

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in China Greenland Rundong Auto Group Limited, you should at once hand this Composite Document, together with the accompanying Form of Acceptance, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer contained in this Composite Document.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.



**RUNDONG FORTUNE
INVESTMENT LIMITED**

*(Incorporated in the British Virgin Islands
with limited liability)*

润东汽车
**China Greenland Rundong Auto
Group Limited**
中國綠地潤東汽車集團有限公司
*(Incorporated in the Cayman Islands
with limited liability)*
(Stock Code: 1365)

**COMPOSITE OFFER AND RESPONSE DOCUMENT
RELATING TO
UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED**



Guotai Junan Securities (Hong Kong) Limited

**FOR AND ON BEHALF OF RUNDONG FORTUNE INVESTMENT LIMITED
FOR ALL THE ISSUED ORDINARY SHARES IN
CHINA GREENLAND RUNDONG AUTO GROUP LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED
BY RUNDONG FORTUNE INVESTMENT LIMITED
AND THE PARTIES ACTING IN CONCERT WITH IT)**

Financial Adviser to Rundong Fortune Investment Limited



Guotai Junan Capital Limited

Independent Financial Adviser to the Independent Board Committee



Optima Capital Limited

Capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from GTJA Capital containing, among other things, details of the terms and conditions of the Offer is set out on pages 13 to 21 of this Composite Document.

A letter from the Board is set out on pages 22 to 31 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation and advice to Independent Shareholders on the Offer is set out on pages 32 to 33 of this Composite Document.

A letter from Optima Capital containing its recommendation and advice to the Independent Board Committee is set out on pages 34 to 58 of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptance of the Offer must be received by the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event no later than 4:00 p.m. on August 17, 2016, or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "Overseas Shareholders" in Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the law and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

This Composite Document will remain on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.rundong.com.cn) as long as the Offer remains open.

July 27, 2016

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Any change to the timetable will be jointly announced by the Offeror and the Company as and when appropriate. Unless otherwise specified, all times and dates contained in this Composite Document refer to Hong Kong local times and dates.

Despatch date of this Composite Document and the accompanying Form of Acceptance (<i>Note 1</i>).....	Wednesday, July 27, 2016
Commencement Date of the Offer (<i>Note 1</i>)	Wednesday, July 27, 2016
Latest time and date for acceptance of the Offer (<i>Notes 2, 3 and 6</i>).....	by 4:00 p.m. on Wednesday, August 17, 2016
Closing Date of the Offer (<i>Notes 1, 2 and 6</i>).....	Wednesday, August 17, 2016
Announcement of the results of the Offer on the website of the Stock Exchange (<i>Note 4</i>).....	by 7:00 p.m. on Wednesday, August 17, 2016
Latest date for posting of remittances in respect of valid acceptances received under the Offer (<i>Notes 5 and 6</i>).....	Friday, August 26, 2016

Notes:

1. The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date of the Offer on August 17, 2016. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed “Right of Withdrawal” in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. Where the Offer Period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day.
3. The Independent Shareholders are required to submit the duly completed and signed Form of Acceptance to the Registrar on or before 4:00 p.m. on August 17, 2016, being the Closing Date, in order to accept the Offer.
4. In accordance with the Takeovers Code, an announcement will be issued on the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been extended, revised or expired. In the event that the Offeror decides to extend the Offer, at least 14 days’ notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
5. Remittances in respect of the cash consideration (after deducting the seller’s ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be made to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt by the Registrar of the duly completed Form of Acceptance and all the relevant documents to render the acceptance under the Offer complete and valid in accordance with the Takeovers Code.

EXPECTED TIMETABLE

6. If there is a tropical cyclone warning signal no.8 or above, or a black rainstorm warning:
- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer or the posting of remittances, as the case may be, will remain at 4:00 p.m. on the same Business Day; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer or the latest time for acceptance of the Offer or the posting of remittances, as the case may be, will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve in accordance with the Takeovers Code.

IMPORTANT NOTICE

NOTICE TO OVERSEAS SHAREHOLDERS

The making of the Offer to Independent Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such Independent Shareholders may be prohibited or affected by the laws of the relevant jurisdictions and it is the responsibility of each such Independent Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such Independent Shareholder in such relevant jurisdictions.

Any acceptance by any Independent Shareholder will be deemed to constitute a representation and warranty from such Independent Shareholder to the Offeror and the Company that all local laws and requirements have been complied with and that the Offer can be accepted by such Independent Shareholder lawfully under the laws of the relevant jurisdiction. Independent Shareholder should consult their professional advisers if in doubt.

For further discussion, please refer to the section headed “Overseas Shareholders” in the “Letter from GTJA Capital” and the section headed “Overseas Shareholders” in Appendix I to this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

DEFINITIONS

In this Composite Document, the following expressions have the meanings set out below unless the context requires otherwise:

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Avista”	AVISTA Valuation Advisory Limited
“Board”	the board of Directors
“Business Day(s)”	a day(s) on which the Stock Exchange is open for transaction of business (as defined under the Takeovers Code)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	August 17, 2016, being the closing date of the Offer as stated in the section headed “Expected Timetable” in this Composite Document or any subsequent closing date as may be announced by the Offeror in accordance with the Takeovers Code
“Commencement Date”	July 3, 2016, the date on which the offer period (as defined in the Takeovers Code) relating to the Company commenced
“Company”	China Greenland Rundong Auto Group Limited (中國綠地潤東汽車集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on January 15, 2014, the Ordinary Shares of which are listed on the Stock Exchange
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to the Shareholders in connection with the Offer in compliance with the Takeovers Code containing, among other things, details of the Offer, procedures for acceptance and settlement of the Offer, letters from the Independent Board Committee and the Independent Financial Adviser, and the accompanying Form of Acceptance
“Concert Parties Agreement”	the agreement entered into between the Offeror and Greenland dated May 16, 2015 in respect of their understandings relating to exercising their rights as Shareholders

DEFINITIONS

“CPS”	the convertible preference shares of par value of US\$0.0000005 each in the share capital of the Company
“Director(s)”	the director(s) of the Company
“Eligible Investment Amount”	US\$0.3572 multiplied by the number of Eligible Investor Shares
“Eligible Investor Shares”	the Investor Shares sold after December 31, 2016 by KKR Auto or any of its affiliates to any person who is not an affiliate of KKR Auto
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Form of Acceptance”	the form of acceptance and transfer in respect of the Offer accompanying this Composite Document
“Greenland”	Greenland Financial Overseas Investment Group Co., Ltd. (綠地金融海外投資集團有限公司), a company incorporated with limited liability in the British Virgin Islands, the vendor of the Greenland Sale Shares under the Greenland Sale and Purchase Agreement and a controlling Shareholder immediately prior to Greenland Completion
“Greenland Completion”	the completion of the sale and purchase of the Greenland Sale Shares pursuant to the Greenland Sale and Purchase Agreement, which took place on June 27, 2016
“Greenland Sale and Purchase Agreement”	the sale and purchase agreement dated June 26, 2016 entered into between the Offeror (as purchaser) and Greenland (as vendor) in respect of the sale and purchase of the Greenland Sale Shares
“Greenland Sale Share(s)”	comprise 283,942,800 Ordinary Shares and 284,327,947 CPS, owned by Greenland as at the date of the Greenland Sale and Purchase Agreement and immediately prior to Greenland Completion
“Group”	the Company and its subsidiaries
“GTJA Capital”	Guotai Junan Capital Limited, a licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) of the regulated activity under the SFO, the financial adviser to the Offeror

DEFINITIONS

“GTJA Facility Agreement”	a loan agreement dated June 28, 2016 in respect of the Loan Facility entered into between GTJA Securities, the Offeror and Mr. Yang
“GTJA Securities”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation under the SFO permitted to engage in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities (as defined under the SFO); and a fellow subsidiary of GTJA Capital
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board comprising Mr. Yan Sujian, a non-executive Director, and all independent non-executive Directors, namely Mr. Peng Zhenhuai, Mr. Mei Jianping, Mr. Lee Conway Kong Wai and Mr. Xiao Zhengsan, to advise and give recommendation to Independent Shareholders in respect of the Offer and as to its acceptance
“Independent Financial Adviser” or “Optima Capital”	Optima Capital Limited, a licensed corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the independent financial adviser to the Independent Board Committee in respect of the Offer
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Interest Adjustment”	the interest which would be payable to the Independent Shareholders in the event that an interest is accrued and would be payable by the Offeror to KKR Auto pursuant to the KKR Auto Sale and Purchase Agreement
“Investor Shares”	the 280,000,000 Shares held by the Investor as of May 18, 2015
“Irrevocable Undertakings”	comprise the KKR Auto Irrevocable Undertaking, Management Subscribers Irrevocable Undertakings, Runda Ordinary Share Beneficiaries Irrevocable Undertakings and Runda Option Beneficiaries Irrevocable Undertaking

DEFINITIONS

“Joint Announcement”	the joint announcement of the Offeror and the Company dated July 3, 2016 in relation to, among other things, the Greenland Sale and Purchase Agreement, the KKR Auto Sale and Purchase Agreement and the Offer
“KKR Auto”	China Auto Retail Holding Ltd II, a company incorporated in the Cayman Islands on September 14, 2010 as an exempted company, previously known as KKR China Auto Retail Holding Ltd II
“KKR Auto Completion”	the completion of the sale and purchase of the KKR Auto Sale Shares pursuant to the KKR Auto Sale and Purchase Agreement, which took place on July 15, 2016
“KKR Auto Irrevocable Undertaking”	the irrevocable undertaking dated July 2, 2016 given by KKR Auto in favor of the Offeror and the Company
“KKR Auto Remaining Shares”	comprise 100,132,400 Ordinary Shares and 11,867,600 CPS owned by KKR Auto
“KKR Auto Sale and Purchase Agreement”	the share purchase agreement dated June 26, 2016 entered into between the Offeror (as purchaser), KKR Auto (as vendor) and Mr. Yang in respect of the sale and purchase of the KKR Auto Sale Shares
“KKR Auto Sale Share(s)”	168,000,000 CPS, legally and beneficially owned by KKR Auto as at the date of the KKR Auto Sale and Purchase Agreement and immediately prior to KKR Auto Completion
“KKR Auto Target Completion Date”	being August 5, 2016
“Last Trading Day”	June 24, 2016, being the last trading day of the Shares prior to the suspension of trading of the Shares on the Stock Exchange pending the release of the Joint Announcement
“Latest Practicable Date”	July 22, 2016, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facility”	a loan facility of HK\$850,000,000 granted by GTJA Securities to the Offeror pursuant to the GTJA Facility Agreement

DEFINITIONS

Management Subscriber(s)”	Mr. Yang, Mr. Liu Dongli, Mr. Zhao Zhongjie, Mr. Liu Jian, Mr. Yan Sujian, Mr. Zhou Jian, Mr. Jiang Xiaofei and Mr. Zhao Ruoxu, save for Mr. Zhu Lidong and Mr. Lee Nan Ping, who have resigned and no longer an employee of the Group
“Management Subscribers Irrevocable Undertakings”	the irrevocable undertakings dated June 30, 2016 given by each of the Management Subscribers (save for Mr. Yang) in favor of the Offeror and the Company
“Management Subscription”	the subscriptions of the Management Subscription Shares by the Management Subscribers pursuant to the Management Subscription Agreements
“Management Subscription Agreement(s)”	the subscription agreements dated May 16, 2015 entered into between the Company and each of the Management Subscribers for the subscription of certain new Ordinary Shares
“Management Subscription Share(s)”	an aggregate of 80,537,237 new Ordinary Shares that the Management Subscribers agreed to subscribe for pursuant to the Management Subscription Agreements at the price of HK\$2.89 per Share
“Mr. Yang”	Mr. Yang Peng (楊鵬), the Chairman, executive Director, one of the Management Subscribers, who is interested in 567,885,600 Ordinary Shares, 484,401,147 CPS and 25,829,196 Management Subscription Shares, and the sole director of the Offeror and also controls the Offeror in his capacity as the protector of the Run Feng family trust
“Offer”	the unconditional mandatory cash offer to be made by GTJA Securities for and on behalf of the Offeror for all the issued Ordinary Shares (other than those already owned by the Offeror and parties acting in concert with it)
“Offeror”	Rundong Fortune Investment Limited, a company incorporated with limited liability in the British Virgin Islands with limited liability, a company controls by Mr. Yang in his capacity as the protector of the Run Feng family trust
“Offer Period”	the period from Sunday, July 3, 2016, to 4:00 p.m. on Wednesday, August 17, 2016, or such other time or date to which the Offeror may decide to extend the Offer in accordance with the Takeovers Code

