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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 2014**

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 2014 (the “**Reporting Period**”), together with comparative figures for the year ended 31 December 2013 as follows:

GROUP FINANCIAL HIGHLIGHTS:

- New automobile sales volume for the year ended 31 December 2014 increased by 5.4% to 207,289 units as compared to the year of 2013
- Revenue for the year ended 31 December 2014 increased by 4.3% to RMB54,786.7 million as compared to the year of 2013, among which revenue from after-sales and accessories business increased by 13.1% to RMB6,825.1 million as compared to the year of 2013
- Income from other value-added services for the year ended 31 December 2014 increased by 32.6% to RMB795.1 million as compared to the year of 2013
- Profit attributable to owners of the parent for the year ended 31 December 2014 was RMB750.9 million. However, the adjusted profit attributable to owners of the parent under Non-HKFRSs measures for the year ended 31 December 2014 was RMB794.8 million, decreasing by 21.3% as compared to the year of 2013. Please refer to the section headed “Non-HKFRSs Measures – Adjusted profit attributable to owners of the parent” for details

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

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

	<i>Notes</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
REVENUE	4	54,786,660	52,527,376
Cost of sales and services provided	5	(50,011,837)	(47,766,636)
Gross profit		4,774,823	4,760,740
Other income and gains, net	4	944,500	759,403
Selling and distribution expenses		(2,373,479)	(2,130,114)
Administrative expenses		(981,466)	(929,548)
Profit from operations		2,364,378	2,460,481
Finance costs		(1,272,568)	(1,075,227)
Share of profits and losses of:			
Joint ventures		3,638	4,791
Profit before tax	5	1,095,448	1,390,045
Income tax expense	6	(314,727)	(366,958)
Profit for the year		780,721	1,023,087
Attributable to:			
Owners of the parent		750,905	1,010,067
Non-controlling interests		29,816	13,020
		780,721	1,023,087
Earnings per share attributable to ordinary equity holders of the parent			
Basic			
– For profit for the year (RMB)	7	0.35	0.53
Diluted			
– For profit for the year (RMB)	7	0.35	0.53

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

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

		31 December	
		2014	2013
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		7,460,041	6,259,615
Investment properties		48,266	49,447
Land use rights		2,185,744	2,105,515
Prepayments		1,152,084	852,358
Intangible assets		2,675,267	2,382,218
Goodwill		2,432,635	2,033,576
Investments in joint ventures		43,263	39,625
Deferred tax assets		285,347	196,591
		<hr/>	<hr/>
Total non-current assets		16,282,647	13,918,945
CURRENT ASSETS			
Inventories	8	8,319,367	6,810,486
Trade receivables	9	631,451	590,221
Prepayments, deposits and other receivables		7,376,013	6,892,901
Amounts due from related parties		1,288	670
Available-for-sale investments		84,050	–
Financial assets at fair value through profit or loss		36,033	59,794
Pledged bank deposits		1,887,427	1,612,276
Cash in transit		198,755	195,844
Cash and cash equivalents		4,091,220	3,654,041
		<hr/>	<hr/>
Total current assets		22,625,604	19,816,233
CURRENT LIABILITIES			
Bank loans and other borrowings		16,844,969	14,281,944
Short term bonds		–	1,222,700
Senior notes, current portion		–	1,259,180
Bonds payable, current portion		23,129	–
Convertible bonds, current portion		12,810	–
Trade and bills payables	10	3,085,791	3,915,609
Other payables and accruals		1,595,188	1,384,494
Amounts due to related parties		3,895	814
Income tax payable		637,809	630,521
Dividends payable		9	9
		<hr/>	<hr/>
Total current liabilities		22,203,600	22,695,271
NET CURRENT ASSETS/(LIABILITIES)		<hr/> 422,004	<hr/> (2,879,038)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 16,704,651	<hr/> 11,039,907

