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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 2016**

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 2016 (the “**Reporting Period**”), together with comparative figures for the year ended 31 December 2015 as follows:

GROUP FINANCIAL HIGHLIGHTS

- New automobile sales volume for the year of 2016 increased by 23.4% to 300,753 units as compared to the year of 2015
- Revenue for the year of 2016 increased by 21.1% to RMB71,599.2 million as compared to the year of 2015
- Consolidated gross profit margin for the year of 2016 was 9.2%, representing a 1.3 percentage point increase from 7.9% for the year of 2015
- Income from other value-added services for the year of 2016 increased by 32.0% to RMB1,282.8 million as compared to the year of 2015
- Selling and distribution expenses, administrative expenses and finance costs in aggregate accounted for 7.0% of total revenue for the year of 2016, representing a 1.6 percentage point decrease from 8.6% for the year of 2015
- Profit attributable to owners of the parent for the year of 2016 was RMB1,860.2 million, representing an increase of 303.5% from RMB461 million for the year of 2015. Earnings per share for the year of 2016 amounted to RMB0.87 (corresponding period of 2015: RMB0.21)
- The proposed final dividend for the year of 2016 is HK\$0.30 (approximately RMB0.27) per ordinary share, subject to the approval of the Shareholders at the forthcoming AGM

MARKET REVIEW

In 2016, the economy of China operated within an appropriate range with positive factors gradually accumulating, while the quality and efficiency of development showed progressive improvements and the downward pressure was mitigated over time, presenting the initial realization of a bright start of the 13th Five-Year Plan. China's total GDP amounted to RMB74.4 trillion in 2016, representing a 6.7% increase from that in 2015, accounting for approximately 15% of the global GDP. In particular, the proportion of the service industry continued to grow, accounting for nearly two-thirds of the contribution of consumption, indicating a further improvement in the economic structure. With a steady growth in the national income and further rising consumption power of residents, the increase in income per capita for 2016 was slightly greater than that of GDP per capita in real terms, and is expected to double 2010's figure by 2020.

Given the backdrop of a favourable national economy, the automobile industry stepped up its efforts in supply-side reform by speeding up its pace of adjustments and innovation in product structure. The growth rates of production and sales increased month by month, with both the production volume and sales volume of automobiles for the whole year exceeding 28 million units, ranking first in the world for eight consecutive years. The production volume and sales volume of passenger vehicles also reached a record high of 24.421 million units and 24.377 million units, respectively, representing an increase of 15.5% and 14.9% as compared to the corresponding period of last year, respectively. Such rapid growths made a contribution of up to 92.3% and 94.1% towards the increases in the production volume and sales volume of automobiles, respectively.

In addition, the second-hand automobile market and the after-sales market have been constantly creating new development opportunities. In 2016, the total trading volume of second-hand automobiles in China increased by 10.33% on a year-on-year basis to 10.3907 million units, exceeding ten million units for the first time. According to the data from the China Association of Automobile Manufacturers, the size of the after-sales market of China has been increasing by approximately RMB100 billion each year since 2012, reaching RMB766.0 billion at present, and is expected to exceed RMB800.0 billion by 2017 easily, which thereby provides considerable room for the development and enormous growth potential for the extension of the automobile industry chain.

