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 2012

For the year ended 31 December 2012:

- Turnover increased by approximately 91.4% to approximately RMB27,649 million
- Gross profit increased by approximately 76.9% to approximately RMB2,452 million
- Profit attributable to shareholders increased by approximately 15.3% to approximately RMB604 million
- Basic earnings per share increased by approximately 8.7% to RMB27.4 cents per share
- The Board did not recommend payment of a final dividend for the financial year ended 31 December 2012

Reference is made to the meeting of 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" and together with its subsidiaries, the "Group" or "we" or "us") held on 28 March 2013, the Board is pleased to announce the Group's annual consolidated results for the year ended 31 December 2012 (the "Year under Review").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012
(Expressed in RMB'000)

	Note	**For the year ended 31 December 2012**	**31 December** 2011
Turnover	*3*	**27,649,440**	14,443,927
Cost of sales		**(25,197,557)**	(13,058,292)
Gross profit		**2,451,883**	1,385,635
Other revenue	*4*	**223,747**	106,898
Other net income	*4*	**45,741**	13,169
Selling and distribution expenses		**(693,528)**	(329,845)
Administrative expenses		**(728,221)**	(319,979)
Profit from operations		**1,299,622**	855,878
Finance costs	*5(a)*	**(403,946)**	(128,173)
Share of profit of a jointly controlled entity		**19,435**	21,127
Profit before taxation	*5*	**915,111**	748,832
Income tax	*6(a)*	**(281,520)**	(187,016)
Profit for the year		**633,591**	561,816
Other comprehensive income for the year:			
Exchange differences on translation of financial statements of foreign operations		**12**	7,174
Other comprehensive income for the year, net of tax		**12**	7,174
Total comprehensive income for the year		**633,603**	568,990

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2012
(Expressed in RMB'000)

	Note	**For the year ended 31 December 2012**	2011
Profit attributable to:			
Shareholders of the Company		**604,467**	524,045
Non-controlling interests		**29,124**	37,771
Profit for the year		**633,591**	561,816
Total comprehensive income attributable to:			
Shareholders of the Company		**604,479**	531,219
Non-controlling interests		**29,124**	37,771
Total comprehensive income for the year		**633,603**	568,990
Earnings per share	*8*		
Basic (RMB cent)		**27.4**	25.2
Diluted (RMB cent)		**27.3**	25.2

CONSOLIDATED BALANCE SHEET
At 31 December 2012
(Expressed in RMB'000)

	Note	At 31 December **2012**	2011
Non-current assets			
Property, plant and equipment		**1,645,646**	984,188
Lease prepayments		**299,604**	176,453
Intangible assets		**4,073,169**	4,271,997
Goodwill		**1,926,551**	1,926,551
Interest in a jointly controlled entity		**141,037**	141,602
Deferred tax assets		**20,240**	21,270
		8,106,247	7,522,061
Current assets			
Inventories	*10*	**3,269,552**	3,244,023
Trade and other receivables	*11*	**3,065,321**	2,945,858
Pledged bank deposits		**1,294,212**	1,168,909
Time deposits		**4,100**	11,800
Cash and cash equivalents		**1,202,800**	1,096,771
		8,835,985	8,467,361
Current liabilities			
Loans and borrowings		**3,694,077**	4,220,370
Trade and other payables	*12*	**3,909,473**	4,156,397
Income tax payables	*6(c)*	**394,964**	305,935
		7,998,514	8,682,702
Net current assets/(liabilities)		**837,471**	(215,341)
Total assets less current liabilities		**8,943,718**	7,306,720

CONSOLIDATED BALANCE SHEET (CONTINUED)
At 31 December 2012
(Expressed in RMB'000)

		At 31 December	
	Note	**2012**	2011
Non-current liabilities			
Loans and borrowings		**1,204,874**	–
Deferred tax liabilities		**938,257**	984,801
		2,143,131	984,801
NET ASSETS		**6,800,587**	6,321,919
Equity			
Share capital		**188,666**	187,959
Reserves		**6,520,072**	6,022,445
Equity attributable to shareholders of the Company		**6,708,738**	6,210,404
Non-controlling interests		**91,849**	111,515
TOTAL EQUITY		**6,800,587**	6,321,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 July 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Group is principally engaged in 4S dealership business, motor-related logistics business and lubricant oil trading business in the People's Republic of China (the "PRC").