		31 December	
		2014	2013
	<i>Note</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		891,818	784,675
Bonds payable		598,678	–
Convertible bonds		2,275,711	–
Bank loans and other borrowings		557,516	558,106
		<hr/>	<hr/>
Total non-current liabilities		4,323,723	1,342,781
		<hr/>	<hr/>
NET ASSETS		12,380,928	9,697,126
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		186	168
Treasury shares		(2,964)	–
Reserves		10,971,394	8,214,698
Proposed final dividend	<i>11</i>	150,181	204,106
		<hr/>	<hr/>
		11,118,797	8,418,972
		<hr/>	<hr/>
Non-controlling interests		1,262,131	1,278,154
		<hr/>	<hr/>
Total equity		12,380,928	9,697,126
		<hr/>	<hr/>

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company has established a principal place of business in Hong Kong which is located at Rooms 3504-12, 35th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 26 March 2010.

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

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

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year’s financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>
Amendment to HKFRS 2 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Definition of Vesting Condition¹</i>
Amendment to HKFRS 3 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination¹</i>
Amendment to HKFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to HKFRS 1 included in <i>Annual Improvements 2011-2013 Cycle</i>	<i>Meaning of Effective HKFRSs</i>

¹ Effective from 1 July 2014

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

3. OPERATING SEGMENT INFORMATION

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

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

Information about geographical area

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

	2014 RMB'000	2013 RMB'000
Revenue from the sale of motor vehicles	47,961,591	46,492,958
Others	6,825,069	6,034,418
	<u>54,786,660</u>	<u>52,527,376</u>

(b) Other income and gains, net:

	2014 RMB'000	2013 RMB'000
Commission income	795,083	599,770
Rental income	33,007	38,541
Interest income	54,538	57,060
Government grants	9,144	11,176
Net loss on disposal of items of property, plant and equipment	(45,264)	(24,374)
Net gain on disposal of land use rights	4,241	–
Net loss on disposal of intangible assets	–	(2)
Fair value gains/(losses), net:		
Financial assets at fair value through profit or loss		
– listed equity investments held for trading	7,195	(2,248)
Dividend income from listed equity investments	1,606	1,215
Net gain on disposal of listed equity investments	4,091	–
Others	80,859	78,265
	<u>944,500</u>	<u>759,403</u>

5. PROFIT BEFORE TAX

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
(a) Employee benefit expense (including directors' and chief executive officer's remuneration):		
Wages and salaries	1,346,697	1,200,961
Pension scheme contributions	210,269	179,139
Other welfare	96,336	82,287
	<u>1,653,302</u>	<u>1,462,387</u>
(b) Cost of sales and services provided:		
Cost of sales of motor vehicles	46,386,796	44,544,024
Others	3,625,041	3,222,612
	<u>50,011,837</u>	<u>47,766,636</u>
(c) Other items:		
Depreciation and impairment of property, plant and equipment	514,174	447,812
Depreciation and impairment of investment properties	1,181	885
Amortisation of land use rights	47,323	34,199
Amortisation of intangible assets	135,456	126,498
Auditors' remuneration	5,600	5,600
Lease expenses	157,446	148,651
Advertisement expenses	163,485	163,820
Office expenses	196,500	166,476
Logistics expenses	126,059	105,735
Business promotion expenses	394,357	237,368
Impairment of trade receivables	11,898	–
Write-down of inventories to net realisable value	4,734	–
Net loss on disposal of items of property, plant and equipment	45,264	24,374
Net gain on disposal of land use rights	(4,241)	–
Net loss on disposal of intangible assets	–	2
Fair value (gains)/losses, net:		
Financial assets at fair value through profit or loss		
– listed equity investments held for trading	(7,195)	2,248
Dividend income from listed equity investments	(1,606)	(1,215)
Net gain on disposal of listed equity investments	(4,091)	–

6. INCOME TAX EXPENSE

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current Mainland China corporate income tax	384,463	427,811
Deferred tax	<u>(69,736)</u>	<u>(60,853)</u>
	<u>314,727</u>	<u>366,958</u>

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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 ("PRC"), the income tax rates for both domestic and foreign investment enterprises in Mainland China are unified at 25% effective from 1 January 2008.

