,452**	42,638
Equity settled share-based payment expenses		**–**	(319)
		652,954	659,736

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

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

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

		For the year ended 31 December	
		2015	2014
		RMB'000	*RMB'000*
(c)	**Other items:**		
	Cost of inventories sold	**26,226,635**	27,764,174
	Depreciation	**238,522**	230,278
	Amortisation of lease prepayments	**20,198**	15,840
	Amortisation of intangible assets	**100,872**	98,909
	Operating lease charges	**270,131**	231,860
	Net gain on derivative financial instruments	**(15,981)**	–
	Net foreign exchange loss	**118,370**	16,270
	Allowance for doubtful debts	**11,819**	–

6 INCOME TAX

(a) consolidated statement of profit or loss represents:

	For the year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Current tax:		
Provision for income tax for the year	**354,282**	398,013
Deferred tax:		
Origination of temporary differences	**(61,165)**	(46,496)
	293,117	351,517

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

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

(iii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax rate of 25% (2014: 25%).

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

	For the year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Profit before taxation	**921,779**	1,175,055
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**230,445**	293,764
Non-deductible expenses	**70,308**	50,021
Non-taxable income on:		
– Share of profits recognised under the equity method	**(7,636)**	(6,018)
Others	**–**	13,750
Income tax	**293,117**	351,517

(c) Income tax payables in the consolidated statement of financial position represent:

	For the year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Balance at beginning of the year	**776,580**	635,535
Provision for current income tax for the year	**354,282**	398,013
Payment during the year	**(158,531)**	(256,968)
Balance at the end of the year	**972,331**	776,580

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2015 was based on the profit attributable to shareholders of the Company of RMB618,530,000 (2014: RMB803,792,000) and the weighted average number of ordinary shares in issue during the year ended 31 December 2015 of 2,210,154,002 (2014: 2,210,050,440), calculated as follows:

Weighted average number of ordinary shares

	For the year ended 31 December	
	2015	2014
Issued ordinary shares at 1 January	**2,210,050,440**	2,210,050,440
Effect of share options exercised	**103,562**	–
Weighted average number of ordinary shares at 31 December	**2,210,154,002**	2,210,050,440

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2015 is based on the profit attributable to shareholders of the Company of RMB618,530,000 (2014: RMB803,792,000) and the weighted average number of ordinary shares of 2,213,469,125 (2014: 2,213,593,443) in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's pre-IPO employee share option scheme, calculated as follows:

Weighted average number of shares (diluted)

	For the year ended 31 December	
	2015	2014
Weighted average number of ordinary shares for the year ended 31 December	**2,210,154,002**	2,210,050,440
Effect of deemed issue of shares under the pre-IPO employee share option scheme	**3,315,123**	3,543,003
Weighted average number of ordinary shares at 31 December	**2,213,469,125**	2,213,593,443

8 SEGMENT REPORTING

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

1 4S dealership business

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

2 Logistics business

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

3 Lubricant oil business

Lubricant oil business mainly includes trading of lubricant oil.

4 Financial services business

Financial services business mainly includes providing financial services to auto customers and dealers.

None of logistics business, lubricant oil business or financial services business has exceeded the quantitative threshold for determining a reportable segment. Based on the assessment of economic characteristics, including nature of products and services, nature of the regulatory environment, etc. logistics business and lubricant oil business are grouped together to form one reportable segment. Consequently, the Group has three reportable segments, namely "4S dealership business", "Supply chain business" and "Financial services business".

a) **Segment results, assets and liabilities**

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

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

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

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

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

	4S dealership business		**Supply Chain business**		**Financial services business**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**28,677,638**	30,309,801	**615,429**	600,286	**68,432**	–	**29,361,499**	30,910,087
Inter-segment revenue	**–**	–	**380,220**	246,291	**3,609**	–	**383,829**	246,291
Reportable segment revenue	**28,677,638**	30,309,801	**995,649**	846,577	**72,041**	–	**29,745,328**	31,156,378
Reportable segment profit	**875,252**	1,092,810	**107,414**	104,548	**18,250**	–	**1,000,916**	1,197,358
Depreciation and amortisation for the year	**344,190**	337,429	**12,620**	7,598	**2,782**	–	**359,592**	345,027
Reportable segment assets	**14,137,909**	14,175,365	**3,226,969**	2,707,641	**1,917,643**	–	**19,282,521**	16,883,006
Additions to non-current segment assets during the year	**1,093,656**	1,751,362	**3,245**	1,808	**16,765**	–	**1,113,666**	1,753,170
Reportable segment liabilities	**(10,958,515)**	(11,095,383)	**(2,267,591)**	(1,920,967)	**(1,397,238)**	–	**(14,623,344)**	(13,016,350)
Investment in a joint venture and an associate	**–**	–	**220,514**	189,972	**–**	–	**220,514**	189,972