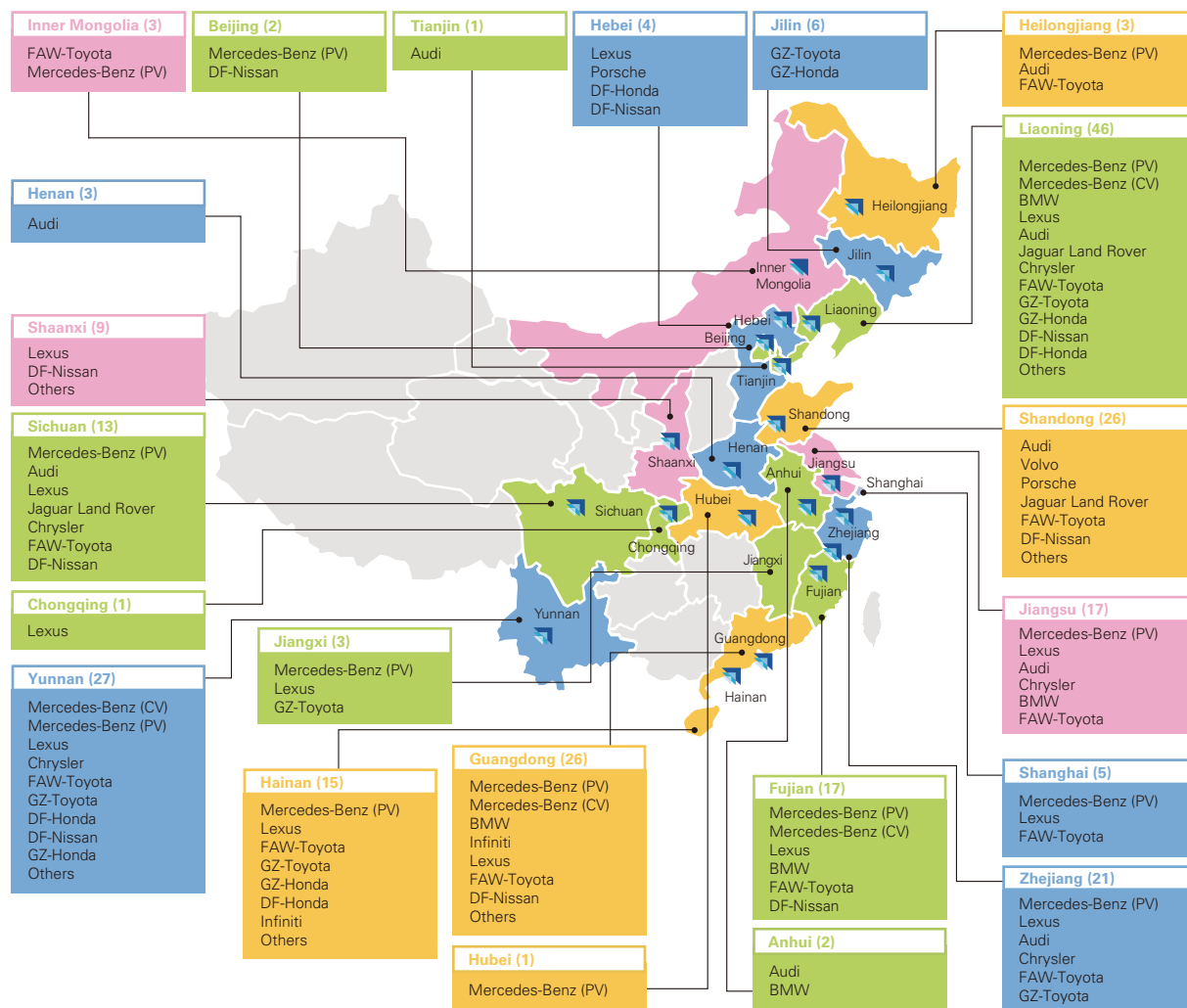
BUSINESS REVIEW

Committed to expanding market presence and further highlighting the strengths in terms of brand and geographical portfolio

In light of the successive introduction of policies for the automobile industry in 2016, the consolidation of the automobile distribution network further advanced and the transformation and upgrade of the industry accelerated. The Group actively capitalized on the favourable policies and seized market opportunities. Based on the thorough understanding of the demands and consumption habit of customers in different markets, the Group has not only explored and strengthened its position in various major strategic regions, but also further expanded its market share, enhanced its market awareness and strengthened its industrial position through establishment of new networks as well as mergers and acquisitions.

As of 31 December 2016, the total number of 4S dealerships of the Group reached 251, including 120 luxury brand dealerships and 131 mid-to-high-end brand dealerships, which were mainly located in regions with higher consumption power or great potential for car purchasing and covered 22 provinces and regions and more than 80 cities across China.

The coverage of the Group's dealerships as of 31 December 2016 was as follows:



	Luxury brand	Mid-to-high-end brand	Total
Northeastern and Northern China regions	21	41	62
Eastern and Central China regions	50	25	75
Southern China region	29	29	58
Southwestern and Northwestern inland regions	20	36	56
Total	120	131	251

Currently, the Group's brand portfolio covers luxury brands such as Mercedes-Benz, Audi, Lexus, BMW, Jaguar Land Rover, Porsche, Infiniti and Volvo, as well as mid-to-high-end brands such as Toyota, Nissan and Honda. Such diversified brand portfolio and extensive geographic coverage cater to the needs of different customer groups.