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

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

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit before tax	1,095,448	1,390,045
Tax at the statutory tax rate (25%)	273,862	347,511
Tax effect of non-deductible expenses	30,552	14,084
Income not subject to tax	(1,032)	(4,226)
Profits attributable to joint ventures	(909)	(1,198)
Lower tax rates for specific provinces or enacted by local authority	9,606	8,502
Tax losses not recognised	<u>2,648</u>	<u>2,285</u>
Tax charge	<u>314,727</u>	<u>366,958</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 2,131,938,346 (2013: 1,908,481,295) 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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	750,905	1,010,067
Interest on convertible bonds	91,591	–
	842,496	1,010,067
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	842,496	1,010,067

Shares

	Number of Shares	
	2014	2013
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,131,938,346	1,908,481,295
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	163,846,331	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	2,295,784,677	1,908,481,295

Earnings per share

	2014 <i>RMB</i>	2013 <i>RMB</i>
Basic	0.35	0.53
Diluted	0.35*	0.53

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the year attributable to owners of the parent of RMB750,905,000 and the weighted average number of ordinary shares of 2,131,938,346 in issue during 2014.

8. INVENTORIES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Motor vehicles	7,650,794	6,161,059
Spare parts and others	673,307	649,427
	8,324,101	6,810,486
Less: provision for inventories	4,734	–
	8,319,367	6,810,486

As at 31 December 2014, certain of the Group's inventories with a carrying amount of approximately RMB1,350,541,000 (2013: RMB1,269,547,000) were pledged as security for the Group's bank loans and other borrowings.

As at 31 December 2014, certain of the Group's inventories with a carrying amount of approximately RMB822,537,000 (2013: RMB731,256,000) were pledged as security for the Group's bills payable.

9. TRADE RECEIVABLES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade receivables	631,451	590,439
Impairment	–	(218)
	631,451	590,221

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

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Within 3 months	530,582	483,032
More than 3 months but less than 1 year	33,521	45,647
Over 1 year	67,348	61,542
	631,451	590,221

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Neither past due nor impaired	612,666	564,935
Over one year past due	18,785	25,286
	631,451	590,221

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

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

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
At the beginning of the year	218	218
Impairment losses recognised	11,898	–
Amounts written off as uncollectible	(12,116)	–
	<hr/>	<hr/>
At the end of the year	–	218
	<hr/>	<hr/>

10. TRADE AND BILLS PAYABLES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade payables	688,148	1,056,468
Bills payable	2,397,643	2,859,141
	<hr/>	<hr/>
Trade and bills payables	3,085,791	3,915,609
	<hr/>	<hr/>

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Within 3 months	2,762,233	3,650,732
3 to 6 months	311,366	249,101
6 to 12 months	3,401	6,490
Over 12 months	8,791	9,286
	<hr/>	<hr/>
	3,085,791	3,915,609
	<hr/>	<hr/>

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

11. DIVIDENDS

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final – HK\$0.09 (approximately RMB0.07) (2013: HK\$0.12) per ordinary share	<u>150,181</u>	<u>204,106</u>

The calculation of the proposed final dividend for the year ended 31 December 2014 is based on the proposed final dividend per ordinary share, and the total number of ordinary shares as at this announcement date.

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

During the year ended 31 December 2014, a final dividend of HK\$0.12 per ordinary share in respect of the year ended 31 December 2013 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 2014 amounted to HK\$257,645,000 (equivalent to RMB204,106,000).