DEFINITIONS

“Offer Price”	HK\$3.5273, being the price per Offer Share in cash at which the Offer will be made
“Offer Share(s)”	Ordinary Share(s) in respect of which the Offer is made, being issued Ordinary Share(s) other than those already owned by the Offeror and parties acting in concert with it
“Option(s)”	the options granted by the Company pursuant to the Pre-IPO Share Option Scheme
“Optionholder”	Runda, being the optionholder who holds Options
“Ordinary Sale Share(s)”	an aggregate of 283,942,800 Ordinary Shares acquired by the Offeror from Greenland pursuant to the terms and conditions of the Greenland Sale and Purchase Agreement
“Ordinary Share(s)”	the ordinary shares of par value of US\$0.0000005 each in the share capital of the Company
“Overseas Shareholder(s)”	holder(s) of Share(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“PRC” or “China”	the People’s Republic of China which for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-IPO Share Option Scheme”	the employee pre-IPO incentive scheme adopted by the Company for the benefit of its employees on September 27, 2011 that became effective on November 15, 2011
“Post-IPO Share Option Scheme”	being the share option scheme adopted by the Company on July 23, 2014 for the benefit of, among others, its employees and Directors
“Registrar”	Computershare Hong Kong Investor Services Limited, being the branch registrar of the Company in Hong Kong
“Relevant Period”	the period commencing on January 3, 2016, being that the date falling six months prior to the July 3, 2016, being the Commencement Date and ending on the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Runda”	Runda (PTC) Limited, a private trust company incorporated under the laws of the British Virgin Islands, and a wholly-owned subsidiary of the Company, which (i) holds 5,855,000 Ordinary Shares as trustee for the Runda Ordinary Share Beneficiaries; and (ii) 6,963,414 Options in trust as trustee for the Runda Option Beneficiaries, with Ms. Cao Weijing being the sole director of Runda (PTC) Limited
“Runda Option Beneficiaries”	77 current employees of the Group who are the beneficial owners of 6,963,414 Options held by Runda, comprising Hua Hongxiang, Wang Hongbin, Zhao Zhen, Luo Yima, Zhu Huifen, Zhou Hui, Liu Sie, Meng Zhaolin, Liu Bo, Li Bo, Pu Xiaoli, Cao Qiang, Sun Haixuan, Yu Qinzong, Lin Yinglin, Sun Hao, Qi Lin, Zhang Xiaohong, Liang Huaming, Liu Wei, Qin Yang, Du Bo, Wang Rui, Wang Junping, Zhou Ning, Wang Ting, Lv Yi, Han Jiawen, Cao Chaopeng, Wang Weiwei, Sun Yunxiu, Rui Hongxing, Cheng Xingwu, Meng Qingxuan, Jin Dong, Bai Lili, Ma Yong, Yang Tingting, Zhou Yi, Wang Chunming, Niu Haijian, Guo Hongsheng, Li Hongxiang, Chen Yufang, Tang Xuefei, Liu Min, Zhou Changwei, Chen Xiaodong, Cheng Guoyuan, Yao Bin, Yang Feng, Zhang Mei, Wei Hanwen, Shi Shaojun, Liu Lei, Xie Chunli, Li Qing, Zhang Jianhui, Hu Yuan, Hu Guoning, Yang Limin, Dong Jianping, Wu Hong, Zhang Liang, Wei Yong, Zhang Hongbo, Zhou Bao, Zhu Ying, Wang Lichun, Zhang Junfei, Chen Xin, Jiang Limin, Zhang Yue, Chen Lei, Zhou Quan, Dai Jie and Tao Yue
“Runda Option Beneficiaries Irrevocable Undertaking”	the irrevocable undertaking dated July 17, 2016 given by the Runda Option Beneficiaries in favor of the Offeror and the Company
“Runda Ordinary Share Beneficiaries”	10 current employees of the Group who are the beneficial owners of 5,855,000 Ordinary Shares held by Runda, comprising Liu Jian, Si Changyun, Zhou Jian, Jiang Xiaofei, Liu Dongli, Shen Mingming, Yan Sujian, Zhao Zhongjie, Zhao Ruoxu, Gu Chundong
“Runda Ordinary Share Beneficiaries Irrevocable Undertakings”	the irrevocable undertakings dated July 17, 2016 given by each of the Runda Ordinary Share Beneficiaries in favor of the Offeror and the Company

DEFINITIONS

“Rundong Holding”	China Rundong Auto Holding Ltd., a company incorporated in the Cayman Islands on September 14, 2010, the then holding company of the Group prior to the listing of the Company
“Rundong Smart”	Rundong Smart Investment Limited, being the investment holding company of Rundong Wisdom (PTC) Limited, the trustee of the Rundong Wisdom Trust for the benefit of its beneficiaries comprising of Ms. Cao Weining (the sister of Ms. Cao Weijing, who is the wife of Mr. Yang), her parents and children, which legally and beneficially owns 35,984,000 Ordinary Shares, with Ms. Cao Weining being the sole director of Rundong Smart and the protector of the Rundong Wisdom Trust
“Sale and Purchase Agreements”	the Greenland Sale and Purchase Agreement and the KKR Auto Sale and Purchase Agreement
“Sale Proceeds”	means the aggregate of (i) the total gross proceeds received by KKR Auto from the sale of all of the Eligible Investor Shares and (ii) the total dividends declared and paid and any other distribution made by the Company or Rundong Holding, to KKR Auto on all of the Eligible Investor Shares, each, in US\$
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	shares in the capital of the Company comprising of the Ordinary Shares and the CPS
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Shortfall”	the amount, if any, by which the Target Proceeds exceed the Sale Proceeds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC as amended from time to time
“Target Proceeds”	two times the Eligible Investment Amount

DEFINITIONS

“US\$” US dollars, the lawful currency of the United States of America

“%” per cent.



July 27, 2016

To the Independent Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED
FOR AND ON BEHALF OF
RUNDONG FORTUNE INVESTMENT LIMITED
FOR ALL THE ISSUED ORDINARY SHARES IN
CHINA GREENLAND RUNDONG AUTO GROUP LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
RUNDONG FORTUNE INVESTMENT LIMITED AND
THE PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement dated July 3, 2016 issued by the Company and the Offeror in relation to the acquisition of the Greenland Sale Shares and KKR Auto Sale Shares by the Offeror. In the Joint Announcement, it was disclosed that the Offeror and Greenland entered into the Greenland Sale and Purchase Agreement, pursuant to which, the Offeror agreed to acquire and Greenland agreed to sell the Greenland Sale Shares, comprising 283,942,800 Ordinary Shares and 284,327,947 CPS, for a total consideration of HK\$2,004,444,227, equivalent to approximately HK\$3.5273 per Ordinary Share and per CPS. Pursuant to the Greenland Sale and Purchase Agreement, Greenland Completion took place on June 27, 2016. The Offeror acquired voting rights from a party acting in concert with it, as a result, the Offeror increased its shareholding in the Company from 30.0% to 60.0% of Ordinary Shares (assuming no CPS have been converted into Ordinary Shares).

Accordingly, the Offeror is required to make an unconditional mandatory cash general offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code. Pursuant to Rule 13 of the Takeovers Code, the Offeror is required to make comparable offer in cash for cancellation of all the outstanding Options and Management Subscription Shares, other than those already owned by the Offeror and parties acting in concert with it.

It was also disclosed in the Joint Announcement that the Offeror, KKR Auto and Mr. Yang entered into the KKR Auto Sale and Purchase Agreement, pursuant to which, the Offeror agreed to acquire and KKR Auto agreed to sell the KKR Auto Sale Shares, comprising 168,000,000 CPS, for a total consideration of HK\$592,586,400, equivalent to HK\$3.5273 per CPS. As KKR Auto Completion took place on July 15, 2016, prior to the KKR Auto Target Completion Date, no interest has been paid to KKR Auto and hence the Interest Adjustment

LETTER FROM GTJA CAPITAL

would not be made to the Independent Shareholders. For further information on the Interest Adjustment and terms of the KKR Sale and Purchase Agreement, please refer to the Joint Announcement.

This letter sets out, among other things, the details of the Offer, information on the Offeror and the intention of the Offeror regarding the Group. Further terms and procedures of acceptance of the Offer are set out in Appendix I to this Composite Document of which this letter forms part, and the accompanying Form of Acceptance. Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires.

You are strongly advised to consider carefully the information contained in the “Letter from the Board”, “Letter from the Independent Board Committee” and “Letter from Optima Capital” and other information about the Group and the Offeror as set out in this Composite Document before deciding whether or not to accept the Offer.

UNCONDITIONAL MANDATORY CASH OFFER

The Offeror has received Irrevocable Undertakings from each of (i) KKR Auto; (ii) the Management Subscribers (save for Mr. Yang); (iii) the Runda Ordinary Share Beneficiaries; and (iv) the Runda Option Beneficiaries.

As at the Latest Practicable Date, save for the Offeror and KKR Auto, there are no other holders of CPS. Pursuant to the KKR Auto Irrevocable Undertaking, KKR Auto will not accept the comparable offer in respect of 11,867,600 CPS if one were to be made to KKR Auto. Therefore, no comparable offer will be made in respect of the CPS by the Offeror.

As at the Latest Practicable Date, Runda is the only Optionholder, who holds, inter alia, 6,963,414 Options, in its capacity as a trustee for the benefit of the Runda Option Beneficiaries. Pursuant to the Runda Option Beneficiaries Irrevocable Undertaking, Runda Option Beneficiaries will procure Runda not to accept a comparable offer in respect of the cancellation of the Options if one were to be made to Runda. Therefore, no comparable offer will be made in respect of the cancellation of the Options by the Offeror.

As at the Latest Practicable Date, save for Mr. Yang who is a party acting in concert with the Offeror, there are 25,677,950 Management Subscription Shares remain outstanding conferring rights on the Management Subscribers (save for Mr. Yang) to subscribe for Ordinary Shares. Pursuant to the Management Subscribers Irrevocable Undertakings, none of the Management Subscribers (save for Mr. Yang) will be accepting an offer in respect of the cancellation of the Management Subscription Shares. Therefore, no comparable offer will be made in respect of the Management Subscription Shares by the Offeror.

As at the Latest Practicable Date, the Company has 946,476,000 Ordinary Shares in issue. Save for (a) 567,885,600 Ordinary Shares that are already owned by the Offeror; and (b) 35,984,000 Ordinary Shares owned by Rundong Smart, 342,606,400 Ordinary Shares will be subject to the Offer.

LETTER FROM GTJA CAPITAL

Principal terms of the Offer

Taking into account the Irrevocable Undertakings, the Offer, which is unconditional in all respects, is made by GTJA Securities for and on behalf of the Offeror to acquire all the issued Ordinary Shares (other than those already owned by the Offeror and the parties acting in concert with it) in compliance with the Takeovers Code on the following terms:

For each Offer Share. HK\$3.5273 in cash

The Offer Price of HK\$3.5273 per Offer Share is equal to the price per Ordinary Sale Share paid by the Offeror to Greenland under the Greenland Sale and Purchase Agreement.

The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, claims, charges, encumbrances, rights of pre-emption and any third party rights of any nature and together with all rights attached to them, including but not limited to the right to receive all dividends and distributions declared, made or paid, if any, on or after the date on which the Offer is made, being the date of this Composite Document or subsequently becoming attached to them, including the rights to receive in full all dividends and other distributions, if any, declared, made, or paid on or after the Closing Date.

Comparison of value

The Offer Price of HK\$3.5273 per Offer Share represents:

- (i) a premium of approximately 0.8% over the closing price of HK\$3.50 per Share as quoted on the Stock Exchange on July 22, 2016, being the Latest Practicable Date;
- (ii) a premium of approximately 7.9% over the closing price of HK\$3.27 per Share as quoted on the Stock Exchange on June 24, 2016, being the Last Trading Day;
- (iii) a premium of approximately 8.9% over the average closing price of HK\$3.24 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 12.3% over the average closing price of HK\$3.14 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 12.7% over the average closing price of HK\$3.13 per Share as quoted on the Stock Exchange for the last thirty trading days up to and including the Last Trading Day.

Highest and lowest prices

The highest and lowest closing prices per Share as quoted on the Stock Exchange during the six-month period immediately prior to the Offer Period and ending on the Latest Practicable Date were HK\$3.51 on July 5, 11, 14, 15, 19, 20 and 21, 2016 and HK\$2.80 on May 11, 2016, respectively.

LETTER FROM GTJA CAPITAL

Value of the Offer

As at the Latest Practicable Date, the Company has 946,476,000 Ordinary Shares in issue. Save for:

- (a) 567,885,600 Ordinary Shares that are already owned by the Offeror; and
- (b) 35,984,000 Ordinary Shares owned by Rundong Smart,

342,606,400 Ordinary Shares will be subject to the Offer. Assuming there is no change in the issued share capital of the Company prior to the making of the Offer, on the basis of the Offer Price of HK\$3.5273 per Offer Share, the Offer is valued at approximately HK\$1,208,475,554.72.

Taking into account the KKR Auto Irrevocable Undertaking and Runda Ordinary Share Beneficiaries Irrevocable Undertakings, 236,619,000 Ordinary Shares will be subject to the Offer, assuming there is no change in the issued share capital of the Company prior to the making of the Offer, on the basis of the Offer Price of HK\$3.5273 per Offer Share, the Offer is valued at approximately HK\$834,626,198.70.

Financial resources available to the Offeror

The Offeror will satisfy the consideration payable under the Offer by the Loan Facility in the amount up to HK\$850,000,000 granted by GTJA Securities. Under the terms of the GTJA Facility Agreement, a total of 361,942,800 Ordinary Shares and all the Shares to be acquired through the Offer by the Offeror shall be pledged to GTJA Securities for the Loan Facility. The payment of interest on, repayment of or security for any liability (contingent or otherwise) for the Loan Facility will not depend to any significant extent on the business of the Company.

GTJA Capital, being the financial adviser to the Offeror in respect of the Offer, is satisfied that there are sufficient financial resources available to the Offeror to satisfy full acceptances of the Offer.

Effects of accepting the Offer

By accepting the Offer, the relevant Shareholders will sell their Ordinary Shares to the Offeror free from all liens, claims, charges, encumbrances, rights of pre-emption and any third party rights of any nature and together with all rights attached to them, including but not limited to the right to receive all dividends and distributions declared, made or paid, if any, on or after which the Offer is made, being the date of despatch of the Composite Document. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, excepted as permitted under the Takeovers Code.

