The following is a text of a report, prepared for the purpose of incorporation in the prospectus, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

April 30, 2014

The Directors
Sunfonda Group Holdings Limited
J.P. Morgan Securities (Far East) Limited

Dear Sirs,

We set out below our report on the financial information of Sunfonda Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended December 31, 2011, 2012 and 2013 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at December 31, 2011, 2012 and 2013 and the statements of financial position of the Company as at December 31, 2011, 2012 and 2013, together with the notes thereto (the "Financial Information"), prepared on the basis of presentation set out in Note 2.1 of Section II below, for inclusion in the prospectus of the Company dated April 30, 2014 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on January 13, 2011. Pursuant to a group reorganisation (the "Reorganisation") as set out in Note 2.1 of Section II below, which was completed on March 17, 2011, the Company became the holding company of the subsidiaries now comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as the Company has not been involved in any significant business transaction other than the Reorganisation described above.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 39 of Section II below. All companies now comprising the Group have adopted December 31 as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in Note 39 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") 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 (the "HKICPA"). The Underlying Financial Statements for each of the years ended December 31, 2011, 2012 and 2013 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information, and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in Note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Company as at December 31, 2011, 2012 and 2013, and the Group as at December 31, 2011, 2012 and 2013 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

The following is the Financial Information of the Group for the Relevant Periods prepared on the basis set out in Note 2.1 of Section II:

1. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Section II Notes	Year ended December 31, 2011 RMB'000	2012 RMB'000	2013 RMB'000
REVENUE	5(a)	5,348,404	7,205,232	7,432,699
Cost of sales and services	6(b)	(4,832,500)	(6,642,745)	(6,808,773)
Gross profit		515,904	562,487	623,926
Other income and gains, net	5(b)	35,570	64,119	93,901
Selling and distribution expenses		(139,648)	(176,047)	(192,391)
Administrative expenses		(110,025)	(145,559)	(152,270)
Profit from operations		301,801	305,000	373,166
Finance costs	7	(40,994)	(116,695)	(124,584)
Profit before tax	6	260,807	188,305	248,582
Income tax	10	(66,809)	(48,091)	(62,969)
Profit for the year		193,998	140,214	185,613
Attributable to:				
Owners of the parent		193,998	140,214	185,636
Non-controlling interests		—	—	(23)
		193,998	140,214	185,613
Earnings per share attributable to equity holders of the parent	12	N/A	N/A	N/A

2. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
PROFIT FOR THE YEAR	193,998	140,214	185,613
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	6,213	(912)	1,441
Other comprehensive income for the year, net of tax	6,213	(912)	1,441
Total comprehensive income for the year, net of tax	200,211	139,302	187,054
Attributable to:			
Owners of the parent	200,211	139,302	187,077
Non-controlling interests	—	—	(23)
	200,211	139,302	187,054

3. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section II Notes	December 31, 2011	2012	2013
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	405,168	570,634	694,976
Land use rights	14	123,456	154,478	407,814
Intangible assets	15	1,495	4,488	4,239
Prepayments	16	118,011	257,948	132,841
Deferred tax assets	27	7,767	16,074	16,816
Total non-current assets		655,897	1,003,622	1,256,686
CURRENT ASSETS				
Inventories	17	449,505	753,021	730,594
Trade receivables	18	16,223	47,481	50,841
Prepayments, deposits and other receivables	19	490,150	628,501	565,303
Amounts due from related parties	37(b)(i)	—	—	6,371
Pledged bank deposits	20	208,381	400,994	292,209
Cash in transit	21	17,397	19,610	33,240
Cash and cash equivalents	22	271,442	328,741	451,930
Total current assets		1,453,098	2,178,348	2,130,488
CURRENT LIABILITIES				
Interest bearing bank loans and other borrowings	23	534,684	1,425,582	1,523,674
Trade and bills payables	24	356,471	565,194	444,792
Other payables and accruals	25	314,336	219,873	190,355
Amounts due to related parties	37(b)(ii)	29,381	9,280	7,684
Income tax payable		71,689	34,844	39,400
Total current liabilities		1,306,561	2,254,773	2,205,905
NET CURRENT ASSETS/(LIABILITIES)		146,537	(76,425)	(75,417)
TOTAL ASSETS LESS CURRENT LIABILITIES		802,434	927,197	1,181,269
NON-CURRENT LIABILITIES				
Interest bearing bank loans	23	118,693	83,170	145,188
NET ASSETS		683,741	844,027	1,036,081
EQUITY				
Equity attributable to owners of the parent				
Share capital	28	7	285	285
Reserves	29	683,734	843,742	1,030,819
		683,741	844,027	1,031,104
Non-controlling interests		—	—	4,977
Total equity		683,741	844,027	1,036,081

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the parent								
	Section II	Share capital	Capital reserve	Statutory reserve	Merger reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000	RMB'000	RMB'000
	Notes	Note 28		Note 29	Note 29	Note 29				
At January 1, 2011		**—**	**—**	**21,614**	**69,554**	**3,049**	**196,199**	**290,416**	**—**	**290,416**
Contribution by the then equity holders		1	—	—	194,824	—	—	194,825	—	194,825
Capitalisation of amounts due to the Controlling Shareholders	32	6	104,714	—	—	—	—	104,720	—	104,720
Acquisition of equity interests by the Group from the then equity holders		—	—	—	(106,431)	—	—	(106,431)	—	(106,431)
Total comprehensive income for the year		—	—	—	—	6,213	193,998	200,211	—	200,211
Transfer from retained profits		—	—	14,239	—	—	(14,239)	—	—	—
At December 31, 2011		**7**	**104,714**	**35,853**	**157,947**	**9,262**	**375,958**	**683,741**	**—**	**683,741**
Contribution by the then equity holders		278	20,706	—	—	—	—	20,984	—	20,984
Total comprehensive income for the year		—	—	—	—	(912)	140,214	139,302	—	139,302
Transfer from retained profits		—	—	5,180	—	—	(5,180)	—	—	—
At December 31, 2012		**285**	**125,420**	**41,033**	**157,947**	**8,350**	**510,992**	**844,027**	**—**	**844,027**
Total comprehensive income for the year		—	—	—	—	1,441	185,636	187,077	(23)	187,054
Disposal of interests in a subsidiary		—	—	—	—	—	—	—	3,000	3,000
Non-controlling interests arising from establishing a new subsidiary		—	—	—	—	—	—	—	2,000	2,000
Transfer from retained profits		—	—	10,631	—	—	(10,631)	—	—	—
At December 31, 2013		**285**	**125,420**	**51,664**	**157,947**	**9,791**	**685,997**	**1,031,104**	**4,977**	**1,036,081**

* These reserve accounts comprise the consolidated reserves of RMB683,734,000, RMB843,742,000 and RMB1,030,819,000 in the consolidated statements of financial position as at December 31, 2011, 2012 and 2013, respectively.