(b) Reconciliations of reportable segment

	For the year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue:		
Reportable segment revenue	**29,745,328**	31,156,378
Elimination of inter-segment revenue	**(383,829)**	(246,291)
Consolidated revenue	**29,361,499**	30,910,087
Profit before taxation:		
Reportable segment profit	**1,000,916**	1,197,358
Unallocated head office expenses	**(142,740)**	(36,085)
Other revenue	**457,505**	450,403
Other net income	**66,006**	41,479
Finance costs	**(459,908)**	(478,100)
Consolidated profit before taxation	**921,779**	1,175,055

	At 31 December 2015 RMB'000	2014 RMB'000
Assets:		
Reportable segment assets	**19,282,521**	16,883,006
Intangible assets	**3,789,357**	3,875,351
Goodwill	**1,926,551**	1,926,551
Deferred tax assets	**113,208**	67,180
Unallocated head office assets	**65,153**	244,369
Elimination of inter-segment receivables	**(1,497,140)**	(813,767)
Consolidated total assets	**23,679,650**	22,182,690
Liabilities:		
Reportable segment liabilities	**(14,623,344)**	(13,016,350)
Income tax payables	**(972,331)**	(776,580)
Deferred tax liabilities	**(888,180)**	(903,317)
Unallocated head office liabilities	**(3,597)**	(3,102)
Elimination of inter-segment payables	**1,497,140**	813,767
Consolidated total liabilities	**(14,990,312)**	(13,885,582)

(c) Geographic information

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

9 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	At 31 December	
	2015	2014
	RMB'000	*RMB'000*
Motor vehicles	**2,911,859**	4,053,604
Automobile spare parts	**262,771**	277,753
Others	**19,105**	14,660
	3,193,735	4,346,017

As at 31 December 2015 and 2014, there were no inventories carried at net realisable value.

10 TRADE AND OTHER RECEIVABLES

	At 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**528,168**	550,058
Bills receivable	**5,450**	4,995
	533,618	555,053
Prepayments	**837,255**	724,234
Other receivables and deposits	**3,923,490**	3,528,114
Trade and other receivables	**5,294,363**	4,807,401

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

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

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date, is as follows:

	At 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**509,220**	521,724
More than 3 months but within 1 year	**16,680**	31,899
Over 1 year	**7,718**	1,430
	533,618	555,053

11 TRADE AND OTHER PAYABLES

	At 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade payables	**446,018**	589,311
Bills payable	**3,431,310**	4,346,639
	3,877,328	4,935,950
Receipts in advance	**484,462**	442,894
Other payables and accruals	**770,858**	447,207
Trade and other payables	**5,132,648**	5,826,051

All trade and other payables are expected to be settled within one year.

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

	At 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**3,729,025**	4,787,976
Over 3 months but within 6 months	**145,251**	146,156
Over 6 months but within 12 months	**3,052**	1,818
	3,877,328	4,935,950

12 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2015	2014
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of HK$0.10 (2014: HK$0.10 per ordinary share)	**185,162**	174,351

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2015	2014
	RMB'000	*RMB'000*
Final dividend in respect of the previous Financial year, approved and paid during the year, of HK$0.10 per share (2014: HK$0.10 per ordinary share)	**174,201**	175,358

(iii) Other dividends

During the year of 2015, certain subsidiaries of the Group declared and paid dividends of RMB24,002,000 (2014: RMB19,038,000) in cash to non-controlling shareholders.

13 CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The China economy managed to sustain a stable progress in 2015 despite challenging market conditions. According to the statistics released by the National Bureau of Statistics of China, the nation's gross domestic production (GDP) for 2015 grew by 6.9%, while the year-on-year nominal growth rates of China's total retail sales of social consumer goods and per capita disposable income were 10.7% (actual growth deducting price factors: 10.6%) and 8.9% (actual growth deducting price factors: 7.4%), respectively. Spending on automobiles and other durable consumer goods as a percentage of per capita disposable income continued to increase steadily. According to statistics released by the China Association of Automobile Manufacturer, sales of passenger automobiles in China exceeded the 20 million benchmark for the first time in 2015 to reach 21,140,000 units, as the nation continued to top the world in terms of "passenger automobiles purchases". In addition to solid new automobile sales in China, after-sales services, financial services relating to automobile spending and the pre-owned automobile business embraced more diversified and sustainable growth opportunities for the profit model of dealers.