In August 2011, the Group entered into a share purchase agreement with Exactwin Limited, an independent third party, to acquire 100% equity interest in Top Globe Limited at a total consideration of RMB5,500,000,000. Top Globe Limited and its subsidiaries are principally engaged in the business of automobile dealership and after-sales services. The acquisition was approved by the Company's shareholders at the extraordinary general meeting held on 22 December 2011 and was completed on the same date.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group and the Company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Group and the Group's interest in a jointly controlled entity.

These consolidated financial statements are presented in Renminbi ("RMB") which is the Group's presentation currency, rounded to the nearest thousand, except for earnings per share information. These consolidated financial statements have been prepared on the historical cost basis, except for otherwise stated.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 TURNOVER

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

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

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Sales of motor vehicles	**24,841,035**	12,952,725
Sales of motor spare parts	**394,995**	242,579
Provision of maintenance services	**1,922,177**	804,801
Provision of logistics services	**191,180**	150,149
Sales of lubricant oil	**300,053**	293,673
	27,649,440	14,443,927

4 OTHER REVENUE AND NET INCOME

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Other revenue:		
Commission income	**203,543**	81,042
Interest income from bank deposits	**16,376**	24,520
Others	**3,828**	1,336
	223,747	106,898
Other net income:		
Net gain on disposal of property, plant and equipment	**32,400**	9,750
Others	**13,341**	3,419
	45,741	13,169

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Note	For the year ended 31 December 2012 RMB'000	2011 RMB'000
(a)	**Finance costs:**			
	Interest on loans and borrowings wholly repayable within 5 years		**366,897**	71,995
	Other finance costs	*(i)*	**46,673**	56,178
	Less: interest capitalised*		**(9,624)**	–
			403,946	128,173

* The borrowing costs have been capitalised at a rate of 5.88–8.50% per annum (2011: None).

		Note	2012 RMB'000	2011 RMB'000
(b)	**Staff costs:**			
	Salaries, wages and other benefits		**490,108**	260,202
	Contributions to defined contribution retirement plans	*(ii)*	**31,238**	17,730
	Equity settled share-based payment expenses		**2,660**	15,488
			524,006	293,420

(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 2012 RMB'000	2011 RMB'000
(c)	**Other items:**		
	Cost of inventories	**24,933,004**	12,891,630
	Depreciation	**156,204**	58,281
	Amortisation of lease prepayments	**7,928**	2,929
	Amortisation of intangible assets	**198,828**	15,260
	Operating lease charges	**156,243**	58,611
	Net foreign exchange loss	**21,366**	10,029

6 INCOME TAX

(a) Income tax in the consolidated statement of comprehensive income represents:

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Current tax:		
Provision for income tax for the year	**327,034**	193,111
Deferred tax:		
Origination of temporary differences	**(45,514)**	(6,095)
	281,520	187,016

(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%.

According to the PRC corporate income tax laws and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC enterprises.

The Group's subsidiaries in the PRC are directly or indirectly held by the Group's intermediate holding company, i.e. Rising Wave Development Limited and Wealth Fame Holdings Limited, both of which are Hong Kong tax residents. Since the Group can control the quantity and timing of distribution of profits of the Group's PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

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

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Profit before taxation	**915,111**	748,832
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**228,778**	187,208
Non-deductible expenses	**56,416**	8,523
Effect of tax concessions	**–**	(3,171)
Non-taxable income on:		
– Share of profits recognised under the equity method	**(4,859)**	(5,282)
Others	**1,185**	(262)
Income tax	**281,520**	187,016

(c) Income tax payables in the consolidated balance sheet represent:

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Balance at beginning of the year	**305,935**	73,053
Acquisition of subsidiaries through business combinations	**–**	138,402
Provision for current income tax for the year	**327,034**	193,111
Payment during the year	**(238,005)**	(98,631)
Balance at the end of the year	**394,964**	305,935

7 DIVIDEND

The Company did not declare the payment of any dividend for the year ended 31 December 2012 (2011: Nil).