MARKET REVIEW

In 2014, China's macro-economy grew at a relatively low pace. The growth rate of GDP for the year declined to 7.4%, hitting a new low in the past 24 years. China's automobile industry has also gone through multiple adjustments in policies, structure and market which have affected the domestic automobile market in various aspects. According to the statistics of China Association of Automobile Manufactures, the sales volume of passenger vehicles in China reached 19.7 million units in 2014, representing a year-on-year increase of 9.89%. In particular, the sales volume of basic passenger vehicles ("passenger vehicles") was 12.4 million units, representing a year-on-year increase of 3.06%; the sales volume of multi-purpose vehicles ("MPV") was 1.9 million units, representing a year-on-year increase of 46.79%; the sales volume of sport utility vehicles ("SUV") was 4.1 million units, representing a year-on-year increase of 36.44%. The uneven growth in distribution shows that automobile consumers in China are getting mature rapidly and upgraded and diversified demand has become an emerging trend. While the market and the industry are generally concerned about the slowdown in the growth of demand, the significant base of the sales volume of passenger vehicles was neglected. The annual growth volume still brings us tremendous opportunities despite the slowdown in the growth of demand. What really matters is to adopt a rational view towards the market.

New automobile sales volume was lower than expected during 2014, resulting in large inventories, higher finance cost and lower gross profit margin of new automobile sales for most dealerships. Such a seemingly simple situation reflected various issues and forced us to return to a rational perspective towards the overall development of the industry. These temporary difficulties present the dealership industry in China an opportunity for self-reflection and self-correction. Such difficult environment requires us to become innovative, and we believe such innovativeness would allow us to change through such difficult environment, resulting in our long-term sustainable development.

As at the end of 2014, passenger vehicles ownership in China reached 154 million units with an annual net increase of 17.1 million units. Newly registered cars reached 21.9 million units, reaching a historical high. While the ownership of automobiles in China was increasing, the ownership of automobiles in China just reached 100 units per 1,000 people, representing a huge gap as compared with the US market of over 800 units per 1,000 people. This shows an excellent prospect and huge space for the growth of China's market in the future. The rapid growth of automobile ownership generates enormous demand for the after-sales market.