LETTER FROM GTJA CAPITAL

Stamp duty

In Hong Kong, the seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Shareholders at a rate of 0.1% of (a) the market value of the Offer Shares; or (b) consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to the relevant Shareholders accepting the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Payment

Payment in cash in respect of acceptances of the Offer, net of seller's Hong Kong ad valorem stamp duty, will be made as soon as possible but in any event within seven Business Days of the date on which the duly completed acceptance of the Offer and the relevant documents of title of the Shares in respect of such acceptance are received by the Offeror or its agent acting on its behalf to render each of such acceptance complete and valid.

Taxation

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of accepting the Offer. It is emphasised that none of the Offeror or any person acting in concert with any of it and GTJA Capital, GTJA Securities, Independent Financial Adviser, nor any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance of the Offer.

Overseas Shareholders

The availability of the Offer to persons who are not residents in Hong Kong may be affected by the applicable laws of the relevant jurisdiction in which they are residents. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements in their own jurisdictions and, where necessary, seek their own legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

Any acceptance of any Shareholders will be deemed to constitute a representation and warranty from such Shareholders to the Offeror that the local laws and requirements have been complied with. The Shareholders should consult their professional advisers if in doubt.

LETTER FROM GTJA CAPITAL

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any Ordinary Shares not tendered for acceptance under the Offer.

DEALING AND INTERESTS IN THE COMPANY'S SECURITIES

Save for the acquisition of the Greenland Sale Shares and KKR Auto Sale Shares under each of the Sale and Purchase Agreements, the Offeror and parties acting in concert with it had not dealt in the Shares, outstanding share options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

Other arrangements

A shareholders' agreement dated December 28, 2010 was entered into between, among others, KKR Auto and Rundong Holding, pursuant to which KKR Auto was granted certain rights to require the Offeror and Rundong Smart to transfer additional Ordinary Shares if the Company does not achieve certain profit target. Details of this are disclosed in the prospectus of the Company dated July 31, 2014. On May 18, 2015, KKR Auto, the Offeror, Mr. Yang and Ms. Cao Weijing, among others, entered into an amendment agreement to amend the valuation adjustment. Pursuant to such amendment agreement, following the sale by KKR Auto of all of the Investor Shares held by KKR Auto, if there is any Shortfall, Rundong Smart and Mr. Yang will either transfer Ordinary Shares or make a cash payment to KKR Auto so as to offset the amount of the Shortfall. KKR Auto has (i) confirmed that there has been no dealing in the relevant securities (having the meaning ascribed to it under the Takeovers Code) of the Company by KKR Auto within the Relevant Period; and (ii) undertaken that it will not deal in the relevant securities (having the meaning ascribed to it under the Takeovers Code) of the Company by KKR Auto during the offer period.

The Offeror confirms that, as at the Latest Practicable Date:

- (i) the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them have not received any irrevocable commitment to accept the Offer;
- (ii) there is no outstanding derivative in respect of securities in the Company which has been entered into by any of the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them;
- (iii) save for the Irrevocable Undertakings, there is no other arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offer;
- (iv) save for (a) 567,885,600 Ordinary Shares and 484,401,147 CPS held by the Offeror; (b) 35,984,000 Ordinary Shares held by Rundong Smart, (c) 5,855,000 Ordinary Shares and 6,963,414 Options held by Runda as a trustee for the benefit of the Runda Ordinary Share Beneficiaries and the Runda Option Beneficiaries, respectively; and (d) 25,829,196 Management Subscription Shares held by Mr.

LETTER FROM GTJA CAPITAL

Yang, none of the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them owns or has control or discretion over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;

- (v) there is no agreement or arrangement to which the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and
- (vi) none of the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

INFORMATION ON THE OFFEROR

The Offeror was incorporated in the British Virgin Islands with limited liability and is controlled by Mr. Yang, who is also the sole director of the Offeror, the Chairman, executive Director and one of the Management Subscribers, in his capacity as the protector of the Run Feng family trust. Mr. Yang is interested in 567,885,600 Ordinary Shares, 484,401,147 CPS and 25,829,196 Management Subscription Shares. Mr. Yang has substantial experience in the automobile dealership industry. He is the founder of the Group and has been the president of the Group since March 1998. Mr. Yang obtained an EMBA degree from Cheung Kong Graduate School of Business in October 2009. The Offeror principal business is investment holding.

INTENTION OF THE OFFEROR ON THE GROUP

The Offeror considered that the synergistic effect of the cooperation between the Group and Greenland is not explicit as expected, such as the Group's revenue for the year ended December 31, 2015 recorded a decrease of approximately 3.5% as compared to the same period in 2014, and decided to acquire Greenland's entire interest in the Company. The transaction contemplated under the Greenland Sale and Purchase Agreement was based on the strategic consideration between the Offeror and Greenland and the terms and consideration for such transaction was determined between the Offeror and Greenland after arm's length negotiations.

The Offeror intends that the Shares will remain listed on the Stock Exchange immediately after the completion of the Offer and to continue with the existing principle business of the Group following the close of the Offer.

The Offeror has no intention to terminate the employment of the employees or to make significant changes to any employment of the Group (save for the proposed changes to the composition of the Board as set out below) or to dispose of or re-deploy the assets of the Group.

LETTER FROM GTJA CAPITAL

Proposed change of board composition

As at the Latest Practicable Date, the Board comprises four executive Directors, namely Mr. Yang, Mr. Liu Dongli, Mr. Zhao Zhongjie and Mr. Liu Jian; four non-executive Directors, namely Mr. Yan Sujian, Mr. Li Wei, Mr. Wu Zhengkui and Mr. Wu Jin; and four independent non-executive Directors, namely Mr. Peng Zhenhuai, Mr. Mei Jianping, Mr. Lee Conway Kong Wai and Mr. Xiao Zhengsan.

According to the Greenland Sale and Purchase Agreement, Greenland has undertaken to procure the resignation of each of Mr. Li Wei and Mr. Wu Zhengkui as a Director and a director of Rundong Automobile Group Co. Ltd. (潤東汽車集團有限公司). According to the KKR Auto Sale and Purchase Agreement, KKR Auto has undertaken to procure the resignation of Mr. Wu Jin as a Director. Each of such resignations shall take effect on the first closing date of the Offer or from the earliest time permitted under the Takeovers Code, the Listing Rules or other applicable laws.

The new Directors (if any) to be nominated by the Offeror to the Board will only take effect from the earliest time permitted under the Takeovers Code. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made by the Company as and when appropriate.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror has no intention to privatize the Company and intends to maintain the listing of the Shares on the Main Board of the Stock Exchange after closing of the Offer and will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float as required under the applicable Listing Rules exists in the Shares following the close of the Offer.

The Stock Exchange has stated that if, at the closing of the Offer, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend dealings/not to allow resumption in trading (as the case may be) in the Shares until the prescribed level of public float is restored.

PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is

LETTER FROM GTJA CAPITAL

essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances to be sent to the Independent Shareholders and will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company, or in the case of joint holders, to such Independent Shareholder whose name appears first in the register of members of the Company. None of the Offeror, parties acting in concert with it, the Company, GTJA Capital, GTJA Securities, the Independent Financial Adviser, nor any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

Your faithfully,
For and on behalf of
Guotai Junan Capital Limited
Anthony Wong
Deputy General Manager

LETTER FROM THE BOARD



潤東汽車

China Greenland Rundong Auto Group Limited

中國綠地潤東汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1365)

Executive Directors:

Mr. Yang Peng (*Chairman and President*)
Mr. Liu Dongli (*Vice Chairman*)
Mr. Zhao Zhongjie (*Executive President*)
Mr. Liu Jian (*Vice President*)

Registered office:

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Non-Executive Directors:

Mr. Yan Sujian (*Vice Chairman*)
Mr. Li Wei
Mr. Wu Zhengkui
Mr. Wu Jin

*Head office and principal place
of business in Hong Kong:*

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Independent Non-Executive Directors:

Mr. Peng Zhenhuai
Mr. Mei Jianping
Mr. Lee Conway Kong Wai
Mr. Xiao Zhengsan

July 27, 2016

To the Independent Shareholders,

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED
FOR AND ON BEHALF OF
RUNDONG FORTUNE INVESTMENT LIMITED
FOR ALL THE ISSUED ORDINARY SHARES IN
CHINA GREENLAND RUNDONG AUTO GROUP LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED
BY RUNDONG FORTUNE INVESTMENT LIMITED
AND THE PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

References are made to the Joint Announcement. On June 26, 2016, the Offeror and Greenland entered into the Greenland Sale and Purchase Agreement, pursuant to which the Offeror agreed to acquire and Greenland agreed to sell the Greenland Sale Shares, comprising 283,942,800 Ordinary Shares and 284,327,947 CPS, for a total consideration of

LETTER FROM THE BOARD

HK\$2,004,444,227, equivalent to approximately HK\$3.5273 per Ordinary Share and per CPS. The Greenland Sale Shares, being all the Shares held by Greenland, represent approximately: (a) 30.0% of the voting rights of the Company (assuming no CPS have been converted into Ordinary Shares); and (b) 35.3% of the voting rights of the Company (assuming full conversion of CPS). Greenland Completion took place on June 27, 2016 pursuant to the Greenland Sale and Purchase Agreement.

Following Greenland Completion, the Offeror became interested in 567,885,600 Ordinary Shares and 484,401,147 CPS, representing approximately: (a) 60.0% of the voting rights of the Company (assuming no CPS have been converted into Ordinary Shares); and (b) 65.3% of the voting rights of the Company (assuming full conversion of CPS). Pursuant to the Greenland Sale and Purchase Agreement, the Offeror acquired voting rights from a party acting in concert with it, as a result, the Offeror increased its shareholding in the Company from 30.0% to 60.0% of Ordinary Shares (assuming no CPS have been converted into Ordinary Shares). Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares other than those already owned by the Offeror and the parties acting in concert with it. Pursuant to Rule 13 of the Takeovers Code, the Offeror is required to make comparable offer in cash for cancellation of all the outstanding Options and Management Subscription Shares, other than those already owned by the Offeror and parties acting in concert with it.

The purpose of this Composite Document of which this letter forms part is to provide you with, among other matters, the terms of the Offer, information relating to the Group and the Offeror, as well as to set out (i) the letter from the Independent Board Committee containing its recommendations to Independent Shareholders in respect of the Offer; and (ii) the letter from Optima Capital containing its advice to the Independent Board Committee in respect of the Offer.

THE KKR AUTO SALE AND PURCHASE AGREEMENT

On June 26, 2016, the Offeror, KKR Auto and Mr. Yang entered into the KKR Auto Sale and Purchase Agreement, pursuant to which the Offeror agreed to acquire and KKR Auto agreed to sell the KKR Auto Sale Shares, comprising 168,000,000 CPS, for a total consideration of HK\$592,586,400, equivalent to HK\$3.5273 per CPS. As at the Latest Practicable Date, the KKR Auto Sales Shares represent: (a) 0% of the voting rights of the Company (assuming no CPS have been converted into Ordinary Shares); and (b) approximately 10.4% of the voting rights of the Company (assuming full conversion of CPS).

Consideration

The consideration pursuant to the KKR Auto Sale and Purchase Agreement was determined between the Offeror, KKR Auto and Mr. Yang after arm's length negotiations. The consideration shall be satisfied by the Offeror to KKR Auto in the following manner:

- (i) HK\$100,000,000 shall be paid by the Offeror to KKR Auto on or before the earlier of (a) June 27, 2016; or (b) Greenland Completion;
- (ii) HK\$50,000,000 shall be paid on or before July 4, 2016; and

LETTER FROM THE BOARD

- (iii) the remaining of the consideration shall be paid by the Offeror to KKR Auto at KKR Auto Completion.

Completion

KKR Auto Completion took place on July 15, 2016. After KKR Auto Completion, KKR Auto is interested in the KKR Auto Remaining Shares, comprising 100,132,400 Ordinary Shares and 11,867,600 CPS, representing approximately: (a) 10.6% of the voting rights of the Company (assuming no CPS have been converted into Ordinary Shares); and (b) 7.0% of the voting rights of the Company (assuming full conversion of CPS).

As mentioned in the Joint Announcement, in the event that KKR Auto Completion does not occur on or before KKR Auto Target Completion Date, the Offeror would be liable for an interest pursuant to the KKR Sales and Purchase Agreement. In the event such interest is accrued and is payable by the Offeror to KKR Auto, the Interest Adjustment shall be extended to all Independent Shareholders. Since the KKR Auto Completion took place before the KKR Auto Target Completion Date, no interest has been paid to KKR Auto and hence the Interest Adjustment would not be made to the Independent Shareholders. For further information on the Interest Adjustment, please refer to the Joint Announcement.

PARTIES ACTING IN CONCERT WITH THE OFFEROR

(i) Rundong Smart, being the investment holding company of Rundong Wisdom (PTC) Limited, the trustee of the Rundong Wisdom Trust for the benefit of its beneficiaries comprising of Ms. Cao Weining (the sister of Ms. Cao Weijing, who is the wife of Mr. Yang), her parents and children; and (ii) Runda, as the trustee of the Pre-IPO Share Option Scheme, are parties acting in concert with the Offeror. Rundong Smart owns 35,984,000 Ordinary Shares, representing approximately 3.8% of the voting rights of the Company; and Runda holds (a) 5,855,000 Ordinary Shares as trustee for the benefit of the Runda Ordinary Share Beneficiaries, representing approximately 0.6% of the voting rights of the Company, and (b) 6,963,414 Options as trustee for the benefit of the Runda Option Beneficiaries. However, Runda does not have any beneficial interest in such Ordinary Shares or Options.