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2012 was based on the profit attributable to shareholders of the Company for the year of RMB604,467,000 (2011: RMB524,045,000) and the weighted average number of shares in issue during the year ended 31 December 2012 of 2,207,726,637 (2011: 2,078,904,110), calculated as follows:

Weighted average number of ordinary shares

	For the year ended 31 December	
	2012	2011
Issued ordinary shares at 1 January	**2,200,000,000**	2,000,000,000
Effect of shares issued upon placing	**–**	78,904,110
Effect of share options exercised	**7,726,637**	–
Weighted average number of ordinary shares at 31 December	**2,207,726,637**	2,078,904,110

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2012 is based on the profit attributable to shareholders of the Company of RMB604,467,000 (2011: RMB524,045,000) and the weighted average number of ordinary shares of 2,214,602,045 (2011: 2,078,904,110) 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	
	2012	2011
Weighted average number of ordinary shares for the year ended 31 December	**2,207,726,637**	2,078,904,110
Effect of deemed issue of shares under the pre-IPO employee share option scheme	**6,875,408**	–
Weighted average number of ordinary shares at 31 December	**2,214,602,045**	2,078,904,110

9 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 three 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.

As neither of logistics business nor lubricant oil business has exceeded the quantitative threshold for determining a reportable segment, they are grouped together to form one reportable segment. Consequently, the Group has two reportable segments, namely "4S dealership business" and "Logistics and lubricant oil businesses".

(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 Year ended 31 December		Logistics and lubricant oil businesses Year ended 31 December		Total Year ended 31 December	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover from external customers	**27,158,207**	14,000,105	**491,233**	443,822	**27,649,440**	14,443,927
Inter-segment turnover	**–**	–	**7,537**	7,127	**7,537**	7,127
Reportable segment turnover	**27,158,207**	14,000,105	**498,770**	450,949	**27,656,977**	14,451,054
Reportable segment profit	**1,032,139**	707,701	**84,684**	86,943	**1,116,823**	794,644
Depreciation and amortisation for the year	**354,825**	72,246	**8,135**	4,224	**362,960**	76,470
Reportable segment assets	**9,951,346**	8,720,709	**1,505,431**	1,161,123	**11,456,777**	9,881,832
Additions to non-current segment assets during the year	**1,111,047**	729,524	**10,123**	697	**1,121,170**	730,221
Reportable segment liabilities	**(8,748,434)**	(8,489,035)	**(952,507)**	(642,530)	**(9,700,941)**	(9,131,565)
Interest in a jointly controlled entity	**–**	–	**141,037**	141,602	**141,037**	141,602

(b) Reconciliations of reportable segment turnover, profit before taxation, assets and liabilities

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Turnover:		
Reportable segment turnover	**27,656,977**	14,451,054
Elimination of inter-segment turnover	**(7,537)**	(7,127)
Consolidated turnover	**27,649,440**	14,443,927
Profit before taxation:		
Reportable segment profit	**1,116,823**	794,644
Unallocated head office expenses	**(67,254)**	(37,706)
Other revenue	**223,747**	106,898
Other net income	**45,741**	13,169
Finance costs	**(403,946)**	(128,173)
Consolidated profit before taxation	**915,111**	748,832

	At 31 December	
	2012	2011
	RMB'000	*RMB'000*
Assets:		
Reportable segment assets	**11,456,777**	9,881,832
Intangible assets	**4,073,169**	4,271,997
Goodwill	**1,926,551**	1,926,551
Deferred tax assets	**20,240**	21,270
Unallocated head office assets	**358,916**	643,620
Elimination of inter-segment receivables	**(893,421)**	(755,848)
Consolidated total assets	**16,942,232**	15,989,422
Liabilities:		
Reportable segment liabilities	**(9,700,941)**	(9,131,565)
Income tax payables	**(394,964)**	(305,935)
Deferred tax liabilities	**(938,257)**	(984,801)
Unallocated head office liabilities	**(904)**	(1,050)
Elimination of inter-segment payables	**893,421**	755,848
Consolidated total liabilities	**(10,141,645)**	(9,667,503)

(c) Geographic information

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

10 INVENTORIES

Inventories in the consolidated balance sheet comprise:

	The Group At 31 December 2012 *RMB'000*	2011 *RMB'000*
Motor vehicles	**3,001,337**	3,039,142
Automobile spare parts	**259,146**	199,173
Others	**9,069**	5,708
	3,269,552	3,244,023

As at 31 December 2012, there was no inventories carried at net realisable value (2011: RMB3,141,000).