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Section II Notes	Year ended December 31, 2011 RMB'000	2012 RMB'000	2013 RMB'000
Operating activities				
Profit before tax		260,807	188,305	248,582
Adjustments for:				
Depreciation and impairment of property, plant and equipment		35,583	56,927	72,989
Amortisation of land use rights		2,222	5,218	9,168
Amortisation of intangible assets		79	408	577
Interest income	5(b)	(2,913)	(2,333)	(3,260)
Net (gain)/loss on disposal of property, plant and equipment	5(b)	(5,329)	1,526	2,040
Finance costs	7	40,994	116,695	124,584
Gain on disposal of a subsidiary	30	—	—	(4,704)
		331,443	366,746	449,976
(Increase)/decrease in pledged bank deposits		(184,632)	(192,613)	108,785
Increase in cash in transit		(13,010)	(2,213)	(14,696)
Increase in trade receivables		(8,227)	(31,258)	(4,500)
(Increase)/decrease in prepayments, deposits and other receivables		(248,284)	(138,351)	54,929
(Increase)/decrease in inventories		(251,436)	(303,516)	5,191
Increase/(decrease) in trade and bills payables		288,634	208,723	(117,418)
Increase/(decrease) in other payables and accruals		109,693	(108,758)	(20,243)
Decrease in amounts due from related parties		–	–	2,129
Cash generated from/(used in) operations		**24,181**	**(201,240)**	**464,153**
Tax paid		(37,032)	(93,244)	(60,998)
Net cash (used in)/generated from operating activities		**(12,851)**	**(294,484)**	**403,155**

	Section II Notes	Year ended December 31, 2011 RMB'000	2012 RMB'000	2013 RMB'000
Investing activities				
Purchase of property, plant and equipment		(266,970)	(276,073)	(353,560)
Proceeds from disposal of property, plant and equipment		30,933	54,403	118,348
Purchase of land use rights		(141,148)	(160,300)	(148,278)
Purchase of intangible assets		(1,518)	(3,401)	(328)
Interest received		2,913	2,333	3,260
Disposal of a subsidiary	30	—	—	22,834
Net cash used in investing activities		**(375,790)**	**(383,038)**	**(357,724)**
Financing activities				
Proceeds from bank loans and other borrowings		2,552,971	3,824,918	4,113,195
Repayment of bank loans and other borrowings		(2,251,878)	(2,969,543)	(3,912,959)
Contributions by the then equity holders of the subsidiaries		194,825	20,984	—
Contributions from a non-controlling shareholder		—	—	2,000
Acquisition of equity interests by the Group from the then equity holders		(106,431)	—	—
Advances from the Controlling Shareholders		81,674	—	945
Repayment of amounts due to the Controlling Shareholders		—	(20,995)	—
Advances from a related party		—	—	3,800
Interest paid		(40,994)	(120,526)	(128,123)
Net cash generated from financing activities		**430,167**	**734,838**	**78,858**
Net increase in cash and cash equivalents		**41,526**	**57,316**	**124,289**
Cash and cash equivalents at the beginning of year		232,730	271,442	328,741
Effect of foreign exchange rate changes, net		(2,814)	(17)	(1,100)
Cash and cash equivalents at the end of year		**271,442**	**328,741**	**451,930**

6. COMPANY STATEMENTS OF FINANCIAL POSITION

	Section II Notes	December 31, 2011	December 31, 2012	December 31, 2013
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Interests in subsidiaries	39	299,418	320,402	312,040
Total non-current assets		299,418	320,402	312,040
CURRENT ASSETS				
Cash and cash equivalents		71	248	175
Prepayments, deposits and other receivables		63	—	—
Total current assets		134	248	175
CURRENT LIABILITIES				
Other payables and accruals		7	1	—
Total current liabilities		7	1	—
NET CURRENT ASSETS		127	247	175
TOTAL ASSETS LESS CURRENT LIABILITIES		299,545	320,649	312,215
NET ASSETS		299,545	320,649	312,215
EQUITY				
Share capital	28	7	285	285
Reserves		299,538	320,364	311,930
Total equity		299,545	320,649	312,215

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Sunfonda Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on January 13, 2011 as an exempted Company with limited liability under the Companies Law of the Cayman Islands in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"). The registered office address of the Company is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally engaged in the sale and service of motor vehicles (the "Listing Business").

In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is Golden Speed Enterprises Limited, which is incorporated in the British Virgin Islands ("BVI").

Before the formation of the Group, the Listing Business were carried out by the subsidiaries now comprising the Group as set out in Note 39 of Section II below, all of which were collectively controlled by Mr. Wu Tak Lam and Ms. Chiu Man (hereinafter collectively referred to as the "Controlling Shareholders").

The Company and its subsidiaries now comprising the Group underwent the reorganisation as described in the section headed "Our History and Reorganization" in the Prospectus and in Appendix V "Statutory and General Information" to the Prospectus.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Corporate Reorganisation" in the section headed "Our History and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group on March 17, 2011. The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from January 1, 2013, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Adoption of new and revised HKFRSs

For the purpose of this Financial Information, the Group has adopted, at the beginning of the Relevant Periods, all the new and revised HKFRSs applicable to the Relevant Periods.

3.2 Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this Financial Information.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after January 1, 2014
2 Effective for annual periods beginning on or after July 1, 2014
3 Effective for annual periods beginning on or after January 1, 2016
4 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

3.3 Summary of significant accounting policies

Basis of consolidation

This Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods.

As explained in Note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using merger accounting principles. The acquisition of subsidiaries not under common control is accounted for using the purchase method of accounting. The merger method of accounting involves incorporating the financial statement items of the consolidating entities in which the common control combination occurs as if they had been consolidated from the date when the consolidating entities first came under the control of the controlling party.

No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The consolidated statements of profit or loss include the results of each of the consolidating entities from the earliest date presented or since the date when the consolidating entities first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All significant intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The purchase method of accounting involves allocating the cost of a business combination to the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the companies now comprising the Group. Any excess of the Group's interest in the book value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of non-controlling interests (previously referred to as negative goodwill), after reassessment, is recognised immediately in the statements of profit or loss.

Subsidiaries

A subsidiary is an entity (including a structured entity) controlled by the Company and/or its other subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Estimated useful life	Estimated residual value
Buildings	20 years	5%
Leasehold improvements	Over the shorter of the lease terms and 5 years	—
Plant and machinery	5–10 years	5%
Furniture and fixtures	3–5 years	5%
Motor vehicles	4–5 years	5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Software	5 years

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Land use rights

All land in Mainland China is state-owned and no individual land ownership rights exist. The Group acquires the right to use certain land and the consideration paid for such a right is recorded as land use rights, which are amortised over the lease terms of 40 to 70 years using the straight-line method.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets mainly include cash and cash equivalents, cash in transit, pledged bank deposits, amounts due from related parties and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in administrative expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If write-off is later recovered, the recovery is credited to administrative expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities mainly include trade and bills payables, other payables, amounts due to related parties and interest bearing bank loans and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value measurement

The Group measures financial instruments at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between the levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated on specific identification basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling price less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the period that the costs which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the services are fully rendered and accepted by customers;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Vendor rebates

Volume-related vendor rebates are recognised as a deduction from cost of sales on an accrual basis based on the expected entitlement earned up to the reporting date for each relevant supplier contract.

Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

Employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 7.6% has been applied to the expenditure on the individual assets during the year ended December 31, 2013 (December 31, 2012: 7.0%; December 31, 2011: nil).

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

The Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3.4 Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets were RMB7,767,000, RMB16,074,000 and RMB16,816,000 as at December 31, 2011, 2012 and 2013, respectively (Note 27).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets other than indefinite life and goodwill are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

4. SEGMENT INFORMATION

The Group is engaged in the principal business of sale and service of motor vehicles. For management purposes, the Group operates in one business unit based on its products and services, 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 areas

Since all 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 segment 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 each of the Relevant Periods, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and the value of services rendered after allowances for returns and trade discounts, where applicable.