Favorable tax policies, growing upgrade demands, as well as increasing penetration on financing and other related services boosted auto sales growth in 2015 but with great performance divergences among luxury brands. According to statistics released by the China Association of Automobile Manufacturers, among the major brands under the Group's dealership, the sales volume of BMW and MINI branded automobiles in China reached 463,736 (2014: 455,979), representing a year-on-year growth of approximately 1.7%; the sales volume of Benz branded automobiles in China was 373,459 (2014: 281,588), representing a year-on-year growth of approximately 32.6%; the sales volume of Porsche branded automobiles in China was 58,009 (2014: 46,931), representing a year-on-year growth of approximately 23.6%; the sales volume of Volvo branded automobiles in China was 81,588 (2014: 81,221), representing a year-on-year growth of approximately 0.2%, the sales volume of Audi branded automobiles in China was 570,889 (2014: 578,932), representing a year-on-year decrease of approximately 1.4%; the sales volume of Jaguar and Land Rover branded automobiles in China was 92,474 (2014: 122,010), representing a year-on-year decrease of approximately 24.2%. In the future, the Group shall further corroborate its market share especially on luxury brands, backed by its more diversified brands portfolio and strong fundamental upgrade and replacement demand in the market.

According to the statistics released by the National Bureau of Statistics of China, the automobile ownership in China reached 172 million by the end of 2015, or a 11.5% year-on-year growth. During the Year under Review, the Group further enhanced its customer base on quantity and quality through maximizing favorable industrial trends and government policy changes as well as our integrated competitive advantages. We substantiated our strengths in traditional after-sales services and extended services, such as repair, maintenance and sales of accessories, and we have made significant breakthrough in our auto finance business, which will have a profound impact on our sales of new automobiles, customer relations, pre-owned automobile business and new businesses such as financial leasing. The Group actively pursued effective use of internet and mobile apps to improve service efficiency and customer experience.

Notwithstanding the intensified market competition in 2015, the Group is confident in its strategic strengths and competitive advantages, as well as tremendous business opportunities ahead. The Group foresees that in the future the collaboration among dealers and between dealers and auto makers will become more rational and professional, and business innovations led by respective auto dealers based on their unique fortes shall further transform the thriving auto sales and services industry.

BUSINESS REVIEW

In 2015, the Group continued to concentrate on luxury auto brands in China, and has made significant effort to its traditional after-sales services and extended businesses in sectors of financing, insurance, pre-owned automobiles and beyond. For the year ended 31 December 2015, the Group achieved turnover of approximately RMB29,361 million, representing a year-on-year decrease of approximately 5.0%, gross profit was approximately RMB2,587 million, representing a year-on-year decrease of approximately 5.1%. Profit attributable to shareholders of the Company was approximately RMB619 million with basic earnings per share was approximately RMB28.0 cents.

Applying Prudent Marketing Strategies in Perplexing Market Environment

In 2015, the Group continued to expand its sales network on a selective basis, strived to maximize the same store potentials, and further consolidated its regional competitive strengths. As a result, the Group recorded the sales volume of new automobiles of 88,455, representing a year-on-year increase of approximately 0.6%, including 61,017 luxury and ultra-luxury branded automobiles on a year-on-year increase of 2.4%. The Group's revenue from the sales of new automobiles in 2015 reached RMB25,302 million, representing a year-on-year decrease of approximately 6.7%.

For the first half of 2015, the Group recorded negative growth in the automobiles sales, particularly caused by the unexpected plate restriction in Shenzhen City where the Group had significant exposure on multiple brands, as well as by the overall weakening demand in the market. Sales of new automobiles steadily recovered in the second half of the 2015 in terms of year-on-year comparisons and capped the year with an annual growth of 0.6%, or 2.4% for luxury and ultra-luxury branded automobiles, following the announcement of stimulus policies and the gradual unlocking of potential market demand. The Group continued implementing prudent operational strategy adopted in 2014 and further enhanced its collaboration with automobile manufacturers, pursuing fine balance between business expansion and profitability of the sales of new automobiles. As the supply-demand relation became more rational, the annual gross profit margin of the Group's sales of new automobiles started to stabilize in 2015 with a slight improvement compared to 3.1% reported for the second half of 2014. Given the strong recognition and still low possession ratio on luxury branded automobiles in the domestic market currently, robust replacement demands in first-tier and second-tier affluent regions where the Group has strong footprints, and the Group's full-fledged service platform and differential financial and insurance services, the Group is confident in future growth of the demand for luxury branded automobiles and of the opinion that the gross profit margin for the sales of new automobiles might further improve after stabilizing. The Group witnessed strong same store sales' growth in 2015, and made dedicated efforts to further improve its service platform and vigorously drive comprehensive business development of the Group through the integration of marketing models for products and services and the enhancement of efficiency.