11 TRADE AND OTHER RECEIVABLES

	The Group At 31 December		**The Company At 31 December**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**370,946**	291,207	**–**	–
Bills receivable	**4,725**	7,887	**–**	–
	375,671	299,094	**–**	–
Prepayments	**738,931**	1,374,323	**7,840**	7,840
Deposit within an escrow account	**–**	300,000	**–**	300,000
Other receivables and deposits	**1,950,719**	972,159	**16,123**	215
Receivables due from third parties	**3,065,321**	2,945,576	**23,963**	308,055
Receivables due from subsidiaries	**–**	–	**138,676**	32,920
Receivables due from related parties	**–**	282	**–**	–
Trade and other receivables	**3,065,321**	2,945,858	**162,639**	340,975

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, for which management has a credit policy in place and the exposure to the credit risks are monitored on an ongoing basis.

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	At 31 December	
	2012	2011
	RMB'000	*RMB'000*
Current	**360,298**	279,644
Less than 3 months past due	**8,614**	7,201
3 to 12 months past due	**6,564**	10,055
1 year past due	**195**	2,194
Total amount past due	**15,373**	19,450
	375,671	299,094

12 TRADE AND OTHER PAYABLES

	The Group		The Company	
	At 31 December		At 31 December	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**275,411**	131,339	**–**	–
Bills payable	**2,854,197**	2,865,830	**–**	–
	3,129,608	2,997,169	**–**	–
Receipts in advance	**407,111**	543,644	**–**	–
Other payables and accruals	**372,754**	615,584	**33**	300,000
Payables due to third parties	**3,909,473**	4,156,397	**33**	300,000
Payables due to subsidiaries	**–**	–	**13,273**	–
Trade and other payables	**3,909,473**	4,156,397	**13,306**	300,000

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

An ageing analysis of trade and bills payables is as follows:

	The Group	
	At 31 December	
	2012	2011
	RMB'000	*RMB'000*
Due within 3 months	**2,989,821**	2,981,984
Due after 3 months but within 6 months	**139,040**	14,303
Due after 6 months but within 12 months	**747**	882
	3,129,608	2,997,169

13 CONTINGENT LIABILITIES

Financial guarantees issued

As at 31 December 2012, the Company has issued guarantees to certain banks in respect of banking facilities granted to certain subsidiaries which remain in force so long as the subsidiaries have drawn down under the banking facilities.

As at 31 December 2012, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at 31 December 2012 under the guarantees by the Company is the aggregate amount of the facilities drawn down by the subsidiaries of RMB1,040,030,000 (2011: RMB974,763,000).

MARKET REVIEW

In 2012, China's rapid economic growth slowed down as affected by the global economic turmoil. According to the statistics released by the National Bureau of Statistics of China, in 2012, the gross domestic products (GDP) of China recorded a year-on-year growth rate of approximately 7.8%. According the China Association of Automobile Manufacturers, the volume of automobiles manufactured and sold totaled 19.2718 million and 19.3064 million respectively in 2012, representing a growth of 4.6% and 4.3% over the previous year respectively, indicating a slowdown in growth as compared with the past few years. Under such unfavorable market situation, the sales of the premium and ultra premium branded automobiles remained robust in Chinese market. In particular, The sales volume of Audi branded automobiles in China reached 402,888 (2011: 309,888) in 2012, representing a growth of 30.0% over the previous year, the sales volume of BMW and MINI branded automobiles in China totaled 326,444 (2011: 232,586) in 2012, representing a year-on-year growth of 40.4%, and the total sales volume of Jaguar and Land Rover branded automobiles in the China reached 73,347 (2011: 42,803) in 2012, representing a year-on-year growth of 71.4% and overtaking the United Kingdom as the largest single market of Jaguar and Land Rover branded automobiles. Given the slowdown in growth of global economy in 2012 coupled with increasing competition among brands, the gap between supply and demand of automobiles will not shrink in short term, putting price pressure on automobile market.

Private passenger vehicle ownership in the PRC continued to show strong signs of growth. According the National Bureau of Statistics of China, private passenger vehicle ownership, grew by 22.8% to 53.08 million as at the end of 2012. The strong growth in private passenger vehicle ownership has provided guaranty for maintaining rapid growth of the Company's after-sales services business.