BUSINESS REVIEW

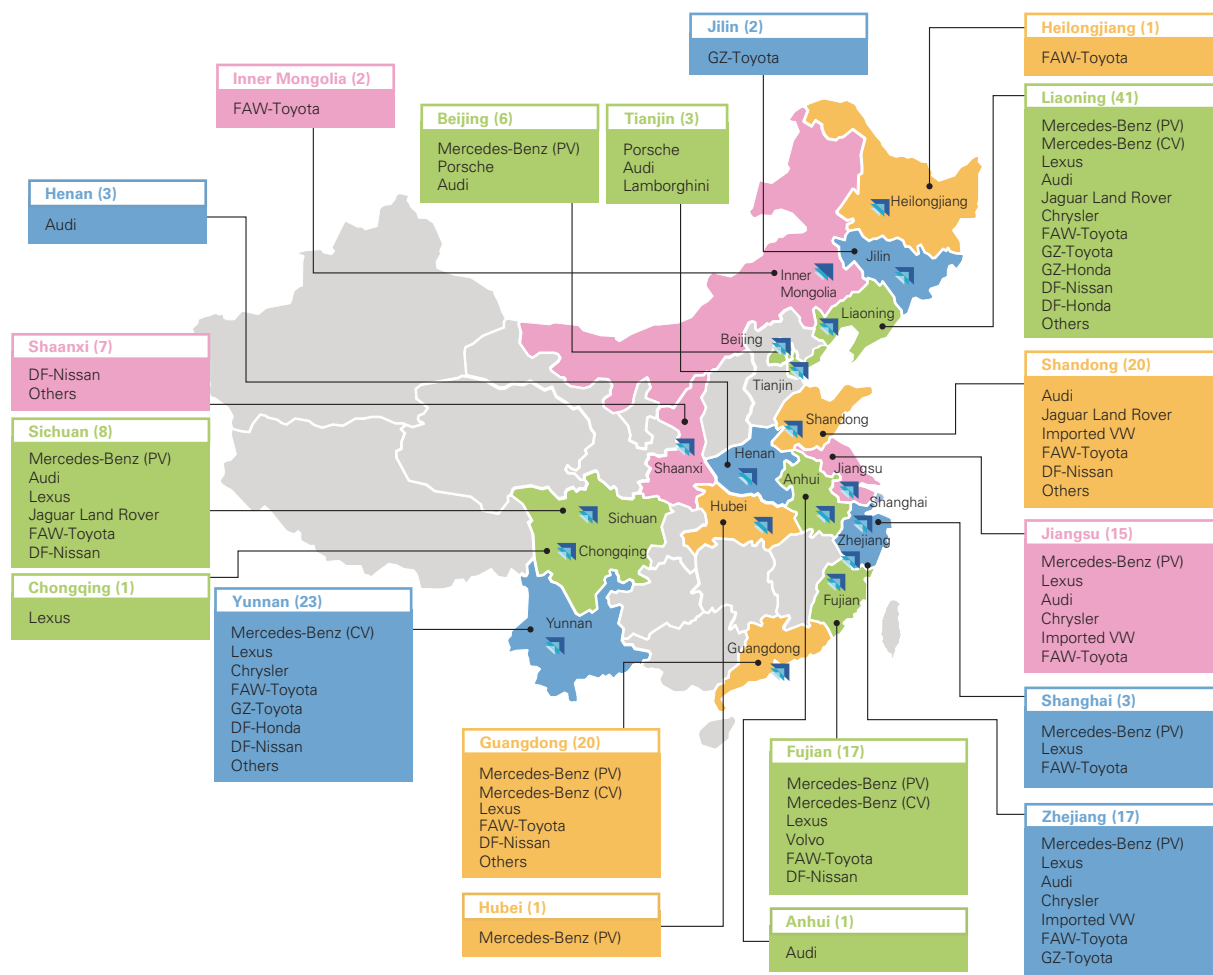
Distribution Network of Dealerships

In China, a province or even a city can be regarded as one independent market segment due to its different economic nature and development status. This could also be substantiated by the automobile sales distribution and changes in the composition of types of cars sold in the past several years. In this regard, how to build and upgrade the network coverage which tailors to local circumstances is our constant focus. While sustaining steady expansion, Zhongsheng Group continuously evaluates and monitors its dealerships in order to keep the superior and eliminate the inferior.

During the year of 2014, the Group opened 22 new dealerships, including 18 luxury brands dealerships. In addition, the Group obtained another 6 luxury brands dealerships through merger and acquisition.

As at 31 December 2014, the total number of dealerships of the Group increased to 191, including 80 luxury brands dealerships and 111 mid-to-high-end brands dealerships, covering 19 provinces and regions and over 70 cities across China.

The nationwide coverage of the Group's dealerships as at 31 December 2014 is as follows:



	Luxury brand	Mid-to-high-end brand	Total
Northeastern region	11	33	44
Northern region	9	–	9
Eastern region	29	27	56
Southern region	19	18	37
Southwestern and Northwestern inland regions	12	33	45
Total	80	111	191

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

Opportunities in Automobile After-sales Market

As the consumers become more sophisticated and tend to be younger in China, their inherent consumption habits and manners are changing. Innovation and perseverance are both critical to dealerships. We have to diversify our sales channels and product modes to be innovative and persevere our principle of being customer-oriented. As an essential part of the industrial chain of automobile sales, dealerships shall make greater contribution to the development of the industry.

As at the end of 2014, the ownership of passenger vehicles in China increased to 154 million units. Moreover, the consumption power of China residents has increased and the consumers in China have become younger and highly-educated. As a result, consumers will have higher expectations on the quality of automobile after-sales services and are willing to spend more on the related services. These provide further expansion opportunities to the automobile after-sales market. In addition, during the past few years, the penetration rate of automobile financing has been increasing year by year and the demands for automobile refitting and detailing services have also been increasing, reflecting the importance of diversified services. During last year, the government and the industry placed great emphasis on the development of second-hand vehicle business and the second-hand vehicle industry has gradually shown a trend towards brand and chain operation. All of the above opportunities in after-sales automobile market leave ample room for development. Meticulous management and economies of scale will be essential to success.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2014 was RMB54,786.7 million, representing an increase of RMB2,259.3 million or 4.3% as compared to the corresponding period in 2013. Revenue from new car sales amounted to RMB47,961.6 million, representing an increase of RMB1,468.6 million or 3.2% as compared to the corresponding period in 2013. Revenue from after-sales and accessories business amounted to RMB6,825.1 million, representing an increase of RMB790.7 million or 13.1% as compared to the corresponding period in 2013. The revenue contribution from after-sales and accessories business further increased to 12.5% in 2014 (2013: 11.5%).