An analysis of revenue, other income and gains is as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue			
Revenue from the sale of motor vehicles	4,967,484	6,619,269	6,739,365
Others	380,920	585,963	693,334
	5,348,404	7,205,232	7,432,699

(b) Other income and gains, net

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Other income and gains, net			
Commission income	8,759	42,820	62,922
Service income	13,625	16,482	20,937
Interest income	2,913	2,333	3,260
Advertisement support received from motor vehicle manufacturers	4,345	3,396	—
Net gain/(loss) on disposal of property, plant and equipment	5,329	(1,526)	(2,040)
Gain on disposal of a subsidiary	—	—	4,704
Others	599	614	4,118
	35,570	64,119	93,901

6. PROFIT BEFORE TAX

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

(a) Employee benefit expense (including directors' remuneration (Note 8))

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Wages and salaries	48,039	65,323	70,074
Other welfare	12,448	14,777	19,472
	60,487	80,100	89,546

(b) Cost of sales and services

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost of sales of motor vehicles	4,594,332	6,300,739	6,402,142
Others	238,168	342,006	406,631
	4,832,500	6,642,745	6,808,773

(c) Other items

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Depreciation of items of property, plant and equipment	35,583	56,927	72,989
Amortisation of land use rights	2,222	5,218	9,168
Amortisation of intangible assets	79	408	577
Auditors' remuneration	996	2,470	2,370
Advertising and business promotion expenses	52,815	46,102	46,258
Lease expense	5,973	21,797	16,726
Bank charges	3,393	5,327	5,790
Office expenses	10,129	28,583	23,480
Logistics expenses	2,849	8,553	6,205
Net (gain)/loss on disposal of property, plant and equipment	(5,329)	1,526	2,040
Gain on disposal of a subsidiary	—	—	(4,704)

7. FINANCE COSTS

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Interest expense on bank borrowings wholly repayable within five years	30,901	88,333	102,592
Interest expense on other borrowings	10,093	32,193	25,531
Less: interest capitalised	—	(3,831)	(3,539)
	40,994	116,695	124,584

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of the remuneration of the directors of the Company during the Relevant Periods disclosed pursuant to the disclosure requirements of the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Year ended December 31, 2011					
	Fees	Salaries, allowances and other benefits	Performance related bonuses	Equity-settled share option expense	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
— Mr. Wu Tak Lam	—	199	—	—	10	209
— Ms. Chiu Man	—	199	—	—	10	209
— Ms. You Jia	—	396	—	—	21	417
— Mr. Jia Ruobing	—	133	—	—	3	136
	—	927	—	—	44	971
Non-executive director:						
— Mr. Zhu Wei	—	—	—	—	—	—
	—	927	—	—	44	971

	Year ended December 31, 2012					
	Fees	Salaries, allowances and other benefits	Performance related bonuses	Equity-settled share option expense	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
— Mr. Wu Tak Lam	—	194	—	—	10	204
— Ms. Chiu Man	—	194	—	—	10	204
— Ms. You Jia	—	450	—	—	21	471
— Mr. Jia Ruobing	—	823	—	—	34	857
	—	1,661	—	—	75	1,736
Non-executive director:						
— Mr. Zhu Wei	—	—	—	—	—	—
Independent non-executive directors:						
— Mr. Liu Jie	—	—	—	—	—	—
— Mr. Yu Yuanbo	—	—	—	—	—	—
	—	1,661	—	—	75	1,736

	Year ended December 31, 2013					
	Fees	Salaries, allowances and other benefits	Performance related bonuses	Equity-settled share option expense	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
— Mr. Wu Tak Lam	—	194	—	—	10	204
— Ms. Chiu Man	—	194	—	—	10	204
— Ms. You Jia	—	502	—	—	23	525
— Mr. Jia Ruobing	—	813	—	—	34	847
	—	1,703	—	—	77	1,780
Non-executive director:						
— Mr. Zhu Wei	—	—	—	—	—	—
Independent non-executive directors:						
— Mr. Liu Jie	—	—	—	—	—	—
— Mr. Yu Yuanbo	—	—	—	—	—	—
	—	1,703	—	—	77	1,780

The Group and the Company's chief executive is Ms. Chiu Man, who is also an executive director of the Group and the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

Mr. Zhu Wei was appointed as non-executive director on April 21, 2011. Mr. Liu Jie and Mr. Yu Yuanbo were appointed as independent non-executive director on June 19, 2012. No emoluments were paid to the non-executive directors and independent non-executive directors of the Company during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals included two directors for the year ended December 31, 2013 (2011: one; 2012: two) details of whose remuneration are detailed in Note 8 above. Details of the remuneration of the remaining non-director, highest paid employees for each of the Relevant Periods are as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	1,238	1,316	1,855
Pension scheme contributions	82	66	71
	1,320	1,382	1,926

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees		
	Year ended December 31,		
	2011	2012	2013
Nil to HK$1,000,000	4	3	3
HK$1,000,001 to HK$1,500,000	—	—	—
HK$1,500,001 to HK$2,000,000	—	—	—
	4	3	3

10. INCOME TAX

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

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current Mainland China corporate income tax	71,759	56,398	65,554
Deferred tax (Note 27)	(4,950)	(8,307)	(2,585)
	66,809	48,091	62,969

Pursuant to Section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

The subsidiary incorporated in the BVI is not subject to income tax as this subsidiary does not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rate of the Mainland China subsidiaries is 25%.

(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:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before tax	260,807	188,305	248,582
Tax at applicable tax rate (25%)	65,202	47,076	62,146
Different tax rate for a subsidiary in Hong Kong	121	45	37
Tax effect of non-deductible expenses	1,280	889	1,889
Income not subject to tax	—	—	(1,176)
Tax losses not recognised	206	81	73
Tax charge	66,809	48,091	62,969

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the years ended December 31, 2011, 2012 and 2013 were all generated by the subsidiaries now comprising the Group (Note 2.1).

12. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the results for the Relevant Periods as disclosed in Note 2.1 above.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At January 1, 2011	126,913	1,568	33,138	22,866	68,348	43,645	296,478
Exchange realignment	(72)	—	—	(4)	—	—	(76)
Additions	1,029	2,767	14,736	10,985	79,906	137,224	246,647
Transfer	121,151	—	1,650	1,814	—	(124,615)	—
Disposals	—	—	(17)	—	(47,218)	—	(47,235)
At December 31, 2011	249,021	4,335	49,507	35,661	101,036	56,254	495,814
Accumulated depreciation:							
At January 1, 2011	19,468	550	18,165	13,739	24,796	—	76,718
Exchange realignment	(20)	—	—	(4)	—	—	(24)
Depreciation provided during the year	8,721	350	3,271	4,184	19,057	—	35,583
Disposals	—	—	(2)	—	(21,629)	—	(21,631)
At December 31, 2011	28,169	900	21,434	17,919	22,224	—	90,646
Net book value:							
At December 31, 2011	220,852	3,435	28,073	17,742	78,812	56,254	405,168
Cost:							
At January 1, 2012	249,021	4,335	49,507	35,661	101,036	56,254	495,814
Additions	13,483	7,802	16,336	9,052	156,013	75,636	278,322
Transfer	102,684	—	—	—	—	(102,684)	—
Disposals	—	—	—	—	(76,221)	—	(76,221)
At December 31, 2012	365,188	12,137	65,843	44,713	180,828	29,206	697,915
Accumulated depreciation:							
At January 1, 2012	28,169	900	21,434	17,919	22,224	—	90,646
Depreciation provided during the year	12,836	743	5,120	6,012	32,216	—	56,927
Disposals	—	—	—	—	(20,292)	—	(20,292)
At December 31, 2012	41,005	1,643	26,554	23,931	34,148	—	127,281
Net book value:							
At December 31, 2012	324,183	10,494	39,289	20,782	146,680	29,206	570,634
Cost:							
At January 1, 2013	365,188	12,137	65,843	44,713	180,828	29,206	697,915
Additions	33,541	33,499	5,345	18,530	154,995	104,743	350,653
Transfer	64,030	—	—	—	—	(64,030)	—
Disposals	—	—	—	(2,422)	(158,570)	—	(160,992)
Disposal of a subsidiary (Note 30)	(15,500)	(6,032)	(4,125)	(1,080)	(9,835)	—	(36,572)
At December 31, 2013	447,259	39,604	67,063	59,741	167,418	69,919	851,004