To look at the PRC automobile market in a wide perspective, the continuously growing demand for premium and ultra premium branded automobiles will be expected to maintain impetus to drive sales in future. With increasing ownership of premium and ultra premium branded automobiles, demand for after-sales services will be boosted correspondingly, expecting to offer the Group, as a leading premium and ultra premium branded automobiles 4S dealership group in China, huge room for development.

BUSINESS REVIEW

Sustained growth in sales of premium and ultra premium branded new automobiles

In spite of the impacts of global economic turmoil, sales volume of premium and ultra premium branded automobiles in China maintained a higher growth in 2012. As benefited from our strategy focusing on premium and ultra premium branded automobiles, the Group has achieved a satisfactory growth in its results. For the year ended 31 December 2012, sales of new automobiles was approximately RMB24,841 million, representing a year-on-year growth of approximately 91.8%. Revenue generated from sales of premium and ultra premium branded automobiles was approximately RMB21,834 million, up by 106.3% over the previous year, representing approximately 87.9% (2011: approximately 81.7%) of our total revenue generated from sales of new automobiles. In terms of sales volume, we sold 70,493 automobiles in total for the year ended 31 December 2012, representing a year-on-year growth of 75.7%, in which 45,810 automobiles were premium and ultra premium branded, up by 114.3%, representing 65.0% of total sales volume in 2012.

In 2012, the Group set up a Lamborghini 4S store, a Porsche 4S store, two Audi 4S stores, a Volvo 4S store, a Volvo show room, a Jaguar Land Rover show room, an Imported Volkswagen show room. As at 31 December 2012, the Group had 86 dealership outlets, including 70 4S stores and 16 showrooms, out of which 70 dealership outlets were engaged in premium and ultra premium branded automobiles. In addition, the Group also has 11 dealership stores in construction located in first tier cities, such as Beijing, Shanghai, Guangzhou, Shenzhen, and second and third tier cities with potential for rapid development, such as Chengdu, Wuhan, Nanchang, Dongguan and Zhanjiang, involving brands like Jaguar/Land Rover, BMW, Audi, Benz, Cadillac, Acura and Imported Volkswagen.

Huge economic potential of after-sales services business is emerging

A great importance has been attached to our after-sales services business. As one of our development strategies, the Group has fully tapped huge economic potential of after-sales services business by enhancing our quality of after-sales services as well as building up our brand of after-sales services. With increasing number of our dealership stores as well as rising accumulative sales volume of new automobiles, we own an enormous number of after-sales service customers. With this advantage, the performance of our after-sales services business has been promising, bringing about stable revenue and profit for the Group.

For the year ended 31 December 2012, the Group's after-sales services business contributed turnover of approximately RMB2,317 million, up by approximately 121.3% from the turnover of approximately RMB1,047 million over the same period last year. Gross profit generated from the after-sales services increased from approximately RMB457 million in 2011 to approximately RMB1,044 million, representing a growth of 128.4%. We have adhered to our operational notion of "customer comes first" by improving the quality of its after-sales services and establishing new model of after-sales services, increasing the gross profit margin of after-sales services business from 43.6% in 2011 to 45.1%. The Group has endeavored to enhance customer satisfaction as well as optimize the structure of after-sales services business, leaving the after-sales services business room for further improvement of gross margin.

Revenue and gross profit of our after-sales services business have grown rapidly with increasing share of our total revenue and total gross profit. In 2012, revenue and gross profit attributable to after-sales services increased to 8.4% and 42.6% from 7.3% and 33.0% in 2011 respectively. After-sales services business has become a new core business of the Group in addition to sales of new automobiles, effectively securing the Group stable earnings.

In the past, our after-sales services were merely provided in 4S dealership stores. In order to further expand the after-sales services business and reduce operational costs, the Group intends to set up premium branded automobiles professional repair stores for the purpose of providing our customers professional and express after-sales services. Currently, we have a Benz repair center and a BMW repair center under construction. Not only could the establishment of premium branded automobiles professional repair stores accelerate the expansion of geographical coverage of our after-sales services, but also effectively reduce the cost of after-sales services, consolidating the Group's leading position in after-sales services sector and fully tapping huge potential of our after-sales services business.