For the year ended 31 December 2014, revenue from sales of luxury brands automobiles amounted to RMB31,930.1 million (2013: RMB28,957.1 million), accounting for approximately 66.6% (2013: 62.3%) of revenue from new car sales for the same period. Revenue from sales of mid-to-high-end brands automobiles amounted to RMB16,031.5 million (2013: RMB17,535.9 million), accounting for approximately 33.4% (2013: 37.7%) of revenue from new car sales. In terms of new car sales revenue, Mercedes-Benz and Audi are our top-two selling brands representing approximately 27.5% and 18.0% of our total new car sales revenue respectively (2013: 22.9% from Mercedes-Benz and 21.5% from Toyota, respectively).

Cost of Sales and Services

Cost of sales and services for the year ended 31 December 2014 amounted to RMB50,011.8 million, representing an increase of RMB2,245.2 million or 4.7% as compared to the corresponding period in 2013. Cost attributable to our new car sales business amounted to RMB46,386.8 million for the year ended 31 December 2014, representing an increase of RMB1,842.8 million or 4.1% as compared to the corresponding period in 2013. Cost attributable to our after-sales and accessories business amounted to RMB3,625.0 million for the year ended 31 December 2014, representing an increase of RMB402.4 million or 12.5% as compared to the same period of 2013.

Gross Profit

Gross profit for the year ended 31 December 2014 amounted to RMB4,774.8 million, representing an increase of RMB14.1 million or 0.3% as compared to the corresponding period in 2013, among which the gross profit from new car sales business amounted to RMB1,574.8 million, representing a decrease of RMB374.1 million or 19.2% as compared to the corresponding period in 2013 and the gross profit from after-sales and accessories business was RMB3,200.0 million, representing an increase of RMB388.2 million or 13.8% as compared to the corresponding period of 2013. For the year ended 31 December 2014, the gross profit from after-sales and accessories business accounted for 67.0% of the total gross profit (2013: 59.1%). Our gross profit margin for the year ended 31 December 2014 was 8.7% (2013: 9.1%), of which the gross profit margin of new car sales business was 3.3% (2013: 4.2%), and the gross profit margin of after-sales and accessories business was 46.9% (2013: 46.6%).

Profit from Operations

Profit from operations for the year ended 31 December 2014 amounted to RMB2,364.4 million, representing a decrease of RMB96.1 million or 3.9% as compared to the corresponding period in 2013. Our operating profit margin for the year ended 31 December 2014 was 4.3% (2013: 4.7%).

Profit for the Year

Our profit for the year ended 31 December 2014 was RMB780.7 million, representing a decrease of RMB242.4 million or 23.7% as compared to the corresponding period of 2013. The net profit margin for the year ended 31 December 2014 was 1.4% (2013: 1.9%).

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent for the year ended 31 December 2014 was RMB750.9 million. However, the adjusted profit attributable to owners of the parent under Non-HKFRSs measures for the year ended 31 December 2014 was RMB794.8 million, decreased by RMB215.3 million or 21.3% as compared to the year of 2013.

Non-HKFRSs measures – Adjusted Profit Attributable to Owners of the Parent

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

We define adjusted profit attributable to owners of the parent as net income or loss attributable to owners of the parent excluding the interest expense of convertible bonds recognised under HKFRSs using the effective interest rate method and adding back the interest expense of convertible bonds calculated based on coupon interest rate for the year ended 31 December 2014.