Further Unleashing Potentials of After-Sales Services by Enhancing Marketing, Customer Experience and Cost Control

In 2015, the Group generated revenue from the after-sales services of approximately RMB3,376 million, representing a year-on-year growth of approximately 6.2%; and gross profit generated from the after-sales services was approximately RMB1,636 million, representing a year-on-year growth of approximately 8.6%. The Group's gross profit margin of after-sales services increased to 48.5% in 2015 from 47.4% in 2014. Gross profit contribution from the after-sales services further increased as the Group's customer retention continued to grow. In 2015, the Group serviced 911,767 units in aggregate, including 651,590 units of luxury and ultra-luxury branded automobiles, representing a year-on-year growth of 17.7%.

In 2015, the Group's after-sales services put great effort to explore its customer base, striving to enhance customer satisfaction and loyalty by further optimizing its service model through improvements in marketing, customer experience of services and cost control. In terms of marketing, the Group swiftly enhanced its product penetration rate and customer loyalty through the development and implementation of customized product solutions in maintenance, repairing, warranty renewal and extension on the back of favorable market conditions. On service experience, the Group facilitated more professional and convenient after-sales services through processes such as instant appointment, express bodywork, loaner vehicle facilitation and customer's input invitation. In terms of cost control, the Group reorganized its departments, imposed more stringent control over sourcing channels, optimized inventory levels and types of spare parts, and centralized management of the sales of auto accessories. The constantly improving economies of scale across Group's business divisions combined with optimized inventory level and shared resources significantly pushed down the overall operating cost and increased operating efficiency and gross margin.

Rapid Expansion of Extended Services through Economies of Scale

The Group was committed to the expansion of its business in extended services and the effective diversification of its dealership service platform through prospective business deployment. At present, the extended services mainly included insurance brokerage, automobile financing, trading of pre-owned automobiles and e-commence platform, which are all high value-added businesses in addition to the traditional sales of automobiles and the after-sales services. In 2015, the commission income from the Group's extended services was approximately RMB424 million, representing a year-on-year growth of approximately 0.6%.

For insurance agency business, Dingze Insurance Agency Company Limited* (鼎澤保險代理有限公司) ("DingZe Insurance"), a subsidiary of the Group, in 2015 established strategic partnership with key national insurance institutions and shall continue to explore more. The Group further improved its currently staggering penetration rate on new car insurance, and continued to improve penetration on renewal policy. Leveraging on e-platform for insurance brokerage business, the Group will streamline online interaction and offline cooperation among insurance institutions, insurance brokerage and customers, to improve the service quality and expand the coverage of the Group's insurance brokerage business, aiming for developing this business into a more independent segment with greater growth potential.

* *For identification only*

As the rising number of car possessions in China has amassed enormous resources and energy for the rapid development of the market for pre-owned automobiles, the Group will list the business of pre-owned automobiles as one of its strategic priorities, closely following ongoing market trends. The Group will endeavor to build a platform for pre-owned automobiles and develop a related inventory management system to fully explore potential customer resources. Meanwhile, the Group will leverage the synergy between the financial service and the insurance businesses to gradually grow the pre-owned automobiles business with high added value into another important source for the Group's profit growth.

Distinctive Automobile Financing Platform with Differential Products and Services

In 2015, the Group achieved significant breakthrough in automobile financial service business segment with the establishment of Shanghai Dongzheng Automotive Finance Co., Ltd. ("Dongzheng AFC"), a 95%-owned subsidiary, in April 2015. Dongzheng AFC currently is the only auto finance company, primarily owned and operated by a dealer group in China. As licensed by the China Banking Regulatory Commission, Dongzheng AFC's principal businesses include auto consumer financing (i.e. retail loan), auto dealership financing (i.e. wholesale loan), auto financial leasing and consulting and agency services relating to auto finance, etc.

Dongzheng AFC differentiates itself from all the other current OEM auto financing companies by focusing primarily on retail financing offerings. Its tremendous growth and outstanding results since establishment and in the foreseeable future is largely attributed to its deep-rooted foundation in the Group's broad-brand and nationwide sales network and platform, its readily available qualified customer base, and its deep understanding of consumer needs to customize and diversify its product offerings.