Further intensifying development of derivative services business

With further increases in vehicle market penetration and ownership in China, derivative services business of automobile industry will become our third core business following sales of automobiles and after-sales services. In 2012, our derivative services business made astonishing progress. We will continue to intensify the development and expansion of our derivative services business, generating greater income. In respect of sales of accessories for automobiles, we have expanded sales of automobile accessories and effectively reduced procurement costs depending on its dealership network upon the establishment of centralized procurement center. For pre-owned automobile business, we have increased the replacement rate of pre-owned automobiles and set up an advanced assessment system and trading platform for pre-owned automobiles with an aim to lay a concrete foundation of the development of pre-owned automobile business. For automobile financing and insurance agency, we have established cooperation relationship with well-known domestic financial and insurance institutions, providing favorable support to the rapid development of our automobile financing and insurance agency business. The derivative services business will provide the Group another impetus for development.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2012, the Group generated turnover of approximately RMB27,649 million, representing an increase of approximately 91.4% over the turnover of approximately RMB14,444 million in 2011. The increase in turnover was mainly due to the strong growth in the income from the Group's sales and after-sales business for premium and ultra premium branded automobiles after the acquisition of Top Globe Limited and its subsidiaries ("SCAS Group").

	For the year ended 31 December					
	2012		2011			
Source of turnover	**Turnover**	**Contribution**	Turnover	Contribution	Increase	Percentage
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Sales of new automobiles	**24,841,035**	**89.8**	12,952,725	89.7	11,888,310	91.8
After-sales services	**2,317,172**	**8.4**	1,047,380	7.3	1,269,792	121.2
Logistics and lubricant oil	**491,233**	**1.8**	443,822	3.0	47,411	10.7
Total	**27,649,440**	**100.0**	14,443,927	100.0	13,205,513	

For the year ended 31 December 2012, sales revenue from premium and ultra premium branded new automobiles increased to RMB21,834 million, representing a growth of approximately 106.3% over RMB10,583 million in 2011, the sales revenue attributable to total sales of new automobiles increased to 87.9% from 81.7% in 2011; revenue from after-sales services of premium and ultra premium branded automobiles was approximately RMB1,901 million, representing a growth of approximately 136.1% as compared to RMB805 million in 2011, and accounted for 82.0% of the total revenue of after-sales services business.

Cost of sales

For the year ended 31 December 2012, cost of sales of the Group amounted to approximately RMB25,198 million, representing an increase by approximately RMB 12,140 million or approximately 93.0% from RMB13,058 million in 2011. Such increase was in line with the increase in turnover.

Gross Profit

For the year ended 31 December 2012, the Group's gross profit was approximately RMB2,452 million, representing an increase of approximately 76.9% over approximately RMB1,386 million in 2011. The gross profit for the sales of new automobiles in 2012 increased by 58.9% to approximately RMB1,336 million from approximately RMB841 million in 2011; the gross profit for the after-sales services in 2012 increased by 128.4% to approximately RMB1,044 million from approximately RMB457 million in 2011, accounting for 42.6% of our total gross profit as compared with 33.0% in 2011.

The gross profit for the sales of premium and ultra premium branded automobiles increased from approximately RMB721 million in 2011 to approximately RMB1,300 million, representing a growth of 80.3%, accounting for 97.3% for our total gross profit for sales of new automobiles as compared with 85.7% in 2011. The gross profit for the provision of after-sales services of premium and ultra premium branded automobiles was approximately RMB861 million, representing a growth of approximately 143.9% as compared to RMB353 million in 2011, accounting for 82.5% of the total gross profit of after-sales services business.

For the year ended 31 December 2012, the consolidated gross profit margin of the Group was approximately 8.9%, representing a decrease of approximately 0.7 percentage point as compared with approximately 9.6% for 2011. The gross profit margin for the sales of new automobiles was 5.4% (2011: 6.5%), among which, the gross profit margin for the sales of premium and ultra premium branded new automobiles was 6.0% (2011: 6.8%). The decrease in the gross profit margin for sales of new automobiles was mainly due to decrease in selling price of automobiles resulting from keen competition in the market. The gross profit margin for after-sales services was 45.1% (2011: 43.6%). The increase in the gross profit margin for the after-sales services business was due to the improvement in the operating efficiency of the Group's after-sales services and perfection of structure of the Group's after-sales services business, with further room for growth expected.

Selling and distribution expenses

For the year ended 31 December 2012, the Group's selling and distribution expenses amounted to approximately RMB694 million, representing an increase of approximately 110.3% over approximately RMB330 million for 2011. Such increase was primarily because of the expansion of the Group's dealership network as well as additional promotion and advertising needed in keen market competition.