Positive demand-supply relationship to facilitate robust business growth

With the gradual release of the rigid demand in the automobile industry and the upgrade of the demand for update and replacement, the production volume and sales volume of automobiles in China recorded another new high. Driven by the issue of the Certain Opinions on Promoting the Second-hand Vehicles Trade (《關於促進二手車便利交易的若干意見》), the second-hand automobile market started to boost. In 2016, the total trading volume of the second-hand automobiles in China exceeded ten million units for the first time. The continual swift increase in automobile ownership also facilitated the increasing demand for after-sales services. High-quality talents, high quality assurance and high-standard services and products became the fundamental elements of the development for after-sales services.

Benefiting from the revitalizations of China's automobile industry, in particular, the luxury automobile market, the Group achieved remarkable performance.

In face of the positive momentum in the market, the Group seized opportunities in a timely manner by steadfastly implementing its business plan for dealerships, aligning with the highest industrial standards, continuously enhancing operational and management efficiency and formulating precise strategic positioning, with a view to achieving all-round development in various businesses such as new automobile sales, after-sales and accessories business, second-hand automobiles, insurance and finance.

For the year of 2016, the Group's new automobiles sales volume reached 300,753 units, representing a year-on-year increase of 23.4%. The sales volume of new automobiles of luxury brands accounted for 39% of total new automobile sales volume. In terms of after-sales and accessories business, the Group realized an output value of RMB9,139.7 million for the year of 2016, representing a year-on-year increase of 25.2%. Other value-added services, mainly including insurance, finance and second-hand automobiles, achieved a rapid growth at the same time, realizing an income of RMB1,282.8 million, representing an increase of 32.0% as compared to the corresponding period of last year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

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

	<i>Notes</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
REVENUE	4	71,599,221	59,142,607
Cost of sales and services provided	5	(65,046,942)	(54,473,414)
Gross profit		6,552,279	4,669,193
Other income and gains, net	4	1,325,514	1,104,143
Selling and distribution expenses		(2,806,807)	(2,609,155)
Administrative expenses		(1,178,687)	(1,154,254)
Profit from operations		3,892,299	2,009,927
Finance costs		(1,018,020)	(1,295,697)
Share of profits and losses of:			
Joint ventures		4,148	1,408
Profit before tax	5	2,878,427	715,638
Income tax expense	6	(836,689)	(234,329)
Profit for the year		2,041,738	481,309
Attributable to:			
Owners of the parent		1,860,228	460,964
Non-controlling interests		181,510	20,345
		2,041,738	481,309
Earnings per share attributable to ordinary equity holders of the parent			
Basic			
– For profit for the year (RMB)	7	0.87	0.21
Diluted			
– For profit for the year (RMB)	7	0.85	0.21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Profit for the year	<u>2,041,738</u>	<u>481,309</u>
Other comprehensive loss		
Exchange differences on translation of foreign operations	<u>(279,938)</u>	<u>(161,069)</u>
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	<u>(279,938)</u>	<u>(161,069)</u>
Other comprehensive loss for the year, net of tax	<u>(279,938)</u>	<u>(161,069)</u>
Total comprehensive income for the year	<u>1,761,800</u>	<u>320,240</u>
Attributable to:		
Owners of the parent	1,580,290	299,895
Non-controlling interests	<u>181,510</u>	<u>20,345</u>
	<u>1,761,800</u>	<u>320,240</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