	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:							
At January 1, 2013	41,005	1,643	26,554	23,931	34,148	—	127,281
Depreciation provided during the year	16,156	1,779	6,341	6,233	42,480	—	72,989
Disposals	—	—	—	(210)	(40,394)	—	(40,604)
Disposal of a subsidiary (Note 30)	(307)	(461)	(748)	(287)	(1,835)	—	(3,638)
At December 31, 2013	56,854	2,961	32,147	29,667	34,399	—	156,028
Net book value:							
At December 31, 2013	390,405	36,643	34,916	30,074	133,019	69,919	694,976

As at December 31, 2013, the application for the property ownership certificates for certain buildings with an aggregate net book value of approximately RMB165,752,000 was still in progress.

Certain of the Group's buildings with an aggregate net book value of approximately RMB57,693,000, RMB104,282,000 and RMB149,468,000 as at December 31, 2011, 2012 and 2013, respectively, were pledged as security for the Group's bank borrowings (Note 23(a)).

14. LAND USE RIGHTS

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost:			
At the beginning of each year	81,522	129,990	166,230
Additions	48,468	36,240	280,131
Disposal of a subsidiary (Note 30)	—	—	(17,850)
At the end of each year	129,990	166,230	428,511
Amortisation:			
At the beginning of each year	4,312	6,534	11,752
Charge for the year	2,222	5,218	9,168
Disposal of a subsidiary (Note 30)	—	—	(223)
At the end of each year	6,534	11,752	20,697
Net book value:			
At the end of each year	123,456	154,478	407,814

The land use rights of the Group represent the cost of the Group's land use rights in respect of land located in Mainland China. The remaining periods of the land use rights of the Group are from 28 to 67 years.

As at December 31, 2013, the application for the ownership certificates for certain land use rights with an aggregate net book value of approximately RMB220,100,000 was still in progress.

Certain of the Group's land use rights with an aggregate net book value of approximately RMB59,017,000, RMB67,420,000 and RMB85,323,000 as at December 31, 2011, 2012 and 2013, respectively, were pledged as security for the Group's bank borrowings (Note 23(a)).

15. INTANGIBLE ASSETS

	Software
	RMB'000
Cost:	
At January 1, 2011	971
Additions	1,518
At December 31, 2011	2,489
Accumulated amortisation:	
At January 1, 2011	915
Amortisation provided during the year	79
At December 31, 2011	994
Net book value:	
At December 31, 2011	1,495
Cost:	
At January 1, 2012	2,489
Additions	3,401
At December 31, 2012	5,890
Accumulated amortisation:	
At January 1, 2012	994
Amortisation provided during the year	408
At December 31, 2012	1,402
Net book value:	
At December 31, 2012	4,488
Cost:	
At the beginning of the year	5,890
Additions	328
At the end of the year	6,218
Amortisation:	
At the beginning of the year	1,402
Charge for the year	577
At the end of the year	1,979
Net book value:	
At the end of the year	4,239

16. PREPAYMENTS

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Prepaid lease for buildings and land use rights	16,643	10,993	8,887
Prepayments for purchase of land use rights	92,680	222,390	92,643
Prepayments for purchase of items of plant, property and equipment	8,688	24,565	31,311
	118,011	257,948	132,841

17. INVENTORIES

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Motor vehicles	418,358	703,801	655,677
Spare parts and accessories	31,147	49,220	74,917
	449,505	753,021	730,594

Certain of the Group's inventories with an aggregate carrying amount of approximately RMB77,123,000, RMB105,285,000 and RMB180,457,000 as at December 31, 2011, 2012 and 2013 respectively, were pledged as security for the Group's bank loans and other borrowings (Note 23(a)).

Certain of the Group's inventories with an aggregate carrying amount of approximately RMB25,242,000, RMB76,381,000 and RMB113,034,000 as at December 31, 2011, 2012 and 2013 respectively, were pledged as security for the Group's bills payable (Note 24).

18. TRADE RECEIVABLES

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables	16,223	47,481	50,841

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. The Group does not hold any collateral or other credit enhancements over the trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at each reporting date (based on the invoice date) is as follows:

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 3 months	14,473	44,476	48,116
More than 3 months but less than 1 year	1,714	2,586	2,085
Over 1 year	36	419	640
	16,223	47,481	50,841

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	16,187	47,062	50,201
Over one year past due	36	419	640
	16,223	47,481	50,841

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.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Prepayments and deposits to suppliers	465,194	545,592	437,897
Vendor rebate receivables	9,273	44,690	77,083
VAT recoverables (i)	5,886	18,657	21,925
Others	9,797	19,562	28,398
	490,150	628,501	565,303

Note:

(i) The Group's sales of motor vehicles are subject to Mainland China Value Added Tax ("VAT"). Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT. The applicable VAT rate for domestic sales of the Group is 17%.

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20. PLEDGED BANK DEPOSITS

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deposits pledged with banks as collateral against credit facilities of bills payable granted by the banks	208,381	400,994	292,209

Pledged bank deposits earn interest at interest rates stipulated by finance institutions. All pledged bank deposits at each reporting date were denominated in the currency of RMB.

21. CASH IN TRANSIT

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash in transit	17,397	19,610	33,240

Cash in transit is the sales proceeds settled by credit cards, which have yet to be credited to the Group by the banks.

22. CASH AND CASH EQUIVALENTS

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash and bank balances	271,442	328,741	451,930

As at December 31, 2011, 2012 and 2013 the cash and bank balances of the Group denominated in RMB amounted to RMB191,749,000, RMB276,013,000 and RMB412,446,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

23. INTEREST BEARING BANK LOANS AND OTHER BORROWINGS

	2011		2012		2013	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000
CURRENT:						
Bank loans	5.1-9.5	485,010	4.7-8.5	1,337,431	5.9-8.5	1,442,427
Other borrowings	5.3-7.8	49,674	6.5-7.8	88,151	6.5-7.8	81,247
		534,684		1,425,582		1,523,674
NON-CURRENT:						
Bank loans	5.8-8.7	118,693	7.0-8.7	83,170	7.0-8.7	145,188
		653,377		1,508,752		1,668,862
— secured		304,589		273,504		734,803
— guaranteed		148,409		885,312		906,653
— unsecured		200,379		349,936		27,406
		653,377		1,508,752		1,668,862

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank loans repayable			
Within one year or on demand	485,010	1,337,431	1,442,427
In the second year	9,000	–	74,188
In the third to fifth years, inclusive	109,693	83,170	71,000
	603,703	1,420,601	1,587,615
Other borrowings repayable			
Within one year or on demand	49,674	88,151	81,247
	653,377	1,508,752	1,668,862

(a) Certain of the Group's bank loans and other borrowings are secured by:

(i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB59,017,000, RMB67,420,000 and RMB85,323,000 as at December 31, 2011, 2012 and 2013, respectively;

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB57,693,000, RMB104,282,000 and RMB149,468,000, as at December 31, 2011, 2012 and 2013, respectively; and

(iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB77,123,000, RMB105,285,000, and RMB180,457,000 as at December 31, 2011, 2012 and 2013 respectively.