Administrative expenses

For the year ended 31 December 2012, the Group's administrative expenses amounted to approximately RMB728 million, representing an increase of approximately 127.5% over approximately RMB320 million for 2011. Such increase was primarily due to the amortisation of intangible assets – car dealerships and the increase in staff remuneration, salary expenses as well as staff benefits resulting from the expansion of the Group's dealership network.

Profit from operations

For the year ended 31 December 2012, the Group's profit from operations amounted to approximately RMB1,300 million, representing an increase of approximately 51.9% as compared with approximately RMB856 million for 2011. The operating profit margin was approximately 4.7%, a decrease of approximately 1.2 percentage point over 5.9% in 2011.

Income tax expenses

For the year ended 31 December 2012, the Group's income tax expenses amounted to approximately RMB282 million and the effective tax rate was approximately 30.8%.

Profit for the year

For the year ended 31 December 2012, the Group's profit for the year was approximately RMB634 million, representing an increase of approximately 12.8% over approximately RMB562 million for 2011. During the year, net profit margin was 2.3%, down approximately 1.6 percentage points from 3.9% in 2011.

Final dividend

The Board did not recommend payment of a final dividend for the year ended 31 December 2012

Contingent liabilities

As at 31 December 2012, the Group had no material contingent liabilities or guarantees save as those assets pledged for loans and borrowings.

Current assets and current liabilities

As at 31 December 2012, the Group's current assets amounted to approximately RMB8,836 million, representing an increase of RMB369 million as compared to current assets of approximately RMB8,467 million as at 31 December 2011. Such increase was primarily attributable to the increase in cash and bank deposits held by the Group to fulfill its operating requirements as our distribution network expands rapidly. As at 31 December 2012, the Group's current liabilities amounted to approximately RMB7,999 million, representing a decrease of approximately RMB684 million as compared to current liabilities of approximately RMB8,683 million as at 31 December 2011. Such decrease was mainly due to reduction of short-term borrowings resulting from the optimization of our debt structure.

Cash flow

As at 31 December 2012, the Group has cash and cash equivalents amounting to approximately RMB1,203 million, representing an increase of approximately RMB106 million over approximately RMB1,097 million as at 31 December 2011. 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 2012, the Group had net cash inflow of approximately RMB822 million in its operating activities. For the year ended 31 December 2011, the Group had net cash outflow from operating activities of approximately RMB60 million. The improvement in net cash inflow from the operating activities of the Group was mainly due to 1) adjustment of business structure by the Group and increase in ratio of after-sales services business with sufficient cash flow; 2) shrinkage in gap between our inventory level and market demand by continual optimization of inventory management; and 3) decrease in loans of the Group.

Capital expenditure and investment

For the year ended 31 December 2012, the Group's capital expenditure and investment was approximately RMB1,271 million. Our capital expenditure includes primarily property, equipment, land use rights and construction costs of 4S stores.

Inventory

The Group's inventories included vehicles and automobile spare parts. Generally, 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 also monitors the inventories within its whole dealership network and may also transfer automobiles from one dealership store to another to rebalance inventory levels. The Group utilizes its information technology systems to manage its inventory.

The inventories of the Group was approximately RMB3,270 million as at 31 December 2012, substantially flat when compared with RMB3,244 million as at 31 December 2011. In particular, greater decrease in inventories when compared with RMB4,334 million as at 30 June 2012 was due to better improvement in sales in the second half of 2012 over the first half of 2012 as well as the positive results achieved by the Group's efforts made on optimization of inventory management in the second half of the year.

The following table sets forth the average inventory turnover days of the Group for the year indicated:

	For the year ended 31 December (days)	
	2012	2011
Average inventory turnover days	**47.2**	55.8

Exchange risks

The Group conducts its business primarily in Renminbi and the majority of its monetary assets and liabilities are denominated in Renminbi. Accordingly, the Directors consider that the Group is not exposed to any material foreign exchange risks.