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

		31 December	
	<i>Notes</i>	2016	2015
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		8,810,138	8,092,754
Investment properties		–	47,086
Land use rights		1,953,734	2,520,331
Prepayments		999,506	883,468
Intangible assets		3,306,307	2,953,635
Goodwill		2,732,547	2,622,410
Investments in joint ventures		48,019	43,871
Deferred tax assets		307,243	357,649
		<hr/>	<hr/>
Total non-current assets		18,157,494	17,521,204
CURRENT ASSETS			
Inventories	8	6,529,742	6,289,279
Trade receivables	9	1,149,141	936,326
Prepayments, deposits and other receivables		8,062,394	7,982,139
Amounts due from related parties		952	1,185
Available-for-sale investments		25,850	23,880
Pledged bank deposits		1,241,999	1,295,865
Cash in transit		320,223	210,920
Cash and cash equivalents		4,157,264	4,464,517
		<hr/>	<hr/>
Total current assets		21,487,565	21,204,111
CURRENT LIABILITIES			
Bank loans and other borrowings		13,382,299	13,734,023
Short term bonds		–	414,977
Bonds payable, current portion		–	622,646
Convertible bonds, current portion		2,753,130	13,537
Trade and bills payables	10	4,057,369	3,494,918
Other payables and accruals		2,011,732	1,652,959
Other liabilities		245,000	–
Amounts due to related parties		820	4,493
Income tax payable		1,133,583	714,068
Dividends payable		9	1,479
		<hr/>	<hr/>
Total current liabilities		23,583,942	20,653,100
		<hr/>	<hr/>
NET CURRENT (LIABILITIES)/ASSETS		(2,096,377)	551,011
TOTAL ASSETS LESS CURRENT LIABILITIES			
		16,061,117	18,072,215

	31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	1,068,885	979,805
Convertible bonds	–	2,488,664
Bank loans and other borrowings	1,893,273	1,987,751
	<hr/>	<hr/>
Total non-current liabilities	2,962,158	5,456,220
	<hr/>	<hr/>
NET ASSETS	13,098,959	12,615,995
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	186	186
Reserves	12,218,142	11,268,325
	<hr/>	<hr/>
	12,218,328	11,268,511
	<hr/>	<hr/>
Non-controlling interests	880,631	1,347,484
	<hr/>	<hr/>
Total equity	13,098,959	12,615,995
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1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands. The Company has established a principal place of business in Hong Kong which is located at Rooms 3504-12, 35th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 26 March 2010.

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

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

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2016, the Group had net current liabilities of approximately RMB2,096,377,000. The Directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the financial statements are prepared on going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

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

3. OPERATING SEGMENT INFORMATION

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

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

Information about geographical area

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

	2016 RMB'000	2015 RMB'000
Revenue from the sale of motor vehicles	62,459,485	51,842,665
Others	9,139,736	7,299,942
	<u>71,599,221</u>	<u>59,142,607</u>

(b) Other income and gains, net:

	2016 RMB'000	2015 RMB'000
Commission income	1,282,816	972,167
Rental income	22,684	28,469
Interest income	31,243	68,041
Government grants	9,026	9,759
Net loss on disposal of items of property, plant and equipment	(71,845)	(89,624)
Net gain on disposal of land use rights	–	33,499
Net loss on disposal of subsidiaries	(1,293)	(9,469)
Net gain on disposal of listed equity investments	–	3,891
Others	52,883	87,410
	<u>1,325,514</u>	<u>1,104,143</u>

5. PROFIT BEFORE TAX

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
(a) Employee benefit expense (including directors' and chief executive officer's remuneration):		
Wages and salaries	1,906,072	1,434,181
Pension scheme contributions	267,938	216,048
Other welfare	139,261	96,395
	<u>2,313,271</u>	<u>1,746,624</u>
(b) Cost of sales and services provided:		
Cost of sales of motor vehicles	60,370,388	50,493,492
Others	4,676,554	3,979,922
	<u>65,046,942</u>	<u>54,473,414</u>
(c) Other items:		
Depreciation and impairment of property, plant and equipment	712,031	594,155
Depreciation and impairment of investment properties	–	1,181
Amortisation of land use rights	43,618	54,052
Amortisation of intangible assets	153,749	161,631
Impairment of goodwill	58,208	12,431
Impairment of intangible assets	29,355	28,202
Auditors' remuneration	5,800	5,600
Lease expenses	254,427	169,034
Advertisement and promotion expenses	619,519	561,046
Office expenses	212,464	193,130
Logistics expenses	91,015	133,356
Write-down of inventories to net realisable value	(1,833)	657
Net loss on disposal of items of property, plant and equipment	71,845	89,624
Net gain on disposal of land use rights	–	(33,499)
Net loss on disposal of subsidiaries	1,293	9,469
Net gain on disposal of listed equity investments	–	(3,891)

6. INCOME TAX EXPENSE

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Current Mainland China corporate income tax	848,422	313,150
Deferred tax	(11,733)	(78,821)
	<u>836,689</u>	<u>234,329</u>

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

According to the Corporate Income Tax Law ("CIT") of the People's Republic of China, the income tax rates for both domestic and foreign investment enterprises in Mainland China are unified at 25% effective from 1 January 2008.