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to owners of the parent	750,905	1,010,067
Add:		
Interest expense of convertible bonds recognised under HKFRSs using the effective interest rate method	91,591	–
Less:		
Interest expense of convertible bonds calculated based on coupon interest rate	<u>47,657</u>	<u>–</u>
Adjusted profit attributable to owners of the parent	<u>794,839</u>	<u>1,010,067</u>

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

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

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

Cash Flow Generated from Operating Activities

For the year ended 31 December 2014, our net cash generated from operating activities was RMB926.5 million, arising from operating profit of RMB3,052.7 million before working capital movement, deducting a net increase in working capital of RMB1,749.0 million and payment of tax of RMB377.2 million.

Cash Flow Used in Investing Activities

For the year ended 31 December 2014, our net cash used in investing activities was RMB2,710.3 million, consisting primarily of purchases of property, plant and equipment of RMB1,881.0 million, purchases of land use rights of RMB239.5 million and acquisition of subsidiaries of RMB539.3 million, partially offset by proceeds from disposal of property, plant and equipment of RMB536.6 million.

Cash Flow Generated from Financing Activities

For the year ended 31 December 2014, our net cash generated from financing activities was RMB2,221.1 million, consisting primarily of proceeds from bank loans and other borrowing of RMB31,717.8 million, net proceeds from issue of new shares of RMB2,023.2 million, net proceeds from issue of convertible bonds of RMB2,450.3 million and partially offset by repayment of bank loans and other borrowings of RMB29,617.8 million, repayment of senior notes of RMB1,250 million, repayment of short term bonds of RMB1,200 million and interest paid for bank loans and other borrowings of RMB1,277.1 million.

Capital Expenditure and Investment

Our capital expenditures comprise expenditures on property, plant and equipment and land use rights. For the year ended 31 December 2014, our total capital expenditures were RMB2,129.9 million.

Inventory Analysis

Our inventories primarily consist of new automobiles, spare parts and automobile accessories. Generally, each of our 4S dealerships independently manages the orders for new automobiles and part of the after-sales products. We also coordinate and aggregate orders for automobile accessories and other automobile-related products across our 4S dealership network. We manage our quotas and inventory levels through our ERP system. Our inventories increased by 22.2% from RMB6,810.5 million as at 31 December 2013 to RMB8,319.4 million as at 31 December 2014. The higher inventories balance was primarily due to the increase of number of dealerships and the expansion of business scale.

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

	Year ended 31 December	
	2014	2013
Average inventory turnover days	<u>50.9</u>	<u>46.3</u>

Our average inventory turnover days in 2014 increased to 50.9 days from 46.3 days in 2013, primarily due to the increase of new dealership stores opened in 2014, which are yet to reach their optimal level of new car sales.

Bank Loans and Other Borrowings and Bonds Payable

Our bank loans and other borrowings and bonds payable as at 31 December 2014 were RMB18,024.3 million, and our convertible bonds liability portion as at 31 December 2014 amounted to RMB2,288.5 million. Our bank loans and other borrowings and bonds payable increased during the year primarily to finance our expanded operations.

Pledge of the Group's Assets

The Group pledged its group assets as securities for bank loans and other borrowings and banking facilities which were used to finance our daily business operation. As at 31 December 2014, the pledged group assets amounted to approximately RMB5.1 billion (2013: RMB4.8 billion).

Issue of Placing Shares and Convertible Bonds and Change in Equity

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) 238,560,162 placing shares (“**Placing Shares**”) at the subscription price of HK\$10.79916 per share and in principal amount of HK\$3,091,500,000 with interest rate of 2.85 per cent. convertible bonds due 2017 (the “**Convertible Bonds**”). The issue of the Placing Shares were completed on 24 January 2014, upon which the issued and fully paid shares of the Company increased from 1,908,481,295 to 2,147,041,457.

The Convertible Bonds are convertible into shares at the initial conversion price of HK\$12.95899 per conversion share at the option of the holder thereof, at any time on or after 180 days after the issue date up to the close of business on the date falling ten days prior to the maturity date, being the third anniversary of the date of issue of the Convertible Bonds. 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 25 April 2014.