Mr. Yang, who is also a party acting in concert with the Offeror, is interested in 25,829,196 Management Subscription Shares.

IRREVOCABLE UNDERTAKINGS

The Offeror has received Irrevocable Undertakings from each of (i) KKR Auto; (ii) the Management Subscribers (save for Mr. Yang); (iii) the Runda Ordinary Share Beneficiaries; and (iv) the Runda Option Beneficiaries.

LETTER FROM THE BOARD

KKR Auto Irrevocable Undertakings

As at the Latest Practicable Date, KKR Auto is interested in the KKR Auto Remaining Shares, comprising 100,132,400 Ordinary Shares and 11,867,600 CPS, representing approximately (a) 10.6% of the voting rights of the Company (assuming no CPS have been converted into Ordinary Shares); and (b) 7.0% of the voting rights of the Company (assuming full conversion of CPS).

KKR Auto served KKR Auto Irrevocable Undertaking dated July 2, 2016 to the Offeror and the Company, pursuant to which KKR Auto has irrevocably undertaken, inter alia, that it (i) will not accept the Offer in respect of 100,132,400 Ordinary Shares and will not accept the comparable offer in respect of 11,867,600 CPS if one were to be made to KKR Auto; (ii) will not take other action to make the KKR Auto Remaining Shares available for acceptance of the Offer; and (iii) before close of the Offer, will continue to hold the KKR Auto Remaining Shares and will not sell, transfer or dispose of the KKR Auto Remaining Shares to the Offeror or any other third party or create encumbrance on the KKR Auto Remaining Shares.

Management Subscribers Irrevocable Undertakings

As at the Latest Practicable Date, save for Mr. Yang who is a party acting in concert with the Offeror, there are 25,677,950 Management Subscription Shares remain outstanding conferring rights on the Management Subscribers (save for Mr. Yang) to subscribe for Ordinary Shares.

Each of the Management Subscribers (save for Mr. Yang) served a Management Subscribers Irrevocable Undertaking dated June 30, 2016 to the Offeror and the Company, pursuant to which each of the Management Subscribers (save for Mr. Yang) has irrevocably undertaken, inter alia, that he (i) will not accept an offer in respect of the cancellation of the outstanding Management Subscription Shares if one were to be made to him; (ii) will not take any other action to make his portion of the Management Subscription Shares available for acceptance of the Offer, and (iii) before close of the Offer, will continue to hold his portion of the Management Subscription Shares and will not sell, transfer or dispose of his portion of the Management Subscription Shares to the Offeror or any other third party or create encumbrance on his portion of the Management Subscription Shares.

Runda Ordinary Share Beneficiaries Irrevocable Undertakings

As at the Latest Practicable Date, Runda holds 5,855,000 Ordinary Shares as trustee for the benefit of the Runda Ordinary Share Beneficiaries, representing approximately 0.6% of the voting rights of the Company. Runda does not have any beneficial interest in such Ordinary Shares.

Each of the Runda Ordinary Share Beneficiaries served a Runda Ordinary Share Beneficiaries Irrevocable Undertaking dated July 17, 2016 to the Offeror and the Company, pursuant to which each of the Runda Ordinary Share Beneficiaries has irrevocably undertaken, inter alia, that he/she (i) will instruct Runda to continue to hold his/her Ordinary Shares and not to transfer such Ordinary Shares to himself/herself or any other party before close of the Offer; (ii) will procure Runda not to accept the Offer in respect of such Ordinary Shares; (iii)

LETTER FROM THE BOARD

will not, and will procure Runda not to, take other action to make such Ordinary Shares available for acceptance of the Offer; and (iv) before close of the Offer, will continue to hold the beneficial interest in such Ordinary Shares and will not sell, transfer or dispose of such beneficial interest in such Ordinary Shares to the Offeror or any other third party or create encumbrance on such beneficial interest in such Ordinary Shares.

Runda Option Beneficiaries Irrevocable Undertakings

As at the Latest Practicable Date, Runda holds 6,963,414 Options as trustee for the benefit of the Runda Option Beneficiaries. Runda does not have any beneficial interests in such Options.

The Runda Option Beneficiaries served the Runda Option Beneficiaries Irrevocable Undertaking dated July 17, 2016 to the Offeror and the Company, pursuant to which each of the Runda Option Beneficiaries has irrevocably undertaken, inter alia, that he/she (i) will instruct Runda to continue to hold his/her Options before close of the Offer; (ii) will procure Runda not to accept a comparable offer in respect of the cancellation of such Options if one were to be made to Runda; (iii) will not, and will procure Runda not to, exercise the Options before the close of the Offer; (iv) will not, and will procure Runda not to, take any other action to make the Options available for acceptance of such Offer; and (v) before close of the Offer, will continue to hold the beneficial interest in such Options and will not sell, transfer, dispose of the beneficial interest in such Options to the Offeror or any other third party or otherwise create any encumbrance on the beneficial interest in such Options.

THE OFFER

The “Letter from GTJA Capital” set out on pages 13 to 21 of this Composite Document contains the information in respect of the Offer and the terms of the Offer are extracted below. You are recommended to refer to the “Letter from GTJA Capital”, Appendix I to this Composite Document and the accompanying Form of Acceptance for further details.

Taking into account the Irrevocable Undertakings, the Offer, which is unconditional in all respects, is made by GTJA Securities for and on behalf of the Offeror to acquire all the issued Ordinary Shares (other than those already owned by the Offeror and the parties acting in concert with it) in compliance with the Takeovers Code, on the following terms:

For each Offer Share HK\$3.5273 in cash

The Offer Price of HK\$3.5273 per Offer Share is equal to the price per Ordinary Sale Share paid by the Offeror to Greenland under the Greenland Sale and Purchase Agreement.

The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, claims, charges, encumbrances, rights of pre-emption and any third party rights of any nature and together with all rights attached to them, including but not limited to the right to receive all dividends and distributions declared, made or paid, if any, on or after the date on which the Offer is made, being the date of this Composite Document or subsequently becoming attached to them, including the rights to receive in full all dividends and other distributions, if any, declared, made, or paid on or after the Closing Date.

LETTER FROM THE BOARD

As at the Latest Practicable Date, save for the Offeror and KKR Auto, there are no other holders of CPS. Pursuant to the KKR Auto Irrevocable Undertaking, KKR Auto will not accept the comparable offer in respect of 11,867,600 CPS if one were to be made to KKR Auto. Therefore, no comparable offer will be made in respect of the CPS by the Offeror.

As at the Latest Practicable Date, Runda is the only Optionholder, who holds, inter alia, 6,963,414 Options, in its capacity as a trustee for the benefit of the Runda Option Beneficiaries. Pursuant to the Runda Option Beneficiaries Irrevocable Undertaking, Runda Option Beneficiaries will procure Runda not to accept a comparable offer in respect of the cancellation of the Options if one were to be made to Runda. Therefore, no comparable offer will be made in respect of the cancellation of the Options by the Offeror.

Pursuant to the Management Subscribers Irrevocable Undertakings, none of the Management Subscribers (save for Mr. Yang) will be accepting an offer in respect of the cancellation of the Management Subscription Shares. Therefore, no comparable offer will be made in respect of the Management Subscription Shares by the Offeror.

As at the Latest Practicable Date, the Company has 946,476,000 Ordinary Shares in issue. Save for (a) 567,885,600 Ordinary Shares that are already owned by the Offeror; and (b) 35,984,000 Ordinary Shares owned by Rundong Smart, 342,606,400 Ordinary Shares will be subject to the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISOR

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising Mr. Yan Sujian, a non-executive Director, and all independent non-executive Directors, namely Mr. Peng Zhenhuai, Mr. Mei Jianping, Mr. Lee Conway Kong Wai and Mr. Xiao Zhengsan, was formed to advise the Independent Shareholders in respect of the Offer.

Optima Capital has, with the approval of the Independent Board Committee, been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to acceptance pursuant to Rule 2.1 of the Code.

Optima Capital has advised the Independent Board Committee that it considers the terms of the Offer to be fair and reasonable so far as the Independent Shareholders are concerned, and accordingly, it recommends the Independent Board Committee to advise the Independent Shareholders to accept the Offer. The Independent Board Committee, having been so advised, considers the terms of the Offer to be fair and reasonable so far as the Independent Shareholders are concerned, and accordingly, recommends the Independent Shareholders to accept the Offer.

The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from Optima Capital addressed to the Independent Board Committee are set out in this Composite Document. You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.

LETTER FROM THE BOARD

Further details of the Offer

You are advised to refer to the “Letter from GJTA Capital” sets out on pages 13 to 21 of this Composite Document for further terms and conditions of the Offer and the procedures for acceptance and settlement of the Offer as set out in Appendix I to this Composite Document and the Form of Acceptance.

INFORMATION ON THE GROUP

The Group is principally engaged in the operation of luxury automobile dealership stores and showrooms in China. Set out below is a summary of the audited consolidated results of the Group for each of the three financial years 2015, 2014 and 2013.

	For the year ended December 31		
	2015	2014	2013
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	14,923,054	15,469,317	11,587,838
Profit before taxation	324,083	467,962	387,664
Profit for the year attributable to:			
Owners of the parent	203,303	305,422	238,959
Non-controlling interests	5,596	7,508	9,434

The audited consolidated net assets of the Group attributable to the owners of the Company as at December 31, 2015 were approximately RMB3,122,538,000 which was equivalent to approximately RMB1.94 per Share; and the audited consolidated net assets of the Group attributable to the owners of the Company as at December 31, 2014 were RMB1,651,007,000 which was equivalent to approximately RMB1.02 per Share. As at December 31, 2015, the cash and cash equivalents amounted to RMB1,513.2 million, representing an increase of 41.1% from RMB1,072.2 million for the year ended December 31, 2014.

Your attention is drawn to the financial information of the Group, the property valuation report of the Group and the general information on the Group set out in Appendices II, III and IV to this Composite Document, respectively.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately after Greenland Completion; and (ii) immediately after KKR Auto Completion, assuming (a) there are no changes in the number of issued Ordinary Shares; (b) none of the Options are exercised; and (c) none of the Management Subscription Shares are exercised, between the period immediately after Greenland Completion and immediately after KKR Auto Completion:

Shareholders	Immediately after Greenland Completion				Immediately after KKR Auto Completion					
					(Before conversion of any CPS)				(After full conversion of the CPS)	
	Number of Ordinary Shares	Approximate % voting right	Number of CPS	Approximate %	Number of Ordinary Shares	Approximate % voting rights	Number of CPS	Approximate %	Number of Ordinary Shares	Approximate % voting rights
Rundong Smart	35,984,000	3.8	—	—	35,984,000	3.8	—	—	35,984,000	2.2
Runda	5,855,000	0.6	—	—	5,855,000	0.6	—	—	5,855,000	0.4
The Offeror	<u>567,885,600</u>	<u>60.0</u>	<u>484,401,147</u>	<u>72.9</u>	<u>567,885,600</u>	<u>60.0</u>	<u>652,401,147</u>	<u>98.2</u>	<u>1,220,286,747</u>	<u>75.8</u>
<i>Sub-total of the Offeror and the parties acting, in concert with it (Note)</i>	<i>609,724,600</i>	<i>64.4</i>	<i>484,401,147</i>	<i>72.9</i>	<i>609,724,600</i>	<i>64.4</i>	<i>652,401,147</i>	<i>98.2</i>	<i>1,262,125,747</i>	<i>78.4</i>
KKR Auto	100,132,400	10.6	179,867,600	27.1	100,132,400	10.6	11,867,600	1.8	112,000,000	7.0
Public Shareholders	<u>236,619,000</u>	<u>25.0</u>	<u>—</u>	<u>—</u>	<u>236,619,000</u>	<u>25.0</u>	<u>—</u>	<u>—</u>	<u>236,619,000</u>	<u>14.7</u>
Total	<u>946,476,000</u>	<u>100</u>	<u>664,268,747</u>	<u>100</u>	<u>946,476,000</u>	<u>100</u>	<u>664,268,747</u>	<u>100</u>	<u>1,610,744,747</u>	<u>100</u>

Note: As at the Latest Practicable Date, the parties acting in concert with the Offeror includes: (1) Rundong Smart; (2) Runda; and (3) Mr. Yang.

Rundong Smart, being the investment holding company of Rundong Wisdom (PTC) Limited, the trustee of the Rundong Wisdom Trust for the benefit of its beneficiaries comprising of Ms. Cao Weining (the sister of Ms. Cao Weijing, who is the wife of Mr. Yang), her parents and children. Runda Smart owns 35,984,000 Ordinary Shares, representing approximately 3.8% of the voting rights of the Company.

Runda, as a trustee of the Pre-IPO Share Option Scheme, holds (a) 5,855,000 Ordinary Shares, representing approximately 0.6% of the voting rights of the Company as trustee for the benefit of the Runda Ordinary Shares Beneficiaries, and (b) 6,963,414 Options as trustee for the benefit of the Runda Option Beneficiaries.

Mr. Yang, a party acting in concert with the Offeror, is interested in 25,829,196 Management Subscription Shares.

INFORMATION ON THE OFFEROR AND OFFEROR'S INTENTION FOR THE GROUP

Your attention is drawn to the “Letter of GTJA Capital” and the general information on the Offeror set out in pages 13 to 21 and Appendix IV to this Composite Document, respectively for information relating to the Offeror.