(b) Certain of the Group's bank loans which amounted to RMB148,409,000, RMB885,312,000 and RMB906,653,000 were guaranteed by the Controlling Shareholders as at December 31, 2011, 2012 and 2013.

24. TRADE AND BILLS PAYABLES

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade payables	9,107	18,245	42,409
Bills payable	347,364	546,949	402,383
Trade and bills payables	356,471	565,194	444,792

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

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 3 months	355,790	558,349	436,798
3 to 6 months	570	6,140	6,918
6 to 12 months	66	563	856
Over 12 months	45	142	220
	356,471	565,194	444,792

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

The Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB25,242,000, RMB76,381,000 and RMB113,034,000 as at December 31, 2011, 2012 and 2013, respectively.

25. OTHER PAYABLES AND ACCRUALS

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Payables for purchase of property, plant and equipment	9,895	24,190	24,490
Advances from customers	263,662	148,355	112,259
Staff payroll and welfare payables	23,970	31,251	32,326
Lease payables	817	618	1,332
Tax payable (other than income tax)	4,465	5,095	5,336
Others	11,527	10,364	14,612
	314,336	219,873	190,355

26. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the People's Republic of China (the "PRC") state regulations, the subsidiaries of Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 10% to 22% of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 5% to 12% of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

As at December 31, 2011, 2012 and 2013, the Group had no significant obligation apart from the contributions as stated above.

27. DEFERRED TAX

Deferred tax assets

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the years are as follows:

	Losses available for future taxable profit	Accrued payroll and social welfare	Amortisation of pre-operating expenses	Other accrual	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2011	171	1,998	395	253	2,817
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 10(a))	2,076	1,564	1,052	258	4,950
At December 31, 2011	2,247	3,562	1,447	511	7,767
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 10(a))	8,209	1,028	(1,094)	164	8,307
At December 31, 2012	10,456	4,590	353	675	16,074
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 10(a))	2,721	324	(353)	(107)	2,585
Disposal of a subsidiary (Note 30)	(1,843)	—	—	—	(1,843)
At December 31, 2013	11,334	4,914	—	568	16,816

The Group had accumulated tax losses arising in Hong Kong of RMB2,514,000, RMB3,003,000 and RMB3,443,000 as at December 31, 2011, 2012 and 2013, respectively, that are available indefinitely for offsetting against future taxable profits of the Companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liabilities

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from January 1, 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors.

The Group's subsidiaries in the PRC are directly held by Sunfonda (Hong Kong) Limited, a Hong Kong tax resident.

The Group has not provided for withholding taxes on accumulated earnings of RMB368,299,000, RMB529,874,000 and RMB714,235,000 generated by its PRC entities from January 1, 2008 as at December 31, 2011, 2012 and 2013, respectively, because it is not probable that such accumulated earnings will be distributed to the holding company outside the PRC in the foreseeable future.

28. SHARE CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on January 13, 2011 with an initial authorised share capital of US$50,000 divided into 50,000 shares of a par value of US$1 each. On the date of incorporation, 100 ordinary shares of US$100 were allotted and issued as fully paid by the Company to its then shareholders. On April 15, 2011, 1,000 ordinary shares of US$1,000 were allotted and issued as fully paid by the Company to its then shareholders. On June 30, 2012, 43,900 ordinary shares of US$43,900 were allotted and issued as fully paid by the Company to its then shareholders.

29. RESERVES

(i) Statutory reserve

Pursuant to the relevant PRC rules and regulations, these PRC subsidiaries which are domestic enterprises in the PRC as mentioned in Note 39 of this section are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company. The additions during the Relevant Periods represent the injection of additional paid-up capital by the equity holders of the subsidiaries to the respective companies, which were consolidated from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders and waive of liabilities by the Controlling Shareholders. The deductions during the Relevant Periods represent acquisition of equity interests in subsidiaries from the Controlling Shareholders for business combination under common control.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

30. DISPOSAL OF A SUBSIDIARY

In June 2013, the Group disposed of its entire equity interests in Yangzhou Sunfonda Automobile Co., Ltd. ("Yangzhou Sunfonda") to Mr. Zhao Yijian, who is a close family member of the Controlling Shareholders, for a consideration of US$5,000,000.

Details of the net assets disposed of and gain on disposal are as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	32,934
Land use rights	17,627
Deferred tax assets	1,843
Inventories	17,236
Trade receivables	1,140
Prepayments, deposits and other receivables	8,269
Cash in transit	1,066
Cash and cash equivalents	8,060
Interest bearing bank loans and other borrowings	(40,126)
Trade and bills payables	(2,984)
Other payables and accruals	(9,575)
Amounts due to related parties	(12,300)
	23,190
Non-controlling interests	3,000
Gain on disposal of a subsidiary	4,704
Satisfied by:	
Cash	30,894

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	30,894
Cash and cash equivalents disposed of	(8,060)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	22,834

31. FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at each reporting date were as follows:

Financial assets

	Loans and receivables		
	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables	16,223	47,481	50,841
Financial assets included in prepayments, deposits and other receivables	19,070	64,252	105,481
Amounts due from related parties	—	—	6,371
Pledged bank deposits	208,381	400,994	292,209
Cash in transit	17,397	19,610	33,240
Cash and cash equivalents	271,442	328,741	451,930
	532,513	861,078	940,072

Financial liabilities

	Financial liabilities at amortised cost		
	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade and bills payables	356,471	565,194	444,792
Financial liabilities included in other payables and accruals	22,239	35,172	40,434
Amounts due to related parties	29,381	9,280	7,684
Interest bearing bank loans and other borrowings	653,377	1,508,752	1,668,862
	1,061,468	2,118,398	2,161,772

32. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transactions

The Group's amounts due to the Controlling Shareholders amounting to RMB104,720,000 were capitalised during the year of 2011, among which RMB6,000 was recorded to share capital and the remaining RMB104,714,000 was recorded to capital reserve.

33. CONTINGENT LIABILITIES

As at December 31, 2011, 2012 and 2013, neither the Group nor the Company had any significant contingent liabilities.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, amounts due from related parties, financial liabilities included in other payables and accruals and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

At the end of each Relevant Periods, neither the Group nor the Company had any financial asset or liability measured at fair value.

During the Relevant Periods, there were no transfer between Level 1 and Level 2 fair value measurements and no transfer into or out of Level 3 fair value measurements.

35. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property and equipment outstanding at each reporting date not provided for in the Financial Information were as follows:

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for land use rights and buildings	20,347	76,114	39,723

(b) Operating lease commitments

At each reporting date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	December 31,					
	2011		2012		2013	
	Properties	Land	Properties	Land	Properties	Land
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	11,760	2,926	11,753	4,815	15,677	4,155
After 1 year but within 5 years	45,661	12,168	32,337	18,841	48,762	18,973
After 5 years	39,144	19,454	25,336	24,039	25,450	19,752
	96,565	34,548	69,426	47,695	89,889	42,880

The Group is the lessee in respect of a number of properties and land held under operating leases. The leases typically run for an initial period of three to fifteen years, with an option to renew the leases when all the terms are renegotiated.

36. PLEDGE OF ASSETS

Details of the Group's assets pledged for its bank loans and other borrowings and bills payable are disclosed in Note 13, Note 14, Note 17 and Note 20 to the Financial Information.

37. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. Wu Tak Lam and Ms. Chiu Man are collectively the Controlling Shareholders of the Group. They are also the key management personnel and considered to be related parties of the Group.

Mr. Zhao Yijian is a close family member of the Controlling Shareholders and considered to be a related party of the Group.

The Group had the following transactions with related parties during the Relevant Periods:

(a) Transactions with related parties

Certain of the Group's bank loans which amounted to RMB148,409,000, RMB885,312,000 and RMB906,653,000 were guaranteed by the Controlling Shareholders as at December 31, 2011, 2012 and 2013, respectively.

The Group's amounts due to the Controlling Shareholders amounting to RMB104,720,000 were capitalised during the year of 2011, among which RMB6,000 was recorded as share capital and the remaining RMB104,714,000 was recorded as capital reserve.

In June 2013, the Group disposed of its entire equity interests in Yangzhou Sunfonda to Mr. Zhao Yijian (Note 30). Upon the disposal date to December 31, 2013, revenue from the sale of motor vehicles to Yangzhou Sunfonda amounted to RMB24,673,000.

(b) Balances with related parties

(i) Due from related parties:

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade related			
Yangzhou Sunfonda Automobile Co., Ltd. . .	—	—	6,371
	—	—	6,371

(ii) Due to related parties:

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Non-trade related			
The Controlling Shareholders			
— Mr. Wu Tak Lam and			
Ms. Chiu Man	29,381	9,280	7,684
	29,381	9,280	7,684

(iii) Compensation of key management personnel of the Group:

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	2,795	2,404	3,093
Post-employee benefits	267	138	138
Total compensation paid to key management personnel	3,062	2,542	3,231

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest bearing loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group has no significant interest bearing assets other than pledged bank deposits (Note 20) and cash and cash equivalents (Note 22).

The Group's interest rate risk arises from its borrowings, details of which are set out in Note 23. Borrowings at variable rates expose the Group to the risk of changes in market interest rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on long term floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax
		RMB'000
Year ended December 31, 2011		
RMB	50	(356)
RMB	(50)	356
Year ended December 31, 2012		
RMB	50	(328)
RMB	(50)	328
Year ended December 31, 2013		
RMB	50	(491)
RMB	(50)	491

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of pledged bank deposits, cash in transit, cash and cash equivalents, trade and other receivables, amounts due from related parties included in the Financial Information represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at December 31, 2011, 2012 and 2013, all pledged bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of each reporting periods, based on the contractual undiscounted payments, is as follows:

	As at December 31, 2011					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest bearing bank loans and other borrowings	—	51,217	524,052	120,969	—	696,238
Trade and bills payables	9,107	347,364	—	—	—	356,471
Other payables	11,527	2,678	8,034	—	—	22,239
Amounts due to related parties	29,381	—	—	—	—	29,381
	50,015	401,259	532,086	120,969	—	1,104,329

	As at December 31, 2012					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest bearing bank loans and other borrowings	—	387,978	1,087,973	89,549	—	1,565,500
Trade and bills payables	18,245	546,949	—	—	—	565,194
Other payables	10,364	6,202	18,606	—	—	35,172
Amounts due to related parties	9,280	—	—	—	—	9,280
	37,889	941,129	1,106,579	89,549	—	2,175,146

	As at December 31, 2013					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest bearing bank loans and other borrowings	—	441,346	1,145,587	154,871	—	1,741,804
Trade and bills payables	42,409	402,383	—	—	—	444,792
Other payables	14,612	6,456	19,366	—	—	40,434
Amounts due to related parties	7,684	—	—	—	—	7,684
	64,705	850,185	1,164,953	154,871	—	2,234,714

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2011, 2012 and 2013.

The Group monitors capital using a gearing ratio, which is total debt divided by the equity attributable to owners of the parent. Total debt includes interest bearing bank loans and other borrowings and amounts due to related parties. The gearing ratios as at the end of each reporting periods were as follows:

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Interest bearing bank loans and other borrowings	653,377	1,508,752	1,668,862
Amounts due to related parties	29,381	9,280	7,684
Total debt	682,758	1,518,032	1,676,546
Equity attributable to owners of the parent	683,741	844,027	1,031,104
Gearing ratio	99.9%	179.9%	162.6%

39. INTERESTS IN SUBSIDIARIES

	Company		
	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	104,720	125,704	125,704
Due from a subsidiary	194,698	194,698	186,336
	299,418	320,402	312,040

The amounts due from a subsidiary included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment.

As at the date of this report, the Company has direct or indirect interests in the following principle subsidiaries:

Company name		Place and date of incorporation/business	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
新豐泰(香港)有限公司 (Sunfonda (Hong Kong) Limited)	(i)	Hong Kong, the PRC 1997	Registered capital of HK$2,500,000 and paid-in capital of HK$1,501,000	—	100%	Investment holding
Grand Forever Enterprises Limited	(ii)	Tortola, the BVI 2011	Registered capital of US$50,000 and paid-in capital of US$2,001	100%	—	Investment holding

Company name		Place and date of incorporation/business	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
陝西新豐泰汽車有限責任公司 (Shaanxi Sunfonda Automobile Co., Ltd.)	(iii)	Xi'an, the PRC 2000	Registered and paid-in capital of RMB30,000,000	—	100%	Sale and service of motor vehicles
陝西新豐泰汽車技術開發有限責任公司 (Shaanxi Sunfonda Automobile Technology Development Co., Ltd.)	(iii)	Xi'an, the PRC 2001	Registered and paid-in capital of RMB250,000,000	—	100%	Sale and service of motor vehicles
西安新銘洋豐田汽車銷售服務有限公司 (Xi'an Xinmingyang Toyota Automobile Sales Services Co., Ltd.)	(iii)	Xi'an, the PRC 2003	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
陝西凱盛汽車銷售服務有限公司 (Shaanxi Kaisheng Automobile Sales Services Co., Ltd.)	(iv)	Xi'an, the PRC 2006	Registered and paid-in capital of RMB15,000,000	—	100%	Sale and service of motor vehicles
陝西信捷汽車有限責任公司 (Shaanxi Xinjie Automobile Co., Ltd.)	(iii)	Xi'an, the PRC 2006	Registered and paid-in capital of RMB13,000,000	—	100%	Sale and service of motor vehicles
西安鈞盛雷克薩斯汽車銷售服務有限公司 (Xi'an Junsheng Lexus Automobile Sales Services Co., Ltd.)	(v)	Xi'an, the PRC 2006	Registered and paid-in capital of HK$20,000,000	—	100%	Sale and service of motor vehicles
山西盈捷汽車銷售服務有限公司 (Shanxi Yingjie Automobile Sales Services Co., Ltd.)	(vi)	Taiyuan, the PRC 2009	Registered and paid-in capital of HK$15,000,000	—	100%	Sale and service of motor vehicles
鄂爾多斯市新豐泰信捷汽車有限責任公司 (Ordos Sunfonda Xinjie Automobile Co., Ltd.)	(vii)	Ordos, the PRC 2010	Registered and paid-in capital of RMB16,846,750	—	100%	Sale and service of motor vehicles
陝西新豐泰博奧汽車有限責任公司 (Shaanxi Sunfonda Boao Automobile Co., Ltd.)	(iii)	Xi'an, the PRC 2010	Registered and paid-in capital of RMB55,199,805	—	100%	Sale and service of motor vehicles
北京新豐泰博奧商貿有限責任公司 (Beijing Sunfonda Boao Commercial Trading Co., Ltd.)	(viii)	Beijing, the PRC 2010	Registered and paid-in capital of HK$38,000,000	—	100%	Sale and service of motor vehicles
鄂爾多斯市新豐泰凱盛汽車有限責任公司 (Ordos Sunfonda Kaisheng Automobile Co., Ltd.)	(vii)	Ordos, the PRC 2010	Registered and paid-in capital of RMB11,733,148	—	100%	Sale and service of motor vehicles
西安新豐泰之星汽車銷售服務有限公司 (Xi'an Sunfonda Zhixing Automobile Sales Services Co., Ltd.)	(iii)	Xi'an, the PRC 2009	Registered and paid-in capital of HK$84,000,000	—	100%	Sale and service of motor vehicles
蘇州新豐泰汽車銷售服務有限公司 (Suzhou Sunfonda Automobile Sales Services Co., Ltd.)	(ix)	Suzhou, the PRC 2011	Registered and paid-in capital of RMB38,080,000	—	100%	Sale and service of motor vehicles