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 2012, the Group's cash and bank deposits were approximately RMB2,501 million (including: restricted bank deposits of approximately RMB1,298 million and cash and cash equivalents), representing an increase of approximately RMB224 million, from approximately RMB2,277 million as at 31 December 2011. As at 31 December 2012, loans and borrowings of the Group amounted to approximately RMB4,899 million (31 December 2011: RMB4,220 million). As at 31 December 2012, net gearing ratio of the Group was 35.3% (31 December 2011: 30.7%). Net gearing ratio was calculated as loans and borrowings less cash and bank deposits divided by owner's equity.

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 2012, the pledged assets of the Group amounted to approximately RMB2,628 million (31 December 2011: approximately RMB3,882 million).

Investments held in foreign currency and hedging

For the year ended 31 December 2012, 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. Currently, the Group does not employ any financial instruments for hedging purposes.

Employees and remuneration policies

As at 31 December 2012, the Group had a total of 7,258 employees in Mainland China and Hong Kong (31 December 2011: 7,107 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 Company 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.

OUTLOOK AND STRATEGIES

Faced with economic upheaval over the last year, the PRC government has taken on maintaining steady economic growth as its priority task goal. We believe the PRC government will implement loose monetary policy in a bid to sustain economic growth in a stable manner in 2013.

Being driven by the following favorable factors, the Group anticipates that China's premium automobile market will maintain rapid growth. Firstly, the current penetration of premium branded automobiles in China is much lower that the global average, providing room for the premium branded automobiles market to grow; secondly, with China's automobiles marketing getting mature, the growth in sales volume of premium branded automobiles will be bolstered by the demand for upgrade and replacement of automobiles; thirdly, expansion of product lines by premium branded automobiles manufacturers, progressive launch of entry level premium branded automobiles as well as expansion of domestic demand have promoted emerging affluent people who have buoyant demand for premium branded automobiles, in particular, entry level premium branded automobiles. We will capitalize its advantages of nationwide network to consolidate its position in first tier cities and expand into second and third tier cities so as to take up growth opportunities in premium branded automobiles market.

In addition, given China's automobile market getting mature, after-sales services business and derivative services business will overtake sales of new automobiles business becoming a major profit driver of automobile dealers in near future. As the Group has accumulated a large number of after-sales services customers from sales of new automobiles business over years, we are confident to tap such strategic opportunity to complete strategic transformation ahead of others by providing quality after-sales services to retain existing customers and attract new customers, in order to establish brand awareness and market leader position in the market of after-sales services for premium automobiles. Meanwhile, additional efforts will be made in developing derivative business, in particular sales of accessories for automobiles, pre-owned automobiles business, insurance agency business and automobile financing business, with an aim to further increase our profit.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2012 have been reviewed by the audit committee of the Company (the "Audit Committee"), which comprises three independent non – executive directors, namely Dr. Wong Tin Yau, Kelvin (Chairman of the Audit Committee), Mr. Zhang Yansheng and Mr. Tan Xiangyong.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2012.

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 2012.

CORPORATE GOVERNANCE

The Board believes that maintaining good corporate governance is crucial to increase investors' confidence and safeguard shareholders' interests. Throughout the year ended 31 December 2012, the Company had adopted and complied with all of the code provisions set out in the Corporate Governance Code (applicable to financial report for the period subsequent to 1 April 2012)and the previous Code on Corporate Governance Practices in Appendix 14 to the Listing Rules, except for the deviation from code provisions A.2.1 and A.6.7 as follows:–

For the purpose of code provision A.2.1, the Company has not appointed the chairman of the Board and Mr. Wang Kunpeng, the Chief Executive Officer, usually chairs meetings of the Board. In performing his role as chairman of the meetings, Mr. Wang Kunpeng provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practices. The Board considers that the current arrangement does not impair the balance of power and authority between the management of the Board and the management of the business of the Company.

For the purpose of code provision A.6.7, non-executive Director and all independent non-executive Directors, due to other commitments, were unable to attend the 2012 annual general meeting of the Company.

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 2012 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.

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 Kunpeng
Chief Executive Officer and Executive Director

Hong Kong, 28 March 2013

As at the date of this announcement, the Board comprises Mr. WANG Kunpeng (Chief Executive Officer), Mr. LI Zhubo, Mr. CHEN Tao and Mr. SHAO Yong Jun as Executive Directors; Mr. WANG Muqing as Non-Executive Director; and Dr. WONG Tin Yau, Kelvin, Mr. TAN Xiangyong and Mr. ZHANG Yansheng as Independent Non-Executive Directors.