The Board is pleased that the Offeror intends that the Shares will remain listed on the Stock Exchange immediately after the completion of the Offer and to continue with the existing principle business of the Group following the close of the Offer.

LETTER FROM THE BOARD

PROPOSED CHANGE OF BOARD COMPOSITION

The Board currently comprises four executive Directors, namely Mr. Yang, Mr. Liu Dongli, Mr. Zhao Zhongjie and Mr. Liu Jian; four non-executive Directors, namely Mr. Yan Sujian, Mr. Li Wei, Mr. Wu Zhengkui and Mr. Wu Jin; and four independent non-executive Directors, namely Mr. Peng Zhenhuai, Mr. Mei Jianping, Mr. Lee Conway Kong Wai and Mr. Xiao Zhengsan.

According to the Greenland Share and Purchase Agreement, Greenland has undertaken to procure the resignation of each of Mr. Li Wei and Mr. Wu Zhengkui as a Director and a director of Rundong Automobile Group Co. Ltd. (潤東汽車集團有限公司). According to the KKR Auto Sale and Purchase Agreement, KKR Auto has undertaken to procure the resignation of Mr. Wu Jin as a Director. Each of such resignations shall take effect on the first closing date of the Offer or from the earliest time permitted under the Takeovers Code, the Listing Rules or other applicable laws.

The new Directors to be nominated by the Offeror to the Board will only take effect from the earliest time permitted under the Takeovers Code. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made by the Company as and when appropriate.

MAINTAINING THE LISTING STATUS OF THE COMPANY

Your attention is drawn to the letter from GTJA Capital set out in pages 13 to 21 which sets out the intention of the Offeror regarding the Group. According to the letter from GTJA Capital, the Offeror intends to maintain the listing of the Shares on the Main Board of the Stock Exchange after closing of the Offer and will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float as required under the applicable Listing Rules exists in the Shares following the close of the Offer.

The Stock Exchange has stated that if, at the closing of the Offer, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend dealings/not to allow resumption in trading (as the case may be) in the Shares until the prescribed level of public float is restored.

RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” on pages 32 to 33 of this Composite Document, which sets out its recommendations to the Independent Shareholders in relation to the Offer; and (ii) the “Letter from Optima Capital” on pages 34 to 58 of this Composite Document, which sets out its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it in arriving at its advice.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from Optima Capital” as set out in this Composite Document, the accompanying Form of Acceptance and the additional information set out in the appendices to, which form part of, this Composite Document.

Yours faithfully,
By order of the Board of
China Greenland Rundong Auto Group Limited
Yang Peng
Chairman



潤東汽車

China Greenland Rundong Auto Group Limited

中國綠地潤東汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1365)

July 27, 2016

To the Independent Shareholders,

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED
FOR AND ON BEHALF OF
RUNDONG FORTUNE INVESTMENT LIMITED
FOR ALL THE ISSUED ORDINARY SHARES IN
CHINA GREENLAND RUNDONG AUTO GROUP LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED
BY RUNDONG FORTUNE INVESTMENT LIMITED
AND THE PARTIES ACTING IN CONCERT WITH IT)**

We refer to this Composite Document dated July 27, 2016 jointly issued by the Offeror and the Company, of which this letter forms part. Unless specified otherwise, terms used herein shall have the same meanings as those defined in this Composite Document.

We have been appointed to form the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and to make a recommendation as to acceptance of the Offer.

Optima Capital has been appointed as the Independent Financial Adviser to advise us in respect of the terms of the Offer and as to acceptance of the Offer. The appointment of the Independent Financial Adviser has been approved by us in accordance with Rule 2.1 of the Takeovers Code. Your attention is drawn to the “Letter from Optima Capital” as set out in this Composite Document containing its advice to us and the principal factors and reasons taken into account by it in arriving at such advice.

We also wish to draw your attention to the “Letter from GTJA Capital” and the “Letter from the Board” as set out in this Composite Document as well as the additional information set out in the appendices to this Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of the Offer, the information contained in this Composite Document and the principal factors and reasons considered by, and the advice of Optima Capital, as set out in its letter of advice, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

Notwithstanding our recommendation, the Independent Shareholders should consider carefully the terms of the Offer and then decide whether to accept or not to accept the Offer. You are strongly recommended to read the full text of the “Letter from Optima Capital” as set out in this Composite Document.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Yan Sujian
Mr. Peng Zhenhuai
Mr. Mei Jianping
Mr. Lee Conway Kong Wai
Mr. Xiao Zhengsan

LETTER FROM OPTIMA CAPITAL

The following is the letter of advice from Optima Capital to the Independent Board Committee which has been prepared for the purpose of inclusion in the Composite Document.



Suite 1501, 15th floor
Jardine House
1 Connaught Place
Central
Hong Kong

27 July 2016

To the Independent Board Committee of China Greenland Rundong Auto Group Limited

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED
FOR AND ON BEHALF OF RUNDONG FORTUNE INVESTMENT LIMITED
FOR ALL THE ISSUED ORDINARY SHARES IN
CHINA GREENLAND RUNDONG AUTO GROUP LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
RUNDONG FORTUNE INVESTMENT LIMITED
AND THE PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Offer. Details of the Offer are set out in the composite document dated 27 July 2016 (the “**Composite Document**”) jointly issued by the Offeror and the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless otherwise specified.

The Board comprises four executive Directors, four non-executive Directors and four independent non-executive Directors. Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising Mr. Yan Sujian, a non-executive Director, and all the independent non-executive Directors, namely Mr. Peng Zhenhuai, Mr. Mei Jianping, Mr. Lee Conway Kong Wai and Mr. Xiao Zhengsan, has been established to advise the Independent Shareholders in respect of the Offer. Mr. Li Wei and Mr. Wu Zhengkui are non-executive Directors nominated by Greenland, and Mr. Wu Jin is a non-executive Director nominated by KKR Auto. As each of these non-executive Directors has direct or indirect interest in the Offer, they have not been appointed to the Independent Board Committee. We, Optima Capital Limited, have been appointed as the Independent Financial Adviser to provide the Independent Board Committee with an independent advice as to whether the Offer is fair and reasonable and whether the Independent Shareholders should accept the Offer. Our appointment has been approved by the Independent Board Committee.

LETTER FROM OPTIMA CAPITAL

We are not associated or connected with the Company, the Offeror, their respective substantial shareholders or controlling shareholders, or any party acting in concert or presumed to be acting in concert with any of them. Therefore, we are considered eligible to provide independent advice in relation to the Offer. Apart from normal professional fees payable to us by the Company in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from, nor have we had any financial or other connection in the past two years with, the Company, the Offeror, their respective substantial shareholders or controlling shareholders, or any party acting in concert or presumed to be acting in concert with any of them.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the statements, representations and opinions made, by the Directors and the management of the Group (the “**Management**”) to us or referred to in the Composite Document and have assumed that they are true, accurate and complete in all material respects at the time they were made and continue to be true, accurate and complete in all material respects up to the Latest Practicable Date. The Directors have jointly and severally accepted full responsibility for the accuracy of information contained in the Composite Document (other than those relating to the Offeror and parties acting in concert with it) and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading. The sole director of the Offeror has also accepted full responsibility for the accuracy of the information contained in the Composite Document (other than those information relating to the Group), and confirmed, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in this Composite Document misleading. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, or to doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, the Offeror, or their respective associates, nor have we carried out any independent verification of the information supplied. Should there be any subsequent material changes in such information during the Offer Period, the Company will inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Shareholders shall also be informed as soon as practicable when there are any material changes to the information contained or referred to herein and our opinion after the Latest Practicable Date and throughout the Offer Period.

LETTER FROM OPTIMA CAPITAL

We have not considered the tax implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are residents overseas or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our advice with regard to the Offer, we have taken into account the following principal factors and reasons:

1. Background and principal terms of the Offer

On 26 June 2016, the Offeror and Greenland entered into the Greenland Sale and Purchase Agreement, pursuant to which the Offeror agreed to acquire and Greenland agreed to sell the Greenland Sale Shares, comprising 283,942,800 Ordinary Shares and 284,327,947 CPS, for a total consideration of HK\$2,004,444,227, which is equivalent to approximately HK\$3.5273 per Ordinary Share and per CPS. Greenland Completion took place on 27 June 2016.

Also on 26 June 2016, the Offeror, KKR Auto and Mr. Yang entered into the KKR Auto Sale and Purchase Agreement, pursuant to which the Offeror agreed to acquire and KKR Auto agreed to sell the KKR Auto Sale Shares, comprising 168,000,000 CPS, for a total consideration of HK\$592,586,400, which is equivalent to HK\$3.5273 per CPS. KKR Auto Completion took place on 15 July 2016.

Immediately prior to Greenland Completion,

- (i) Greenland held 283,942,800 Ordinary Shares and 284,327,947 CPS, representing approximately (a) 30.0% of the voting rights of the Company (assuming no CPS have been converted into Ordinary Shares); and (b) 35.3% of the voting rights of the Company (assuming full conversion of CPS);
- (ii) the Offeror held 283,942,800 Ordinary Shares and 200,073,200 CPS, representing approximately (a) 30.0% of the voting rights of the Company (assuming no CPS have been converted into Ordinary Shares); and (b) 30.0% of the voting rights of the Company (assuming full conversion of CPS);
- (iii) the Offeror and Greenland (being a party acting in concert with the Offeror pursuant to the Concert Parties Agreement) together were interested in an aggregate of 567,885,600 Ordinary Shares and 484,401,147 CPS, representing approximately (a) 60.0% of voting rights of the Company (assuming no CPS have been converted into Ordinary Shares); and (b) 65.3% of the voting rights of the Company (assuming full conversion of CPS); and

LETTER FROM OPTIMA CAPITAL

- (iv) KKR Auto held 100,132,400 Ordinary Shares and 179,867,600 CPS, representing approximately (a) 10.6% of the voting rights of the Company (assuming no CPS have been converted into Ordinary Shares); and (b) 17.4% of the voting rights of the Company (assuming full conversion of CPS).

Upon Greenland Completion and as at the Latest Practicable Date, Greenland ceased to be a Shareholder and the Offeror increased its shareholding in the Company from 30.0% to 60.0% of Ordinary Shares (assuming no CPS have been converted into Ordinary Shares). Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares other than those already owned by the Offeror and the parties acting in concert with it. Pursuant to Rule 13 of the Takeovers Code, the Offeror is required to make comparable offer in cash for cancellation of all the outstanding Options and Management Subscription Shares, other than those already owned by the Offeror and parties acting in concert with it. GTJA Securities, for and on behalf of the Offeror, is making the Offer which is unconditional in all respects on the following terms:

For each Offer Share..... HK\$3.5273 in cash

The Offer Price is equal to the price per Ordinary Sale Share paid by the Offeror to Greenland pursuant to the Greenland Sale and Purchase Agreement. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, claims, charges, encumbrances, rights of pre-emption and any third party rights of any nature and together with all rights attaching to them, including but not limited to the right to receive all dividends and distributions declared, made or paid, if any, on or after which the Offer is made, being the date of despatch of the Composite Document.

As at Latest Practicable Date, the Company had (i) 946,476,000 Ordinary Shares in issue; (ii) 664,268,747 CPS in issue; (iii) 6,963,414 Options which remained outstanding; and (iv) 51,507,146 Management Subscription Shares which remained outstanding.

As at the Latest Practicable Date, KKR Auto was interested in 100,132,400 Ordinary Shares and 11,867,600 CPS. Pursuant to the KKR Auto Irrevocable Undertaking, KKR Auto has irrevocably undertaken that it will not accept the Offer in respect of 100,132,400 Ordinary Shares and will not accept the comparable offer in respect of 11,867,600 CPS if one were to be made to KKR Auto.

As at the Latest Practicable Date, Runda held 5,855,000 Ordinary Shares as trustee for the benefits of the Runda Ordinary Share Beneficiaries. Pursuant to the Runda Ordinary Share Beneficiaries Irrevocable Undertakings, each of the Runda Ordinary Share Beneficiaries has irrevocably undertaken that, inter alia, it will procure Runda not to accept the Offer in respect of the Ordinary Shares.

Save for (i) 567,885,600 Ordinary Shares that were already owned by the Offeror; (ii) 35,984,000 Ordinary Shares owned by Rundong Smart (being a party acting in concert with the Offeror); and (iii) taking into account the KKR Auto Irrevocable Undertaking and

LETTER FROM OPTIMA CAPITAL

the Runda Ordinary Share Beneficiaries Irrevocable Undertakings, 236,619,000 Ordinary Shares will be subject to the Offer. On the basis of the Offer Price of HK\$3.5273 per Offer Share, the total value of the Offer will be approximately HK\$834,626,198.70.

As at the Latest Practicable Date, save for the Offeror and KKR Auto, there were no other holders of CPS. Taking into account the KKR Auto Irrevocable Undertaking, no comparable offer will be made by the Offeror in respect of the remaining 11,867,600 CPS held by KKR Auto.

As at the Latest Practicable Date, Runda held 6,963,414 Options as trustee for the benefits of the Runda Option Beneficiaries. Pursuant to the Runda Option Beneficiaries Irrevocable Undertaking, each of the Runda Option Beneficiaries has irrevocably undertaken that, inter alia, it will procure Runda not to accept the comparable offer in respect of the cancellation of the Options if one were to be made to Runda. Taking into account the Runda Option Beneficiaries Irrevocable Undertaking, no comparable offer will be made by the Offeror in respect of the cancellation of the Options.