As of 31 December 2015, the total assets of financial service business segment amounted to approximately RMB1,918 million, among which, the balance of retail loan was RMB1,294 million, financing 6,287 auto units throughout the year. For the year ended 31 December 2015, the reportable segment profit of financial service business was approximately RMB18.25 million. The rapid growth of Dongzheng AFC signifies a brand new stage of development of the Group's auto finance business, which is set to become an important niche for profit growth and a differential competitive advantage of the Group.

Steady Development of the Supply Chain Business

The Group's supply chain business segment mainly consists of automobile logistics business and trading of auto maintenance supplies. The automobile logistics business enjoys a cutting-edge and comprehensive logistics management system with national "5A" logistic enterprise qualifications, and its scope of business ranges from procurement logistics, production logistics, distribution processing, distribution logistics to consulting services relating to logistics. The trading of auto maintenance supplies mainly includes trading of lubricant oil. In 2015, the Group recorded steady growth in its supply-chain business segment with ongoing improvements in various operating benchmarks. For the year ended 31 December 2015, the Group's supply-chain business segment generated revenue of approximately RMB615 million, representing an increase of approximately 2.5% compared to the same period in 2014.

In-depth Optimization, Prudent Expansion and Well-balanced Deployment of Nationwide Dealership Network of Luxury Branded Automobiles

As a leading 4S dealership group in China, the Group has been consistently focusing on luxury and ultra-luxury branded automobiles, including BMW, Jaguar and Land Rover, Volvo, Audi, Benz, Porsche, Infiniti, Cadillac and Imported Volkswagen. The Group has also been operating dealership stores of mid-market branded automobiles, such as FAW Volkswagen, Buick, Nissan, Hyundai and Honda.

As of 31 December 2015, the Group operated 112 dealership stores in 15 provinces and municipalities, covering 36 cities in China. During the Year under Review, the Group had 11 newly operating dealership stores for luxury automobiles, including:

Brand	**City**
BMW/MINI	Shenzhen, Shantou, Yichun, Baotou
Audi	Dongguan
Jaguar/Land Rover	Shantou, Hengyang, Langfang, Jieyang
Volvo	Beijing
Infiniti	Huhhot

As of the date of this report, the Group has set up 2 more Audi 4S stores (in Shenzhen and Zhengzhou, respectively). There are 15 dealership stores under development or to be developed, which are franchised by core luxury automobile brands, such as BMW, Audi, Jaguar and Land Rover, Volvo, covering first-tier cities including Beijing, Shanghai, Guangzhou, Shenzhen and Chongqing, as well as regions with potential for rapid development, such as Shandong, Hebei, Hubei and Guangdong, further reinforcing the Group's advantage in scale and channels.

In addition to prudent expansion of its dealership network in 2015, the Group also optimized its existing network in depth. Moreover, the Group has upgraded more than 10 fast-growing stores by improving hardware facilities, environment and workflow for optimal customer experience and enhancing profitability. In 2016, the Group will continue to further optimize its existing dealership network with prudent and balanced expansion, aiming for enhancing the overall quality and competitiveness of its sales network.

The following table sets forth the details of our dealership stores as at 31 December 2015:

	Dealership store in operation	Authorized dealership stores to be opened	Total
5S/4S store for luxury and ultra-luxury brands	75	14	89
4S store for mid- to high-end brands	15	0	15
Urban showroom for 4S stores	17	0	17
Authorized repair service centre for luxury brands	5	0	5
Pre-owned automobile centre	0	1	1
Total	112	15	127

By establishing strategic cooperation with leading manufacturers of luxury and ultra-luxury branded automobiles in China, the quality of existing network, the quantity and quality of newly authorized stores of the Group have been adequately safeguarded. All the authorized stores under development and to be developed were for luxury and ultra-luxury branded automobiles, which will further strengthen the Group's regional advantages. Our newly planned stores will develop synergy with our existing dealership network. In 2016, the Group will focus on continuous optimization and prudent expansion of our existing dealership network of core luxury branded automobiles, in order to keep up momentum for the Group's overall operation and all extended services business.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2015, the Group generated turnover of approximately RMB29,361 million, representing a decrease of approximately 5.0% over the turnover of approximately RMB30,910 million in 2014. The decrease in turnover was mainly due to slower growth in passenger automobiles market. For the year ended 31 December 2015, sales revenue from luxury and ultra-luxury branded new automobiles decreased to RMB21,906 million, representing a fall of approximately 7.3% over RMB23,618 million in 2014, the sales revenue attributable to total sales of new automobiles in 2015 was substantially in line with that in 2014; revenue from after-sales services of luxury and ultra-luxury branded automobiles was RMB2,971 million, representing a growth of approximately 8.9% as compared to RMB2,727 million in 2014, and accounted for 88.0% of the total revenue of after-sales services business. The following table sets forth a breakdown of our turnover and relevant information for the periods indicated.