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

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

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Profit before tax	2,878,427	715,638
Tax at the statutory tax rate (25%)	719,607	178,910
Tax effect of non-deductible expenses	95,888	39,240
Income not subject to tax	(321)	(4,042)
Profits attributable to joint ventures	(1,037)	(352)
Lower tax rates for specific provinces or enacted by local authority	8,808	16,071
Tax losses not recognised	13,744	4,502
	<u>836,689</u>	<u>234,329</u>
Tax charge	<u>836,689</u>	<u>234,329</u>

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,146,506,957 (2015: 2,146,506,957) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

Earnings

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	1,860,228	460,964
Interest on convertible bonds	155,363	141,356
	<u>2,015,591</u>	<u>602,320</u>

Shares

	Number of Shares	
	2016	2015
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,146,506,957	2,146,506,957
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	238,560,258	238,560,258
	<u>2,385,067,215</u>	<u>2,385,067,215</u>

Earnings per share

	2016	2015
	RMB	RMB
Basic	0.87	0.21
Diluted	0.85	0.21

8. INVENTORIES

Inventories in the consolidated statement of financial position represent:

	2016	2015
	RMB'000	RMB'000
Motor vehicles	5,839,065	5,586,644
Spare parts and others	694,235	708,026
	6,533,300	6,294,670
Less: Provision for inventories	3,558	5,391
	6,529,742	6,289,279

As at 31 December 2016, certain of the Group's inventories with a carrying amount of approximately RMB2,481,770,000 (2015: RMB1,456,529,000) were pledged as security for the Group's bank loans and other borrowings.

As at 31 December 2016, certain of the Group's inventories with a carrying amount of approximately RMB1,812,774,000 (2015: RMB1,322,884,000) were pledged as security for the Group's bills payable.

9. TRADE RECEIVABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade receivables	1,149,141	936,326
Impairment	–	–
	<u>1,149,141</u>	<u>936,326</u>

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

An ageing 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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 3 months	1,089,745	850,468
More than 3 months but less than 1 year	14,490	37,464
Over 1 year	44,906	48,394
	<u>1,149,141</u>	<u>936,326</u>

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Neither past due nor impaired	1,130,651	914,348
Over one year past due	18,490	21,978
	<u>1,149,141</u>	<u>936,326</u>

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

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

10. TRADE AND BILLS PAYABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade payables	1,007,924	1,023,626
Bills payable	3,049,445	2,471,292
	<hr/>	<hr/>
Trade and bills payables	4,057,369	3,494,918
	<hr/>	<hr/>

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 3 months	3,808,531	3,200,783
3 to 6 months	242,724	285,342
6 to 12 months	4,101	4,770
Over 12 months	2,013	4,023
	<hr/>	<hr/>
	4,057,369	3,494,918
	<hr/>	<hr/>

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

11. DIVIDENDS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Proposed final – HK\$0.30 (approximately RMB0.27) (2015: HK\$0.05) per ordinary share	572,164	90,153
	<hr/>	<hr/>

The calculation of the proposed final dividend for the year ended 31 December 2016 is based on the proposed final dividend per ordinary share, and the total number of ordinary shares as at 20 March 2017.

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 2016, a final dividend of HK\$0.05 per ordinary share in respect of the year ended 31 December 2015 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 2016 was HK\$107,325,000 (equivalent to RMB90,153,000).

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2016 was RMB71,599.2 million, representing an increase of RMB12,456.6 million or 21.1% as compared to the corresponding period of 2015, among which, revenue from new automobile sales amounted to RMB62,459.5 million, representing an increase of RMB10,616.8 million or 20.5% as compared to the corresponding period of 2015. Revenue from after-sales and accessories business amounted to RMB9,139.7 million, representing an increase of RMB1,839.8 million or 25.2% as compared to the corresponding period of 2015. The revenue from new automobile sales business accounted for 87.2% of our total revenue (2015: 87.7%) in 2016, and the portion of revenue from after-sales and accessories business increased from 12.3% in the year of 2015 to 12.8% in the year of 2016.