As at the Latest Practicable Date, Mr. Yang (being a party acting in concert with the Offeror) was interested in 25,829,196 Management Subscription Shares. Save for those Management Subscription Shares held by Mr. Yang, there were 25,677,950 Management Subscription Shares which remained outstanding conferring rights on the Management Subscribers (save for Mr. Yang) to subscribe for Ordinary Shares. Pursuant to the Management Subscribers Irrevocable Undertakings, none of the Management Subscribers (save for Mr. Yang) will accept an offer in respect of the cancellation of the Management Subscription Shares if one were to be made to any of them. Therefore, no comparable offer will be made by the Offeror in respect of the Management Subscription Shares.

As KKR Auto Completion took place on 15 July 2016, which is prior to the KKR Auto Target Completion Date, no interest has been paid to KKR Auto and hence the Interest Adjustment would not be made to the Independent Shareholders.

Further terms and conditions of the Offer, including the procedures for acceptance, are set out in the letter from GTJA Capital in the Composite Document and in Appendix I to the Composite Document.

2. Information of the Group

2.1 Principal activities

The Company was incorporated in the Cayman Islands with limited liability and its Shares were listed on the Stock Exchange by way of initial public offering on 12 August 2014. The principal activity of the Company is investment holding.

The Group is principally engaged in the sale of motor vehicles and provision of related services in the PRC. The Group has been focusing on the luxury and ultra-luxury automobile brands. As at 31 December 2015, the Group's brand portfolio includes eight luxury brands (e.g. BMW, Audi, etc.), two ultra-luxury brands (including Maserati and Ferrari), and 15 mid to high-end brands (e.g. Toyota, Ford,

LETTER FROM OPTIMA CAPITAL

Chevrolet, Hyundai, etc.). The Group operated a total of 70 stores in the PRC as at 31 December 2015, of which 45 were located in Jiangsu Province, 14 in Shandong Province, eight in Shanghai, two in Zhejiang Province and one in Anhui Province.

2.2 Historical financial performance

Set out below is a summary of the audited financial results of the Group for the year ended 31 December 2013 (“FY2013”), the year ended 31 December 2014 (“FY2014”) and the year ended 31 December 2015 (“FY2015”) as extracted from the annual report of the Company for the year ended 31 December 2014 (the “2014 Annual Report”) and the annual report of the Company for the year ended 31 December 2015 (the “2015 Annual Report”).

	FY2013	FY2014	FY2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	11,587,838	15,469,317	14,923,054
Cost of sales	<u>(10,585,534)</u>	<u>(14,030,217)</u>	<u>(13,532,583)</u>
Gross profit	1,002,304	1,439,100	1,390,471
Other income and gains, net	244,532	252,006	267,092
Selling and distribution costs	(265,920)	(417,995)	(444,759)
Administrative expenses	(284,221)	(443,964)	(487,711)
Other expenses	(17,884)	(10,701)	(10,727)
Finance costs	<u>(291,147)</u>	<u>(350,484)</u>	<u>(390,283)</u>
Profit before tax	387,664	467,962	324,083
Income tax expense	<u>(139,271)</u>	<u>(155,032)</u>	<u>(115,184)</u>
Profit for the year	<u><u>248,393</u></u>	<u><u>312,930</u></u>	<u><u>208,899</u></u>
Profit for the year attributable to:			
— Owners of the Company	238,959	305,422	203,303
— Non-controlling interests	9,434	7,508	5,596
	FY2013	FY2014	FY2015
Gross profit margin (Note 1)	8.7%	9.3%	9.3%
Net profit margin (Note 2)	2.1%	2.0%	1.4%

Notes:

1. Calculated by dividing gross profit by revenue.
2. Calculated by dividing profit for the year attributable to owners of the Company by revenue.

LETTER FROM OPTIMA CAPITAL

Revenue

Revenue of the Group was generated from sales of new automobile and provision of after-sales and other service.

As disclosed in the 2014 Annual Report, total revenue was contributed as to 89.4% from the sales of new automobiles and as to 10.6% from the provision of after-sales and other services. The revenue increased by approximately 33.5% from approximately RMB11,587.8 million in FY2013 to approximately RMB15,469.3 million in FY2014, which was primarily attributable to (i) a growth in revenue from new automobile sales, in particular, sales of luxury and ultra-luxury brands, driven by an increase in sales due to opening of new stores and a growth in sales contributed by mature stores; and (ii) a growth in revenue from after-sales and other services business which was mainly attributable to (a) the expansion of customer service base due to a continued growth in sales of luxury and ultra-luxury brand automobiles which resulted in an increased demand for after-sales services; (b) establishment of membership programme to attract and retain customers; and (c) the continued ramp-up of after-sales and other services by newly established stores.

As disclosed in the 2015 Annual Report, total revenue was contributed as to 86.9% from the sales of new automobiles and as to 13.1% from the provision of after-sales and other services. The total revenue for FY2015 decreased by approximately 3.53% to approximately RMB14,923.1 million in FY2015 million as compared with that in FY2014 which was primarily attributable to a decline in revenue from new automobile sales due to the decrease in sales of major luxury brands focused on by the Company and keen competition in price. On the other hand, revenue from the after-sales business continued to show a growth and increased by approximately 18.9% in FY2015 which was mainly attributable to (i) the expansion of customer service base which resulted in an increased demand for after-sales services; (ii) the continued ramp-up of newly established maintenance centres; and (iii) the Company's enhanced meticulous management of after-sales services.

Cost of sales

Cost of sales and services increased by approximately 32.5% from approximately RMB10,585.5 million in FY2013 to approximately RMB14,030.2 million in FY2014 and subsequently decreased by approximately 3.5% to approximately RMB13,532.6 million in FY2015. The fluctuations in cost of sales were consistent with the fluctuations in revenue during the respective years.

LETTER FROM OPTIMA CAPITAL

Gross profit

Gross profit increased by approximately 43.6% from approximately RMB1,002.3 million in FY2013 to approximately RMB1,439.1 million in FY2014 but subsequently decreased by approximately 3.4% to approximately RMB1,390.5 million in FY2015.

Gross profit margin recorded a growth from approximately 8.6% in FY2013 to approximately 9.3% in FY2014 which was mainly due to (i) an increase in proportion of after-sales services for luxury and ultra-luxury automobiles with higher gross profit margin; and (ii) maturity of new stores established in the past two years leading to enhanced efficiency. In FY2015, gross profit margin remained flat at approximately 9.3% as the decrease in gross profit margin of automobile sales due to lower prices as a result of the intensifying competition which was offset by the increase in gross profit margin of after-sales services.

Other income and net gains

Other income and net gains increased by approximately 3.1% from approximately RMB244.5 million in FY2013 to approximately RMB252.0 million in FY2014, and further increased by approximately 6.0% to RMB267.1 million in FY2015. The respective increase in other income and net gains was mainly attributable to the increase in commission income and the increase in advertisement support received from motor vehicle manufacturers.

Selling and distribution expense

Selling and distribution expense increased by approximately 57.2% from approximately RMB265.9 million in FY2013 to approximately RMB418.0 million in FY2014, which was mainly due to (i) a growth in the size of sales leading to an increase in expense; and (ii) the establishment of 16 new stores in 2014, resulting in an increase in depreciation expenses, lease fees and salaries and benefits expense. Selling and distribution expense further increased by approximately 6.4% to RMB444.8 million in FY2015 which was due to the increase in salaries and benefits expenses in respect the salespersons and depreciation and amortisation of newly acquired stores.

Administrative expense

Administrative expenses increased by approximately 56.2% from approximately RMB284.2 million in FY2013 to approximately RMB444.0 million in FY2014, which was mainly due to (i) an increase in professional fees resulting from the global offering; and (ii) an increase in equity expenses in relation to the Pre-IPO Share Option Scheme, and further increased by approximately 9.9% to approximately RMB487.7 million in FY2015 which was mainly due to the increase in salaries of other staff and depreciation and amortisation of intangible assets of newly acquired stores.

LETTER FROM OPTIMA CAPITAL

Net profit

Profit for the year attributable to owners of the Company increased by approximately 27.8% from approximately RMB239.0 million in FY2013 to approximately RMB305.4 million in FY2014, but subsequently decreased by approximately 33.4% to RMB203.3 million in FY2015.

Net profit margin was approximately 2.1% in FY2013 and slightly dropped to approximately 2.0% in FY2014. It further decreased by approximately 0.6 percentage points to approximately 1.4% in FY2015.

2.3 Financial position of the Group

Set out below is a summary of the audited financial position of the Group as at 31 December 2013, 31 December 2014 and 31 December 2015 as extracted from the 2014 Annual Report and the 2015 Annual Report:

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Non-current assets</i>			
Property, plant and equipment	1,918,360	2,640,307	3,249,299
Land use rights	352,397	343,688	480,802
Intangible assets	221,559	213,702	484,763
Prepayments	5,384	436,474	389,413
Finance lease receivables	—	—	2,426
Goodwill	207,146	207,146	700,724
Available-for-sale investments	102,000	102,000	102,000
Deferred tax assets	<u>5,797</u>	<u>7,458</u>	<u>10,657</u>
	2,812,643	3,950,775	5,420,084

LETTER FROM OPTIMA CAPITAL

	As at 31 December		
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Current assets</i>			
Inventories	1,639,689	1,899,654	1,810,452
Trade receivables	190,150	208,722	251,775
Finance lease receivables	—	—	2,750
Prepayments, deposits, and other receivables	1,137,384	1,395,302	2,317,658
Amount due from a related party	760,923	—	—
Cash in transit	23,345	60,017	47,606
Pledged bank deposits	1,270,078	1,922,496	1,329,248
Cash and cash equivalents	<u>417,485</u>	<u>1,072,158</u>	<u>1,513,212</u>
	5,439,054	6,558,349	7,272,701
Total assets	8,251,697	10,509,124	12,692,785
<i>Current liabilities</i>			
Trade and bill payables	2,738,062	3,638,877	2,775,017
Other payables and accruals	781,173	934,840	1,092,543
Interest-bearing bank and other borrowings	2,306,336	3,253,060	3,806,306
Income tax payable	137,243	206,314	249,196
Amount due to a related party	<u>315,086</u>	<u>—</u>	<u>—</u>
	6,277,900	8,033,091	7,923,062
<i>Non-current liabilities</i>			
Interest-bearing bank and other borrowings	939,063	680,944	1,403,609
Deferred tax liabilities	<u>90,297</u>	<u>55,486</u>	<u>149,384</u>
	1,029,360	736,430	1,552,993
Total liabilities	7,307,260	8,769,521	9,476,055
Equity attributable to owners of the Company	887,271	1,651,007	3,122,538
Non-controlling interests	<u>57,166</u>	<u>88,596</u>	<u>94,192</u>
Total equity	<u>944,437</u>	<u>1,739,603</u>	<u>3,216,730</u>

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As at 31 December 2015, total assets amounted to approximately RMB12,692.8 million, total liabilities amounted to approximately RMB9,476.1 million, and the equity attributable to owners of the Company amounted to approximately RMB3,122.5 million.

Non-current assets of the Group as at 31 December 2015 amounted to approximately RMB5,420.1 million, representing an increase of approximately 37.2% as compared to the non-current assets of approximately RMB3,950.8 million as at 31 December 2014. The increase was mainly attributable to the increase in property, plant and equipment of approximately RMB609.0 million principally due to the increase in leasehold improvement. Details of the properties interest held by the Group and their respective market value as at 31 May 2016 have been set out in the Property Valuation Report in Appendix III of the Composite Document. Goodwill as at 31 December 2015 increased by approximately RMB493.6 million as compared with that at 31 December 2014 as a result of the acquisition of eight dealership stores in Jiangsu Province and Shandong Province, the PRC during FY2015.

Current assets of the Group as at 31 December 2015 amounted to approximately RMB7,272.7 million, representing an increase of approximately 10.9% as compared to the current assets of approximately RMB6,558.3 million as at 31 December 2014, mainly attributable to the increase in prepayments, deposits and other receivables as well as cash and cash equivalents. Prepayments, deposits and other receivables increased by approximately RMB922.4 million as at 31 December 2015 mainly attributable to the increase in prepayments to suppliers and other receivables as a result of the aforesaid acquisition of eight dealership stores during FY2015. Cash and cash equivalents as at 31 December 2015 amounted to approximately RMB1,513.2 million as compared to approximately RMB1,072.2 million as at 31 December 2014, representing an increase of approximately 41.1%.

Non-current liabilities of the Group as at 31 December 2015 amounted to approximately RMB1,553.0 million, representing a substantial increase of approximately 110.9% as compared to the non-current liabilities of approximately RMB736.4 million as at 31 December 2014, which was mainly due to the increase in interest-bearing bank and other borrowings. Current liabilities of the Group as at 31 December 2015 amounted to approximately RMB7,923.1 million, representing a mild decrease of approximately 1.4% from approximately RMB8,033.1 million as at 31 December 2014.

Equity attributable to owners of the Company increased by approximately 89.1% from approximately RMB1,651.0 million as at 31 December 2014 to approximately RMB3,122.5 million as at 31 December 2015, which was mainly attributable to the increase in the reserves of the Group resulting from the increase in share premium due to issue of new Shares during FY2015.

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Valuation of the assets of the Group

Avista has been appointed by the Group as an independent valuer to value the properties interest held by the Group and their respective market value as at 31 May 2016, details of which have been set out in the Property Valuation Report in Appendix III of the Composite Document.