The net proceeds from the placing and issue of the Convertible Bonds was RMB4.46 billion. The Company shall use such net proceeds for developing the dealership network and for general working capital purposes.

Contingent Liabilities

As at 31 December 2014, neither the Group nor the Company had any significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, the Company repurchased a total of 534,500 shares at prices ranging from HK\$6.95 to HK\$7.05 per share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), with an aggregate consideration of approximately HK\$3,741,615. All of the repurchased shares were subsequently cancelled by the Company in January 2015, and accordingly the issued share capital of the Company was reduced by the par value of these shares. The premium paid on the repurchase was charged to the share premium account.

Details of the repurchases by the Company on the Stock Exchange during the Reporting Period were as follows:

Date of Repurchase	No. of Shares Repurchased	Purchase Price Per Share		Total paid HK\$
		Highest HK\$	Lowest HK\$	
10 December 2014	209,500	6.97	6.95	1,460,165
11 December 2014	74,000	7.05	6.97	521,540
12 December 2014	251,000	7.02	7.01	1,759,910
	<u>534,500</u>			<u>3,741,615</u>

Save as disclosed above, 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 2014.

FUTURE OUTLOOK

Despite that 2014 was a difficult year and 2015 will also be challenging, we are still positive towards the underlying trend of overall future development of the automobile industry. We will adhere to our fundamental strategies during hard times and strive for innovation. We will continue our assessment on selection and elimination of the existing dealerships and steadily explore new areas with growth potential to establish highly efficient network operation gradually.

Looking ahead, the Group will continue to provide comprehensive services with good quality to a wide range of customers. We will seize the opportunities arising from the transformation and upgrade of the automobile dealership market. While expanding steadily, we will continue to diversify and optimize our existing brand portfolios as well as fully recognize the market movement and consumer behaviors to take the preemptive opportunities in potential market segments. We will also further develop after-sales services business to expand the profit channel of the Group in different scopes to strengthen our leading position in the automobile dealership industry as well as contribute our part to the maturity of China's dealership industry.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Throughout the Reporting Period, the Company has complied with the 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 and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

AUDIT COMMITTEE

The Company’s annual results for the year ended 31 December 2014 have been reviewed by the Audit Committee on 30 March 2015.

SCOPE OF WORK OF THE AUDITOR

The figures above in respect of this annual results announcement for the year ended 31 December 2014 have been agreed with the Company’s auditor, Ernst & Young, certified public accountants (“**Ernst & Young**”), to be consistent with the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

PROPOSED DISTRIBUTION OF FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company on the forthcoming annual general meeting on 16 June 2015 (the “**AGM**”) for the distribution of a final dividend of HK\$0.09 per share for the year ended 31 December 2014 payable to the shareholders of the Company whose names are listed in the register of the Company on 24 June 2015, in an aggregate amount of HK\$190.4 million (equivalent to RMB150.2 million). The proposal for the distribution of the final dividend above is subject to the consideration and approval of the shareholders at the AGM of the Company. The distribution date of the final dividend has not been decided yet and the Company will make an announcement regarding such date once available.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 11 June 2015 to Tuesday, 16 June 2015 (both days inclusive) and from Monday, 22 June 2015 to Wednesday, 24 June 2015 (both days inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Wednesday, 10 June 2015. In order to qualify for the proposed final dividend (subject to the approval by shareholders at the forthcoming AGM), unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above mentioned address for registration before 4:30 p.m. on Friday, 19 June 2015.

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 2014 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

2014 marked a significant milestone of the 20th anniversary of the Group. Although the Group has been facing various challenges, it achieved growth and expansion on a continuing basis, thanks to the great effort of our employees, strong cooperation among our business partners, and full support and encouragement from our shareholders. The Board would like to express our sincere gratitude to all of you for your valuable contributions to our Group.

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

Hong Kong, 30 March 2015

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