In terms of new automobile sales revenue in 2016, Mercedes-Benz is our top-selling brand, representing approximately 28.1% of our total new automobile sales revenue (2015: 27.2%).

Cost of Sales and Services

Cost of sales and services for the year ended 31 December 2016 amounted to RMB65,046.9 million, representing an increase of RMB10,573.5 million or 19.4% as compared to the corresponding period in 2015. Cost attributable to our new automobile sales business amounted to RMB60,370.4 million for the year ended 31 December 2016, representing an increase of RMB9,876.9 million or 19.6% as compared to the corresponding period in 2015. Cost attributable to our after-sales and accessories business amounted to RMB4,676.6 million for the year ended 31 December 2016, representing an increase of RMB696.6 million or 17.5% as compared to the same period of 2015.

Gross Profit

Gross profit for the year ended 31 December 2016 amounted to RMB6,552.3 million, representing an increase of RMB1,883.1 million or 40.3% as compared to the corresponding period in 2015, of which the gross profit from new automobile sales business amounted to RMB2,089.1 million, representing an increase of RMB739.9 million or 54.8% as compared to the corresponding period in 2015. Gross profit from after-sales and accessories business was RMB4,463.2 million, representing an increase of RMB1,143.2 million or 34.4% as compared to the corresponding period of 2015. For the year ended 31 December 2016, the gross profit from after-sales and accessories business accounted for 68.1% of the total gross profit (2015: 71.1%). Our gross profit margin for the year ended 31 December 2016 was 9.2% (2015: 7.9%), of which the gross profit margin of new automobile sales business was 3.3% (2015: 2.6%). Gross profit margin of after-sales and accessories business was 48.8% (2015: 45.5%).

Profit from Operations

Profit from operations for the year ended 31 December 2016 amounted to RMB3,892.3 million, representing an increase of RMB1,882.4 million or 93.7% as compared to the corresponding period in 2015. Our operating profit margin for the year ended 31 December 2016 was 5.4% (2015: 3.4%).

Profit for the Year

Our profit for the year ended 31 December 2016 amounted to RMB2,041.7 million, representing an increase of RMB1,560.4 million or 324.2% as compared to the corresponding period in 2015. Our net profit margin for the year ended 31 December 2016 was 2.9% (2015: 0.8%).

Profit Attributable to Owners of the Parent

Our profit attributable to owners of the parent for the year ended 31 December 2016 was RMB1,860.2 million, representing an increase of RMB1,399.2 million or 303.5% as compared to the corresponding period in 2015.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

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

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

Cash Flow Generated from Operating Activities

For the year ended 31 December 2016, our net cash generated from operating activities was RMB4,512.6 million, primarily arising from operating profit of RMB4,929.3 million before working capital movement, deducting a net increase in working capital of RMB6.9 million and payment of tax of RMB409.8 million.

Cash Flow Used in Investing Activities

For the year ended 31 December 2016, our net cash used in investing activities was RMB2,779.8 million, consisting primarily of purchases of property, plant and equipment of RMB1,433.2 million, purchases of land use rights of RMB113.6 million and acquisition of subsidiaries of RMB725.2 million, partially offset by proceeds from disposal of items of property, plant and equipment of RMB408.6 million.

Cash Flow Used in Financing Activities

For the year ended 31 December 2016, our net cash used in financing activities was RMB2,048.3 million, consisting of proceeds from bank loans and other borrowings of RMB37,674.9 million, partially offset by repayment of bank loans and other borrowings of RMB37,044.4 million, repayment of short-term bonds and bonds payable of RMB400.0 million and RMB600.0 million, respectively, and interest paid for bank loans and other borrowings of RMB916.3 million.

Capital Expenditure and Investment

Our capital expenditures comprise expenditures on property, plant and equipment, land use rights and business combinations. For the year ended 31 December 2016, our total capital expenditures were RMB2,599.3 million.