We have reviewed the Property Valuation Report and have discussed with Avista in relation to the methodology of, and the bases and assumptions adopted for, the valuation of the properties interest held by the Group. We note that the property interests of the Group comprise principally (i) the dealership stores; and (ii) the land use rights for lands where the dealership stores are located, owned and occupied by the Group. As stated in the Property Valuation Report and understood from Avista, given that the specific nature and uses of the buildings and structures that were designed and constructed and the particular location in which they are situated, there are unlikely relevant market comparable sales readily available. Accordingly, Avista has valued the property interests based on the depreciated replacement cost basis.

As stated in the Property Valuation Report, the market value of the properties attributable to the Group as at 31 May 2016 amounted to approximately RMB2,254,650,000 (the “**Valuation**”). Further mentioned in the Property Valuation Report, since the state-owned land use rights certificate(s) and/or the building ownership certificate(s) in relation to property nos. 26, 27 and 28 and certain parts of property nos. 9, 12, 33 and 36 have not been obtained, Avista has assigned no commercial value to such parts of the said properties. Besides, property no. 7 is a parcel of land which is vacant and as the land use right certificate was resumed by the government and the compensation was received by the Company in June 2016, no commercial value was attributed to that property. The Property Valuation Report also states that, assuming all relevant title certificates have been obtained in relation to these properties and they could be freely transferred, the value attributed to these properties would be approximately RMB462,350,000. Accordingly, the aggregate value of the property interests (having accounted for the value for the properties without relevant title certificates) would be RMB2,717,000,000 (the “**Maximum Valuation**”). Further details have been set out in the Property Valuation Report.

We are of the view that the valuation methodologies used in arriving at the Valuation are commonly used and reasonable approaches in establishing the market values of the property interests held by the Group.

3. Prospects of the Group

Industry outlook

As discussed with the Management and disclosed in the 2015 Annual Report, the weak domestic and external demand, excess production capacity and continuous decline in commodity prices in 2015 put significant downward pressure to the PRC

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economy and therefore its economic growth continued to decelerate. According to the statistics released by the National Bureau of Statistics of the PRC (the “NBS”), the gross domestic product (the “GDP”) reached approximately RMB67.7 trillion in 2015, representing an annual growth rate of approximately 6.9%, which was the weakest pace of the GDP growth in the PRC in 25 years. On a quarter-on-quarter basis, the GDP of the PRC even recorded a drop of approximately 16.3% in the first quarter of 2016, compared to the previous quarter.

As understood from the 2014 Annual Report and the 2015 Annual Report, the automobile industry in the PRC already showed a slowdown in expansion in 2014. According to the figures released by the NBS, the national annual auto sales grew by approximately 1.2% in 2014, a positive growth rate yet significantly reduced as compared to an annual growth rate of 19.1% recorded in 2013. The annual auto sales in 2015 was flat with the number of cars sold in the PRC having stalled at around 25 million units. Moreover, according to the figures released by the China Association of Automobile Manufacturers, the luxury car sales which had grown for many years with high growth rate, also displayed a stagnant growth in 2015. While the total sales of top ten luxury car brands in the PRC remained on a rise and amounted to approximately 1.9 million units, the sales growth rate recorded for the year was noted to be the lowest in three years. As advised by the Management, the stagnant growth in 2015 was primarily due to the lack of consumer confidence resulting from the declining macro economy, together with other disadvantageous factors such as reduced purchase of the government in luxury cars in recent years, the increasing buying restrictions in various cities in the PRC as well as failure of the government to implement used car policies.

Exit of Greenland as a Shareholder

As noted from the circular of the Company dated 13 July 2015, on 16 May 2015, Greenland entered into a subscription agreement to subscribe for the then new Shares (the “**Greenland Subscription**”) at a subscription price of HK\$2.89 per Share. Immediately before completion of the Greenland Subscription, Greenland held 32,000,000 Ordinary Shares which, as advised by the Management, were acquired by Greenland at the initial public offering of the Company at the subscription price of HK\$3.58. The Greenland Subscription was subsequently completed on 14 August 2015. Alongside its subscription of the Shares, Greenland also intended to support the Group in its automobile dealership business in the PRC through various ways, such as introduction of upstream and downstream strategic partners to the Group, provision or procurement of low-cost financing arrangements, increasing the credit scale of the Group, expanding the financing channel of the Group, and carrying out close cooperation between the Group and the relevant businesses under Greenland with synergistic effect (the “**Proposed Greenland Business Collaboration**”). We discussed with the Management and understood that since completion of the Greenland Subscription up to the date of the Greenland Sales and Purchase Agreement and as at the Latest Practicable Date, the Group and Greenland had not entered into any formal agreement on implementation of the Proposed Greenland Business Collaboration.

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We further understood from the Management that, to their awareness, the decision between the Offeror and Greenland in respect of the transactions contemplated under the Greenland Sale and Purchase Agreement was based on their respective strategic consideration and the terms and consideration for the transfer of the Greenland Sales Shares were arrived at after arm's length negotiations between the Offeror and Greenland. The consideration offered by the Offeror for the Greenland Sale Shares of HK\$3.5273 per Ordinary Share and per CPS is at a premium of approximately 7.9% over the closing price of HK\$3.27 per Ordinary Share as at the Last Trading Day, and a premium of approximately 22.1% over the initial subscription price of HK\$2.89 per Ordinary Share under the Greenland Subscription. Greenland Completion took place on 27 June 2016, upon which, Greenland ceased to be a Shareholder.

The Management expects that the exit of Greenland as a Shareholder would not cause any material adverse change on Group as no substantial cooperation had been executed since the Greenland Subscription. While Greenland ceased to be a Shareholder, the Group would continue to explore possible collaborations with Greenland that is beneficial to the development of the Group. No such discussion had taken place since Greenland Completion up to the Latest Practicable Date. Given that the Group had not commenced any activities as planned under the Proposed Greenland Business Collaboration, we concur with the view of the Management that it is unlikely for the exit of Greenland as a Shareholder to cause any material adverse impact on the existing business of the Group.

Future plan of the Group

As set out in the 2015 Annual Report and as part of the Proposed Greenland Business Collaboration, the Group has planned to, among other things, leverage on the business platform and support of Greenland in furtherance of its automobile finance service business. The scale of such business of about RMB50 million as at 31 December 2015 was not material. Despite the subsequent exit of Greenland as a Shareholder, the Group continues to hold a view that the automobile finance service field in the PRC remains at an early stage of development with high potential and that it will deploy more resources in developing this area of business. Moreover, the Group has also planned to carry out acquisitions related to automobile consumption with an aim to consolidate traditional automobile sales and after-sales businesses for attaining enhanced economy of scale and optimising its brand structure.

We have discussed the aforesaid plans of the Group with the Management and consider that, in order for the Group to achieve a business breakthrough amid the current bottleneck in the overall industry development, it is not unreasonable for the Group to mull a diversion of its business focus into provision of other related services, such as automobile finance services, and to consider to attain an economy-effective expansion through mergers and acquisitions. As at the Latest Practicable Date, we were not aware of any substantial development in the Group's diversification plan or any mergers and acquisitions being contemplated by the Group.

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Taking into account the above, we are of the view that the automobile industry, in particular the luxury car industry which the Group has been focusing on, and the business environment in the PRC, will continue to be challenging in coming years. While the exit of Greenland as a Shareholder might not cause any material adverse impact on the existing business of the Group, the Group is yet to achieve a business breakthrough amid the current bottleneck in the overall industry development. Given the declining consumption sentiment in the automobile market in the PRC, the future prospects of the Group, to a large extent, depend on the Group's ability to maintain or enhance its competitiveness by, among other things, implementation of its development plan in a timely manner.

4. Information on the Offeror and intention of the Offeror

4.1 Background of the Offeror

As mentioned in the letter from GTJA Capital in the Composite Document, the Offeror was incorporated in the British Virgin Islands with limited liability and was wholly and beneficially owned by Mr. Yang as at the Latest Practicable Date. Mr. Yang is the sole director of the Offeror, and the Chairman, executive Director, and the President of the Company. The principal business of the Offeror is investment holding.

As at the Latest Practicable Date, (i) the Offeror held 567,885,600 Ordinary Shares and 484,401,147 CPS, representing approximately (a) 60.0% of voting rights of the Company (assuming no CPS have been converted into Ordinary Shares); and (b) 65.3% of the voting rights of the Company (assuming full conversion of CPS); and (ii) Mr. Yang was interested in 25,829,196 Management Subscription Shares.

4.2 Proposed change of Board composition

The Board currently comprises four executive Directors, four non-executive Directors, and four independent non-executive Directors.

According to the Greenland Sale and Purchase Agreement, Greenland has undertaken to procure the resignation of each of Mr. Li Wei and Mr. Wu Zhengkui, both non-executive Directors. According to the KKR Auto Sale and Purchase Agreement, KKR Auto has undertaken to procure the resignation of Mr. Wu Jin, a non-executive Director. Each of such resignation shall take effect on the first closing date of the Offer or from the earliest time permitted under the Takeovers Code, the Listing Rules or other applicable laws.

As stated in the letter from GTJA Capital in the Composite Document, the Offeror intends to nominate new Directors to the Board which will take effect from the earliest time permitted under the Takeovers Code. Further announcement(s) will be made by the Company in respect of any changes to the Board.

4.3 Intention of the Offeror on the Group

As stated in the letter from GTJA Capital in the Composite Document, the Offeror intends to maintain the listing status of the Company immediately after completion of the Offer and to continue with the existing principal business of the Group following the close of the Offer.

5. Evaluation of the Offer Price

5.1 Comparison between the Offer Price and historical Share prices

The Offer Price of HK\$3.5273 per Offer Share represents:

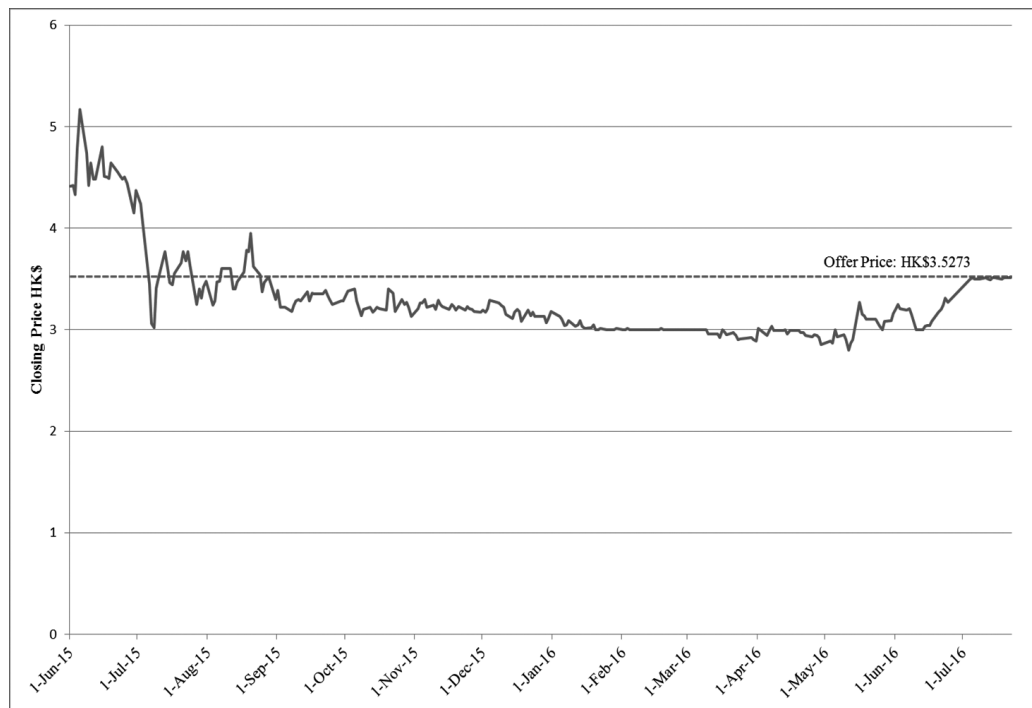
- (i) a premium of approximately 0.8% over the closing price of HK\$3.50 per Ordinary Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 7.9% over the closing price of HK\$3.27 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 8.9% over the average of the closing prices of the Ordinary Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Day of approximately HK\$3.24 per Ordinary Share;
- (iv) a premium of approximately 12.3% over the average of the closing prices of the Ordinary Shares as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Day of approximately HK\$3.14 per Ordinary Share; and
- (v) a premium of approximately 12.7% over the average of the closing prices of the Ordinary Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day of approximately HK\$3.13 per Ordinary Share.

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5.2 Historical prices of the Ordinary Shares

The Ordinary Shares were listed on the Stock Exchange on 12 August 2014 at the listing price of HK\$3.58, which is similar to the Offer Price. The subscription price pursuant to the subscription agreement in relation to the Greenland Subscription dated 16 May 2015 was HK\$2.89 per Ordinary Share, which is lower than the Offer Price.

Set out below is a chart showing the closing prices of the Ordinary Shares traded on the Stock Exchange starting from 1 June 2015, covering a period of more than 12 months preceding the date of the Joint Announcement, up to and including the Latest Practicable Date (the “**Review Period**”):



Source: Website of the Stock Exchange

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As shown in the chart above, the closing prices of the Ordinary Shares were below the Offer Price on most of trading days during the Review Period.

The closing prices of the Ordinary Shares were relatively high in June 2015, the beginning of the Review Period. The highest price was HK\$5.17 recorded on 5 June 2015. After that, the closing prices of the Ordinary Shares fluctuated around HK\$4.50 on a downward trend. Since 25 August 2015, the closing prices of the Ordinary Shares have dropped below the Offer Price and dwelled at around HK\$3-level on most of the trading days during the first five months in 2016. The lowest closing price within the Review Period was HK\$2.80 recorded on 11 May 2016.