	2015 Turnover *(RMB'000)*	2014 Turnover *(RMB'000)*
Sales of new automobiles		
Luxury and ultra-luxury brands	**21,906,135**	23,618,480
High-to-mid market brands	**3,395,939**	3,511,637
Sub-total	**25,302,074**	27,130,117
After-sales services		
Luxury and ultra-luxury brands	**2,970,920**	2,727,411
High-to-mid market brands	**404,644**	452,273
Sub-total	**3,375,564**	3,179,684
Logistics services and lubricant oil trading	**615,429**	600,286
Interest and service income from financial services	**68,432**	–
Total	**29,361,499**	30,910,087

Cost of sales

For the year ended 31 December 2015, cost of sales of the Group amounted to approximately RMB26,775 million, representing a decrease of 5.0% from RMB28,185 million in 2014. Such decrease was substantially in line with the change in turnover.

Gross profit and gross profit margin

For the year ended 31 December 2015, the Group's gross profit was approximately RMB2,587 million, representing a decrease of approximately 5.1% over approximately RMB2,726 million in 2014. The gross profit for the sales of new automobiles in 2015 decreased by 26.3% to approximately RMB839 million from approximately RMB1,139 million in 2014; the gross profit for the after-sales services in 2015 increased by 8.6% to approximately RMB1,636 million from approximately RMB1,507 million in 2014, accounting for 63.2% of our total gross profit as compared with 55.3% in 2014. The gross profit for the sales of luxury and ultra-luxury branded automobiles decreased from approximately RMB1,086 million in 2014 to approximately RMB792 million. The gross profit of the provision of after-sales services of luxury and ultra-luxury branded automobiles was approximately RMB1,436 million, representing a growth of approximately 17.1% as compared to RMB1,227 million in 2014.

For the year ended 31 December 2015, the consolidated gross profit margin of the Group was approximately 8.8%, maintaining the same level in 2014. The gross profit margin for the sales of new automobiles was 3.3% (2014: 4.2%), among which, the gross profit margin for the sales of luxury and ultra-luxury branded new automobiles was 3.6% (2014: 4.6%). The decline was due to increasing competition in luxury and ultra-luxury automobile market in China in 2015. The gross profit margin for after-sales services was 48.5% (2014: 47.4%). The increase in the gross profit margin for the after-sales services business was due to the continual improvement in the operating efficiency and quality of the Group's after-sales services as well as an increase in reputation of our after-sales services, with further room for growth expected.

Selling and distribution expenses

For the year ended 31 December 2015, the Group's selling and distribution expenses increased by approximately 3.6% to approximately RMB847 million from approximately RMB818 million in 2014. Such increase was primarily due to the increase in leasing charges and advertising expenditure as a result of an increase in the number of dealership stores in 2015.

Administrative expenses

For the year ended 31 December 2015, the Group's administrative expenses amounted to approximately RMB912 million, representing an increase of approximately 18.3% over approximately RMB771 million in 2014. Such increase was primarily due to an increase in number of dealership stores during the period under review and an exchange loss incurred from the depreciation of Renminbi at the beginning the year.

Profit from operations

For the year ended 31 December 2015, the Group's profit from operations amounted to approximately RMB1,351 million, representing a decrease of approximately 17.1% as compared with approximately RMB1,629 million in 2014. The operating profit margin was approximately 4.6%, a decrease of approximately 0.7 percentage point over 5.3% in 2014.

Income tax expenses

For the year ended 31 December 2015, the Group's income tax expenses amounted to approximately RMB293 million and the effective tax rate was approximately 31.8%.

Profit for the year

For the year ended 31 December 2015, the Group's profit for the year was approximately RMB629 million, representing a decrease of approximately 23.7% over approximately RMB824 million in 2014. During the year, net profit margin was 2.1%, down approximately 0.6 percentage point from 2.7% in 2014.

Contingent liabilities

As at 31 December 2015, the Group had no material contingent liabilities or guarantees save as those assets pledged to banks for loans and borrowings.