Inventory Analysis

Our inventories primarily consist of new automobiles, spare parts and automobile accessories. Generally, each of our dealerships independently manages the orders for new automobiles and part of the after-sales products. We also coordinate and aggregate orders for automobile accessories and other automobile-related products across our dealership network. We manage our quotas and inventory levels through our ERP system. Our inventories slightly increased by 3.8% from RMB6,289.3 million as at 31 December 2015 to RMB6,529.7 million as at 31 December 2016. The increase of our inventory balance was in line with the increase of our store number as well as the business scale expansion. Furthermore, if taking into consideration of the total number of stores, which increased from 213 at the end of 2015 to 251 at the end of 2016, the per store inventory balance actually declined.

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

	Year ended 31 December	
	2016	2015
Average inventory turnover days	<u>34.5</u>	<u>43.5</u>

Our average inventory turnover days in 2016 decreased to 34.5 days from 43.5 days in 2015, primarily benefited from our continuous strict and delicacy control over inventory and the ramp up of sales of new stores.

Bank Loans and Other Borrowings

Our bank loans and other borrowings as at 31 December 2016 were RMB15,275.6 million, and our convertible bonds liability portion amounted to RMB2,753.1 million. Although our business scale expanded, our bank loans and other borrowings' balance decreased during the year, which was mainly due to our better inventory turnovers, further improved working capital utilization as well as enhanced efficiency of operation.

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 2016, the pledged group assets amounted to approximately RMB6.2 billion (2015: RMB5.4 billion).

Contingent Liabilities

As at 31 December 2016, neither the Company nor the Group had any significant contingent liabilities.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

FUTURE OUTLOOK

Looking forward, although the automobile industry of China is still facing multiple challenges, it is also facing opportunities arising from the challenges. By adhering to its firm belief and following its original aspiration, the Group will continue to enhance its strengths in terms of brand and geographical portfolio, further extend its industry chain, consolidate its advantages in the after-sales market, uphold the people-oriented and customer-oriented principle, enhance its operational and management efficiency and efficiency per capita, carry out delicacy management, maintain a steady growth in the traditional dominant business segment and consistently seek new profit growth points. At the same time, we will adhere to our corporate motto of "Zhongsheng Group – Lifetime Partner" as always, enhance our service quality and optimise our management system and process, treat our professional automobile brand services as the cornerstone of our corporate development strategy and foster the sustainable development of the automobile industry of China.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Throughout the Reporting Period, the Company has complied with the code provisions in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the directors of the Company and the directors of the Company have confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

AUDIT COMMITTEE

The Company's annual results for the year ended 31 December 2016 have been reviewed by the Audit Committee on 20 March 2017.

SCOPE OF WORK OF THE AUDITOR

The figures above in respect of this annual results announcement for the year ended 31 December 2016 have been agreed with the Company's auditor, Ernst & Young, certified public accountants ("**Ernst & Young**"), to be consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

PROPOSED DISTRIBUTION OF FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company (the "**Shareholders**") on the forthcoming annual general meeting of the Company (the "**AGM**") on 12 June 2017 for the distribution of a final dividend of HK\$0.30 per ordinary share for the year ended 31 December 2016 payable to the Shareholders whose names are listed in the register of the Company on 20 June 2017, in an aggregate amount of HK\$643.95 million (equivalent to RMB572.16 million). It is expected that the final dividend will be paid on 10 July 2017. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 7 June 2017 to Monday, 12 June 2017 (both days inclusive) and from Friday, 16 June 2017 to Tuesday, 20 June 2017 (both days inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Tuesday, 6 June 2017. In order to qualify for the proposed final dividend (subject to the approval by Shareholders at the forthcoming AGM), unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above-mentioned address for registration before 4:30 p.m. on Thursday, 15 June 2017.

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 2016 containing all the information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 20 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Huang Yi, Mr. Li Guoqiang, Mr. Du Qingshan, Mr. Yu Guangming, Mr. Si Wei and Mr. Zhang Zhicheng; the non-executive director of the Company is Mr. Pang Yiu Kai; and the independent non-executive directors of the Company are Mr. Shen Jinjun, Mr. Lin Yong, Mr. Shoichi Ota and Mr. Ying Wei.