Company name		Place and date of incorporation/business	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
蘭州新豐泰汽車銷售有限責任公司 (Lanzhou Sunfonda Automobile Sales Co., Ltd.)	(x)	Lanzhou, the PRC 2011	Registered and paid-in capital of HK$9,800,000	—	100%	Sale and service of motor vehicles
陝西新豐泰迎賓汽車銷售服務有限公司 (Shaanxi Sunfonda Yingbin Automobile Sales Services Co., Ltd.)	(xi)	Xi'an, the PRC 2011	Registered and paid-in capital of HK$21,000,000	—	100%	Sale and service of motor vehicles
延安新豐泰博奧汽車有限責任公司 (Yan'an Sunfonda Boao Automobile Co., Ltd.)	(xii)	Yan'an, the PRC 2011	Registered and paid-in capital of HK$20,000,000	—	100%	Sale and service of motor vehicles
榆林市新豐泰凱盛汽車銷售服務有限公司 (Yulin Sunfonda Kaisheng Automobile Sales Services Co., Ltd.)	(xiii)	Yulin, the PRC 2011	Registered and paid-in capital of RMB6,335,206	—	100%	Sale and service of motor vehicles
榆林市新豐泰美東汽車銷售服務有限公司 (Yulin Sunfonda Meidong Automobile Sales Services Co., Ltd.)	(xiii)	Yulin, the PRC 2011	Registered and paid-in capital of RMB6,335,206	—	100%	Sale and service of motor vehicles
陝西新豐泰駿美汽車銷售服務有限公司 (Shaanxi Sunfonda Junmei Automobile Sales Services Co., Ltd.)	(xiv)	Xi'an, the PRC 2012	Registered capital of RMB50,000,000 and paid-in capital of RMB30,000,000	—	100%	Sale and service of motor vehicles
蘇州新豐泰美東汽車銷售服務有限公司 (Suzhou Sunfonda Meidong Automobile Sales Services Co., Ltd.)	(xvi)	Suzhou, the PRC 2012	Registered capital of RMB10,000,000 and paid-in capital of RMB2,000,000	—	100%	Sale and service of motor vehicles
山西新豐泰汽車銷售服務有限公司 (Shanxi Sunfonda Automobile Sales Services Co., Ltd.)	(xv)	Taiyuan, the PRC 2012	Registered capital of RMB10,000,000 and paid-in capital of RMB2,000,000	—	100%	Sale and service of motor vehicles
無錫新豐泰汽車有限責任公司 (Wuxi Sunfonda Automobile Co., Ltd.)	(xvii)	Wuxi, the PRC 2013	Registered capital of RMB10,000,000 and paid-in capital of RMB2,000,000	—	100%	Sale and service of motor vehicles
榆林市新豐泰汽車銷售服務有限公司 (Yulin Sunfonda Automobile Sales Services Co., Ltd.)	(xviii)	Yulin, the PRC 2013	Registered capital of RMB10,000,000 and paid-in capital of RMB2,000,000	—	100%	Sale and service of motor vehicles

Company name		Place and date of incorporation/business	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
山西新豐泰駿美汽車銷售服務有限公司 (Shanxi Sunfonda Junmei Automobile Sales Services Co., Ltd.)	(xv)	Taiyuan, the PRC 2012	Registered capital of RMB50,000,000 and paid-in capital of RMB20,000,000	—	100%	Sale and service of motor vehicles
揚州新豐泰博奧汽車銷售服務有限公司 (Yangzhou Sunfonda Boao Automobile Sales Services Co., Ltd.)	(xix)	Yangzhou, the PRC 2013	Registered and paid-in capital of RMB30,000,000	—	90%	Sale and service of motor vehicles
西安新豐泰紅旗汽車銷售服務有限公司 (Xi'an Sunfonda Hongqi Automobile Sales Services Co., Ltd.)	(xx)	Xi'an, the PRC 2013	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
寧夏新豐泰信捷汽車銷售服務有限公司 (Ningxia Sunfonda Xinjie Automobile Sales Services Co., Ltd.)	(xviii)	Yinchuan, the PRC 2013	Registered and paid-in capital of HK$5,000,000	—	100%	Sale and service of motor vehicles
寧夏新豐泰駿美汽車銷售服務有限公司 (Ningxia Sunfonda Junmei Automobile Sales Services Co., Ltd.)	(xviii)	Yinchuan, the PRC 2013	Registered and paid-in capital of RMB20,000,000	—	100%	Sale and service of motor vehicles
無錫新豐泰德輝汽車銷售服務有限公司 (Wuxi Sunfonda Dehui Automobile Sales Services Co., Ltd.)	(xvii)	Wuxi, the PRC 2013	Registered and paid-in capital of RMB5,000,000	—	100%	Sale and service of motor vehicles
西安新豐泰涇河物流開發有限公司 (Xi'an Sunfonda Jinghe Logistics Development Co., Ltd.)	(xviii)	Xi'an, the PRC 2013	Registered and paid-in capital of RMB1,010,000	–	100%	Logistics service of motor vehicles
蘇州新豐泰德輝汽車銷售服務有限公司 (Suzhou Sunfonda Dehui Automobile Sales Services Co., Ltd.)	(ii)	Suzhou, the PRC 2013	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
北京新豐泰博奧汽車銷售服務有限公司 (Beijing Sunfonda Boao Automobile Sales Services Co., Ltd.)	(ii)	Beijing, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
渭南新豐泰博奧汽車銷售服務有限公司 (Weinan Sunfonda Boao Automobile Sales Services Co., Ltd.)	(ii)	Weinan, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	80%	Sale and service of motor vehicles

Notes:

(i) The statutory financial statements of this entity for the years ended December 31, 2011 and 2012 prepared under HKFRSs were audited by Philip Poon & Partners CPA Limited, certified public accountants registered in Hong Kong. The statutory financial statements for the year ended December 31, 2013 have not been audited by the date of this report.