Current assets and current liabilities

As at 31 December 2015, the Group's current assets amounted to approximately RMB12,403 million, which was basically stable as compared to current assets of approximately RMB12,282 million as at 31 December 2014. As at 31 December 2015, the Group's current liabilities amounted to approximately RMB11,756 million, representing an increase of approximately RMB806 million as compared to current liabilities of approximately RMB10,950 million as at 31 December 2014. Such increase was due to the expansion of the scale of the Group's automobile financing business. As at 31 December 2015, our net current assets amounted to RMB647 million, representing a decrease as compared with our net assets of RMB1,332 million as at 31 December 2014.

Cash flow

As at 31 December 2015, the Group had cash and cash equivalents amounting to approximately RMB1,599 million, representing an increase of approximately RMB164 million over approximately RMB1,435million as at 31 December 2014. The Group's transactions and monetary assets are principally conducted in RMB. The Group's primary uses of cash are to pay for purchases of new automobiles, spare parts and automobile accessories and automobile lubricant oil, to repay the Group's loans, borrowings and other indebtedness, to fund the Group's working capital and normal recurring expenses and to establish new dealership stores or other businesses. The Group finances its liquidity requirements through a combination of cash flows generated from the operating activities, bank loans and other financings. For the year ended 31 December 2015, the Group had net cash inflow of RMB1,526 million in its operating activities, representing an increase as compared with RMB874 million for the year ended 31 December 2014. Such increase was mainly attributable to inventory adjustment at the end of the period by the Group for adapting competitive landscape in the market.

Capital expenditure and investment

For the year ended 31 December 2015, the Group's capital expenditure and investment was approximately RMB1,099 million (2014: approximately RMB1,753 million). Our capital expenditure includes primarily property, equipment, land use rights and construction costs of new dealership outlets.

Inventory

The Group's inventories included vehicles and automobile spare parts. In general, each of the Group's dealership stores individually manages the quotas and orders for new automobiles, automobile spare parts and other inventories. In addition, the Group utilizes its information technology systems to manage its inventory, and also monitors the inventories within its whole dealership network and may transfer automobiles from one dealership store to another to rebalance inventory levels. The inventories of the Group was approximately RMB3,194 million as at 31 December 2015, decreased by approximately RMB1,152 million when compared with RMB4,346 million as at 31 December 2014. Such decrease was due to inventory reduction of new automobiles by the Group based upon market demand. The Group's average inventory turnover days for 2015 decreased by 4.6 days to 51.4 days from 56.0 days for the first half of 2015. The following table sets forth our average inventory turnover days for the years indicated:

	For the year ended 31 December (days)	
	2015	2014
Average inventory turnover days	**51.4**	44.5

Risks of foreign exchange fluctuation

The Group conducts its business primarily in Renminbi. Certain bank deposits, bank loans and credit enhanced bonds were denominated in foreign currencies. However, the Group's operating cash flow and liquidity has not been subject to significant influence from fluctuations in exchange rate. The Group used cross currency swap to fully hedge its US-dollar future bonds. As at 31 December 2015, a fair value of RMB27.04 million (31 December 2014: nil) was recognised by the Group on the cross currency swap.

Liquidity and capital resources

Working capital and capital expenditures of the Group were primarily funded through cash generated from internal operation and borrowings provided by principal banks. As at 31 December 2015, the Group's cash and bank deposits were approximately RMB3,080 million (including: restricted bank deposits of approximately RMB1,481 million and cash and cash equivalents), representing a decrease of approximately RMB49 million, from approximately RMB3,129 million as at 31 December 2014. As at 31 December 2015, loans and borrowings and bonds payable of the Group amounted to approximately RMB7,997 million (31 December 2014: RMB6,380 million). As at 31 December 2015, save as interest bearing bank loans and other borrowings of approximately RMB6,303 million that bore interest at fixed rates, other interest-bearing bank loans and other borrowings bore interest at floating rates. As at 31 December 2015, net gearing ratio of the Group was 56.6% (31 December 2014: 39.2%). Net gearing ratio was calculated as loans and borrowings and bonds payable less cash and bank deposits divided by owner's equity. The increase in the ratio was mainly attributable to the growth in the scale of the Group's auto finance business.

Pledged assets of the group

The Group has pledged its group assets as the security for loans and borrowings as well as bank financings to be used as working capital for daily operations. As at 31 December 2015, the pledged assets of the Group amounted to approximately RMB3,620 million (31 December 2014: approximately RMB4,364 million).

Investments held in foreign currency and hedging

For the year ended 31 December 2015, the Group did not hold any investments denominated in foreign currencies. Furthermore, the Group's working capital or liquidity did not face any material difficulties or material impacts as a result of the movement in exchange rate.

Employees and remuneration policies

As at 31 December 2015, the Group had a total of 8,765 employees in Mainland China and Hong Kong (31 December 2014: 8,977 employees). The Group offers competitive remuneration packages and welfare benefits, including pension, work-related compensation benefits, maternity insurance, medical and unemployment benefit plans. The Group also provides good working environment and diversified training program. The Group has adopted share option schemes and a restricted share award scheme for granting shares to eligible employees as incentives or rewards for their contribution to the Group.

FUTURE OUTLOOK AND STRATEGIES

Looking forward, the continuous growth in household disposable income coupled with a steadily expanding customer base will hold out very broad prospects for the growth of auto service industry. In future, luxury automobiles consumers will request for more specialized services at various stages of consumption relating to automobiles, and expect to enjoy a comprehensive and convenient one-stop integrated service. The Group will further unlock the potentials of traditional businesses such as sales of new automobiles and after-sales services, fully leverage the strengths of diversified luxury brands, improve its nationwide network, take advantage of its diversified innovative products and all-embracing financial and insurance services, thus to consolidate and enhance its profit margin and market share. Meanwhile, the Group will accurately grasp auto after-market opportunities on the back of the favorable policies on pre-owned automobiles and consumer financing, prioritize the development of automobile financial service, keep on promoting the insurance brokerage and pre-owned automobiles service businesses, and consistently optimize the overall business structure of the Group, aiming for a one-stop comprehensive service platform with a focus on the customers' need, applying internet thoughts and integrated with financial instruments. In future, the synergies among business segments will be further explored, and the Group will further realize economies of scale by its service platform, which focuses on product research and development, experience enhancements and cost controls. The Group will strive to persistently foster a convenient and high-quality environment for consumers, with a view to delivering greater value to its shareholders, employees and the community.

PROPOSED FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company on the forthcoming annual general meeting to be held on 20 May 2016 (the "2016 AGM") for the distribution of a final dividend of HK$0.10 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 1 June 2016. The proposal for the distribution of the final dividend is subject to the consideration and approval by the shareholders of the Company at the 2016 AGM. Subject to the said approval, the final dividend will be paid in cash to the shareholders of the Company on or around Wednesday, 15 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 18 May 2016 to Friday, 20 May 2016 (both days inclusive) and from Monday, 30 May 2016 to Wednesday, 1 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 2016 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, Wan Chai, Hong Kong for registration before 4:30 p.m. on Tuesday, 17 May 2016. In order to qualify for the proposed final dividend (subject to the approval by shareholders at the 2016 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 Friday, 27 May 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Securities Dealing Code regarding securities transactions of the directors with standards no less exacting than that of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the Securities Dealing Code and the Model Code during the year ended 31 December 2015.

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.

POST BALANCE SHEET DATE EVENTS

No material events for the Group have occurred after the balance sheet date.

CORPORATE GOVERNANCE

The Board believes that maintaining good corporate governance is crucial to increase investors' confidence and safeguard shareholders' interests. The Company has adopted the code provisions 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"). The Board is of the view that throughout the year ended 31 December 2015, the Company has complied with the respective code provisions ("Code Provisions") of the CG Code, except for the deviations from Code Provision E.1.2 that due to other commitments, Mr. Wang Muqing, chairman of the Board, was unable to attend the 2015 annual general meeting of the Company.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2015 have been reviewed by the audit committee of the Company (the "Audit Committee") and audited by the independent auditor of the Company, KPMG. The Audit Committee comprises three independent non-executive directors, namely, Dr. Wong Tin Yau, Kelvin (chairman of the Audit Committee), Mr. Zhao Chunjun and Mr. Chang Xiuze.

PUBLICATION OF RESULTS ANNOUNCEMENT

This results announcement is available for viewing on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.zhengtongauto.com) and the annual report for the year ended 31 December 2015 of the Company containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the above websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management team and employees for their commitment and diligence, and would also like to thank our shareholders and business associates for their strong support to the Group.

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

Hong Kong, 24 March 2016

As at the date of this announcement, the Board comprises Mr. WANG Muqing (Chairman), Mr. WANG Kunpeng (Chief Executive Officer), Mr. LI Zhubo, Mr. LI Yi, Mr. SHAO Yong Jun and Mr. WAN To as executive Directors; and Dr. WONG Tin Yau, Kelvin, Mr. ZHAO Chunjun and Mr. Chang Xiuze as independent non-executive Directors.