(ii) No statutory accounts have been prepared for these subsidiaries since their incorporation as these subsidiaries are not required by the local government to prepare statutory accounts.

(iii) The statutory accounts of these subsidiaries for the years ended December 31, 2011, 2012 and 2013 were audited by 陝西興華會計師事務所 (Shaanxi Xing Hua Certified Public Accountants), 陝西西秦金周會計師事務所有限責任公司 (Shaanxi Xiqin Jin Zhou Certified Public Accountants), and 陝西高德會計師事務所有限責任公司 (Shaanxi Gao De Certified Public Accountants), respectively.

(iv) The statutory accounts of this entity for the years ended December 31, 2011, 2012 and 2013 were audited by 陝西興華會計師事務所 (Shaanxi Xing Hua Certified Public Accountants), 陝西新達會計師事務所 (Shaanxi Xin Da Certified Public Accountants), and 陝西高德會計師事務所有限責任公司 (Shaanxi Gao De Certified Public Accountants), respectively.

(v) The statutory accounts of this entity for the years ended December 31, 2011, 2012 and 2013 were audited by 陝西興華會計師事務所 (Shaanxi Xing Hua Certified Public Accountants), 陝西西秦金周會計師事務所有限責任公司 (Shaanxi Xiqin Jin Zhou Certified Public Accountants), and 陝西高德會計師事務所有限責任公司 (Shaanxi Gao De Certified Public Accountants), respectively.

(vi) The statutory accounts of this entity for the years ended December 31, 2011 were audited by 太原友信會計師事務所 (Taiyuan You Xin Certified Public Accountants). The statutory accounts of this entity for the years ended December 31, 2012 and 2013 were audited by 山西友信會計師事務所 (Shanxi You Xin Certified Public Accountants).

(vii) The statutory accounts of these subsidiaries for the years ended December 31, 2011, 2012 and 2013 were audited by 內蒙古華才會計師事務所 (Inner Mongolia Hua Cai Certified Public Accountants), 元發會計事務所 (Yuan Fa Certified Public Accountants), and 鄂爾多斯市東勝區信和會計師事務所 (Ordos Dong Sheng District Xin He Certified Public Accountants), respectively.

(viii) The statutory accounts of this entity for the years ended December 31, 2011 and 2012 were audited by 北京恒浩會計師事務所 (Beijing Heng Hao Certified Public Accountants). The statutory accounts of this entity for the year ended December 31, 2013 have not been audited by the date of this report.

(ix) The statutory accounts of this entity for the years ended December 31, 2011, 2012 and 2013 were audited by 仲華會計師事務所 (Zhong Hua Certified Public Accountants).

(x) The statutory accounts of this entity for the years ended December 31, 2011 were audited by 蘭州金瑞會計師事務所 (Lanzhou Jin Rui Certified Public Accountants). The statutory accounts of this entity for the years ended December 31, 2012 and 2013 were audited by 甘肅勵致安遠會計師事務所 (Gansu Lizhi An Yuan Certified Public Accountants).

(xi) The statutory accounts of this entity for the years ended December 31, 2011, 2012 and 2013 were audited by 陝西興華會計師事務所 (Shaanxi Xing Hua Certified Public Accountants), 陝西西秦金周會計師事務所有限責任公司 (Shaanxi Xiqin Jin Zhou Certified Public Accountants), and 陝西高德會計師事務所有限責任公司 (Shaanxi Gao De Certified Public Accountants), respectively.

(xii) The statutory accounts of this entity for the years ended December 31, 2011, 2012 and 2013 were audited by 陝西順達會計師事務所 (Shaanxi Shun Da Certified Public Accountants), 陝西西秦金周會計師事務所有限責任公司 (Shaanxi Xiqin Jin Zhou Certified Public Accountants), and 陝西高德會計師事務所有限責任公司 (Shaanxi Gao De Certified Public Accountants), respectively.

(xiii) No statutory accounts have been prepared for these subsidiaries since their incorporation as these subsidiaries are not required by the local government to prepare statutory accounts for the year ended December 31, 2011. The statutory accounts of these subsidiaries for the year ended December 31, 2012 were audited 榆林博瑞有限責任會計師事務所 (Yulin Bo Rui Certified Public Accountants). The statutory accounts of these subsidiaries for the year ended December 31, 2013 have not been audited by the date of this report.

(xiv) The statutory accounts of this entity for the year ended December 31, 2012 and 2013 were audited by 陝西西秦金周會計師事務所有限責任公司 (Shaanxi Xiqin Jin Zhou Certified Public Accountants) and 陝西高德會計師事務所有限責任公司 (Shaanxi Gao De Certified Public Accountants).

(xv) The statutory accounts of these subsidiaries for the year ended December 31, 2012 and 2013 were audited by 山西友信會計師事務所 (Shanxi You Xin Certified Public Accountants).

(xvi) The statutory accounts of this entity for the year ended December 31, 2013 were audited by 蘇州仲華會計師事務所 (Suzhou Zhong Hua Certified Public Accountants).

(xvii) The statutory accounts of these subsidiaries for the year ended December 31, 2013 were audited by 無錫眾信會計師事務所有限公司 (Wuxi Zhong Xin Certified Public Accountants).

(xviii) The statutory accounts of these subsidiaries for the year ended December 31, 2013 have not been audited by the date of this report.

(xix) The statutory accounts of this entity for the year ended December 31, 2013 were audited by 揚州邗瑞會計師事務所 (Yangzhou Han Rui Certified Public Accountants).

(xx) The statutory accounts of this entity for the year ended December 31, 2013 were audited by 陝西高德會計師事務所有限責任公司 (Shaanxi Gao De Certified Public Accountants).

40. EVENTS AFTER THE REPORTING PERIOD

(i) On January 8, 2014, the authorized share capital of the Company was changed from US$50,000 divided into 50,000 shares of a par value of US$1.00 each to US$50,000 divided into 50,000 shares of a par value of US$1.00 each and US$100,000 divided into 1,000,000,000 Shares of a par value of US$0.0001 each, through the creation of an additional 1,000,000,000 Shares with a par value of US$0.0001 each ranking pari passu in all respects with the existing Shares. On the same date, the Company issued 450,000,000 Shares with a par value of US$0.0001 to its then shareholders, Top Wheel Limited. Immediately following the completion of the above steps, the Company repurchased 45,000 shares with a par value of US$1.00 in issue from Top Wheel Limited for a consideration of US$45,000, which has been settled in full by the amount payable by Top Wheel Limited for the subscription of 450,000,000 Shares with a par value of US$0.0001. All authorized Shares of a par value of US$1.00 each was cancelled immediately after this repurchase of shares. As a result, the authorized share capital of the Company became US$100,000 divided into 1,000,000,000 Shares of a par value of US$0.0001 each.

(ii) On January 8, 2014, the Company adopted a Pre-IPO Share Award Scheme. Pursuant to the Pre-IPO Share Award Scheme, the selected employees of the Group will be awarded shares representing 2% of the total issued share capital of the Company as at January 8, 2014. The principal terms of the scheme is summarised in Appendix VI "Statutory and General Information" to the Prospectus.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to December 31, 2013.

Yours faithfully
ERNST & YOUNG
Certified Public Accountants
Hong Kong