Trading in the Ordinary Shares was suspended from 27 June 2016 to 30 June 2016 (both days inclusive) pending the release of the Joint Announcement. On the trading day immediately prior to the release of the Joint Announcement, being the Last Trading Day, the closing price was HK\$3.27. Immediately after the release of the Joint Announcement, the closing price surged to and sustained at HK\$3.50, a relatively high price during the Review Period, but still lower than the Offer Price. We consider that such rise in the closing price of the Ordinary Shares may be associated with the proposed Offer as announced in the Joint Announcement. As at the Latest Practicable Date, the closing price of the Ordinary Shares was HK\$3.50. However, there is no assurance that the closing price of the Ordinary Shares will continue to rise and sustain at a higher level.

During the Review Period, the closing prices of the Ordinary Shares ranged between HK\$2.80 and HK\$5.17 and the average closing price of the Ordinary Shares was approximately HK\$3.30. The Offer Price is within the range of the closing prices and higher than the average of the closing prices during the Review Period. Taking into account the period from 25 August 2015 up to the Latest Practicable Date, which represents around 11 months within the Review Period, the closing prices of the Ordinary Shares had been consistently below the Offer Price.

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5.3 Liquidity of the Ordinary Shares

Set out below is a table showing the trading volume of the Ordinary Shares during the Review Period:

	Number of trading days of the Ordinary Shares in the relevant month/period	Total trading volume for the month/period	Average daily trading volume for the month/period <i>(Note 1)</i>	Percentage of average daily trading volume to the total issued Ordinary Shares as at the Latest Practicable Date <i>(Note 2)</i>	Percentage of average daily trading volume to the total number of Ordinary Shares held by public Shareholders (the "Public Shares") as at the Latest Practicable Date <i>(Note 3)</i>
2015					
June	22	57,547,000	2,615,773	0.28%	1.11%
July	22	45,549,120	2,070,415	0.22%	0.87%
August	21	43,143,990	2,054,476	0.22%	0.87%
September	20	30,912,000	1,545,600	0.16%	0.65%
October	20	34,057,000	1,702,850	0.18%	0.72%
November	21	37,263,060	1,774,431	0.19%	0.75%
December	22	34,934,000	1,587,909	0.17%	0.67%
2016					
January	20	28,509,000	1,425,450	0.15%	0.60%
February	18	13,264,000	736,889	0.08%	0.31%
March	21	23,046,000	1,097,429	0.12%	0.46%
April	20	20,104,000	1,005,200	0.11%	0.42%
May	21	46,438,990	2,211,380	0.23%	0.93%
June <i>(Note 4)</i>	17	12,687,000	746,294	0.08%	0.32%
July (up to the Latest Practicable Date)	15	25,668,000	1,711,200	0.18%	0.72%

Source: Website of the Stock Exchange

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Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month by the number of trading days during the month/period, excluding any trading days on which trading of the Ordinary Shares on the Stock Exchange was suspended for the whole trading day.
2. Based on 946,476,000 Ordinary Shares in issue as at the Latest Practicable Date.
3. Based on 236,619,000 Ordinary Shares held by the public Shareholders as at the Latest Practicable Date.
4. Trading in the Ordinary Shares was suspended from 27 June 2016 to 30 June 2016 (both days inclusive) pending the release of the Joint Announcement.

As illustrated in the above table, the average daily trading volume during the Review Period ranged from approximately 736,889 Ordinary Shares to 2,615,773 Ordinary Shares. In June 2015, the percentages of average daily trading volume to the total issued Ordinary Shares and the Public Shares were approximately 0.28% and 1.11%, respectively, which represented the highest trading volume during the Review Period. Since then the average daily trading volume gradually dropped and in February 2016, the percentages of average daily trading volume to the total issued Ordinary Shares and the Public Shares were approximately 0.08% and 0.31% respectively, which were the lowest during the Review Period.

In May 2016, the average daily trading volume lightly increased to a relatively high level that the percentages of average daily trading volume to the total issued Ordinary Shares and the Public Shares were approximately 0.23% and 0.93% respectively but such increase did not sustain and in June 2016, the average daily trading volume dropped again that the percentages of average daily trading volume to the total issued Ordinary Shares and the Public Shares were approximately 0.08% and 0.32% respectively.

In view of the above table, we are of the view that the overall liquidity of the Ordinary Shares was relatively low during the Review Period. For most of the time during the Review Period, the percentages of average daily trading volume to the total issued Ordinary Shares and the Public Shares were below 0.3% and 1% respectively. As such, the Shareholders may find it difficult to dispose of a large number of Ordinary Shares in the open market without exerting a downward pressure on the price of the Ordinary Shares. We consider that the Offer provides the Independent Shareholders an opportunity to realise their investments in the Ordinary Shares should they wish to do so.

5.4 Comparable companies

For the purpose of assessing the fairness and reasonableness of the Offer Price, we have also sought to compare the price to earnings ratio (the “**PE Ratio**”) and the price to book ratio (the “**PB Ratio**”) of the Ordinary Shares implied by the Offer Price against those of the companies comparable to the Company. We consider that companies which (i) are principally engaged in the sale of motor vehicles and

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provision of related services in the PRC with revenue generated from the such business contributing not less than 80% of the total revenue for the latest financial year; (ii) are profit making for the latest financial year; and (iii) whose shares are listed on the main board of the Stock Exchange, are meaningful references for this purpose. We have identified a total of seven companies (the “**Comparable Companies**”) which form an exhaustive list based on the aforesaid criteria, and have compared the PE Ratio and the PB Ratio of the Comparable Companies to those of the Company represented by the Offer Price as follows (*Note 1*):

Company (stock code)	Closing price as at the Latest Practicable Date (HK\$)	Market Capitalisation as at the Latest Practicable Date (HK\$ million)	PE Ratio (Note 2)	PB Ratio (Note 3)
Zhongsheng Group Holdings Limited (881)	4.82	10,346.2	19.62	0.78
China MeiDong Auto Holdings Limited (1268)	0.85	924.9	7.50	1.03
Baoxin Auto Group Limited (1293)	4.24	10,843.0	40.27	1.88
China ZhengTong Auto Services Holdings Limited (1728)	3.17	7,006.3	9.68	0.70
Sunfonda Group Holdings Limited (1771)	2.46	1,476.0	52.56	0.79
China Yongda Automobiles Services Holdings Limited (3669)	3.58	5,298.5	8.74	1.07
China Harmony New Energy Auto Holding Limited (3836)	4.59	7,232.5	10.06	1.06
		Mean	21.20	1.04
		Median	10.06	1.03
		Maximum	52.56	1.88
		Minimum	7.50	0.70
The Offer	HK\$3.5273	HK\$3,338.5 million	14.04 (Note 4)	0.91 (Note 4)

Source: Website of the Stock Exchange

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Notes:

1. Based on the information disclosed in the website of the Stock Exchange.
2. PE Ratios of the Comparable Companies are calculated based on their respective closing prices on the Latest Practicable Date divided by the basic earnings per share as disclosed in their respective annual reports for the most recent financial year.
3. PB Ratios of the Comparable Companies are calculated based on their respective market capitalisations as at the Latest Practicable Date divided by the audited consolidated net assets attributable to equity shareholders as disclosed in their respective latest published balance sheets.
4. Calculated based on the net profits attributable to owners of the Company and the audited consolidated net assets attributable to owners of the Company, respectively, as disclosed in the 2015 Annual Report and the total value of the Ordinary Shares as implied by the Offer Price of approximately HK\$3,338,504,794.

As shown in the table set out above, the PE Ratios of Comparable Companies range from 7.50 times to 52.56 times, with a mean and median of 21.20 times and 10.06 times, respectively. The PB Ratios of the Comparable Companies range from 0.70 times to 1.88 times, with a mean and median of 1.04 times and 1.03 times, respectively.

The PE Ratio of the Ordinary Shares implied by the Offer Price is approximately 14.04 times, which is within the range of the PE Ratios of the Comparable Companies. The PE Ratio of the Ordinary Shares implied by the Offer Price is lower than the average PE Ratio of the Comparable Companies. It is because one of the Comparable Companies had an exceptionally high PE Ratio (i.e. Sunfonda Group Holdings Limited, which has a PE Ratio of 52.56 times). Excluding such outlying PE Ratio, the mean of the PE Ratio of the Comparable Companies would be 15.98 times, which is similar to the PE Ratio of the Ordinary Shares implied by the Offer Price. Moreover, the PE Ratio of the Ordinary Shares implied by the Offer Price is higher than the median of the PE Ratio of the Comparable Companies. As regards the analysis on the PB Ratio, the PB Ratio of the Ordinary Shares implied by the Offer Price of approximately 0.91 times is slightly below the mean and the median of the PB Ratio of the Comparable Companies, yet within the range of the PB Ratios of the Comparable Companies. We consider the PB Ratio of the Ordinary Shares implied by the Offer Price aligns with the market as compared with the Comparable Companies.

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5.5 Adjusted net asset value of the Group (the “Adjusted NAV”)

For the purpose of our analysis, we have also considered the Adjusted NAV, which is calculated based on the audited consolidated net assets attributable to owners of the Company as 31 December 2015 as extracted from the 2015 Annual Report and adjusted in accordance with the following calculation, for evaluating the Offer Price:

	<i>RMB'000</i>
Audited consolidated net assets attributable to owners of the Company as 31 December 2015 as extracted from the 2015 Annual Report	3,122,538
Adjusted by the revaluation surplus arising from the Valuation (Note 1)	<u>187,682</u>
Adjusted NAV	3,310,220
Adjusted NAV per Ordinary Share (Note 2)	RMB3.50
Adjusted NAV per Ordinary Share (Notes 2 and 3)	HK\$4.10

Notes:

1. Represent the revaluation surplus arising from the difference between the Maximum Valuation of approximately RMB2,717,000,000 and the corresponding book values as at 31 December 2015 of approximately RMB2,529,318,000.
2. Based on 946,476,000 Ordinary Shares in issue as at the Latest Practicable Date.
3. Based on an indicative exchange rate of RMB1 equal to HK\$1.17.

As set out in the above table, the Adjusted NAV per Ordinary Share is approximately HK\$4.10. The Offer Price of HK\$3.5273 per Offer Share represents a discount of approximately 14.0% to the Adjusted NAV per Ordinary Share. We note that the audited consolidated net assets attributable to owners of the Company (the “NAV”) as at 31 December 2015 of approximately RMB3,122.5 million or approximately RMB3.30 per Ordinary Share (equivalent to approximately HK\$3.86 based on an indicative exchange rate of RMB1 equal to HK\$1.17) was published by the Company on 31 March 2016. The closing price of the Ordinary Shares rose by approximately 4.2% on 1 April 2016 to HK\$3.01. However, it remained at a discount to the NAV of approximately 22.0%. Since then up to the Latest Practicable Date, the Ordinary Shares had been consistently trading at a discount to the NAV at the range from approximately 9.1% to approximately 27.5%. If comparing to the Adjusted NAV, the discount of the closing price of the Ordinary Shares to the Adjusted NAV from 31 May 2016 up to the Latest Practicable Date would become a range of approximately 14.4% to 26.8%. It is worth noting that the discount of the Offer Price to the Adjusted NAV of approximately 14.0% is in line with and indeed

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slightly better than the historical range of the discounts to the Adjusted NAV per Ordinary Share. Moreover, having considered the other factors as aforesaid, including but not limited to, the financial performance of the Group, the prospects of the automobile industry in the PRC, the premium of the Offer Price over the trading price of the Ordinary Shares, the low liquidity of the Ordinary Shares trading on the Stock Exchange as well as the comparison of the PE Ratios and the PB Ratios with the Comparable Companies, we continue to hold the view that, despite the discount of the Offer Price to the Adjusted NAV, the Offer Price, on balance, is fair and reasonable.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular,

- (i) the premium of the Offer Price over the recent prevailing market prices of the Ordinary Shares;
- (ii) the discount of the Offer Price to the Adjusted NAV per Ordinary Share;
- (iii) the declining operating results of the Group as shown in the drop of the revenue and the net profit of the Group during FY2015;
- (iv) the downward trend in the overall sale of automobiles in the PRC in association with the slowdown of the macro-economic growth in the country and decreasing demand for luxury brands of automobiles, leading to a less promising industry outlook;
- (v) the Group being yet to achieve a business breakthrough amid the current bottleneck in the overall industry development or any substantial development in the Group's diversification plan, despite that the exit of Greenland as a Shareholder might not cause any material adverse impact on the existing business of the Group;
- (vi) the intention of the Offeror to continue with the existing business of the Group;
- (vii) the share price of the Ordinary Shares having been consistently below the Offer Price for most of the time during the Review Period;
- (viii) the generally low liquidity of the Ordinary Shares, which may result in the difficulty of the Independent Shareholders to dispose of a large number of Ordinary Shares in the open market without exerting a downward pressure on the price of the Ordinary Shares, while the Offer provides an assured opportunity to the Independent Shareholders to realise their investments in the Company; and
- (ix) the PE Ratio and the PB Ratio of the Ordinary Shares implied by the Offer Price being within the range of those of the Comparable Companies and similar to the average of the PE Ratio (excluding the outlying PE Ratio) and the PB Ratio of the Comparable Companies.

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we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

The Independent Shareholders who wish to realise part or all of their investments in the Company are reminded to carefully and closely monitor the market price of the Ordinary Shares during the Offer Period and consider selling their Ordinary Shares in the open market, if the net proceeds of such sale after deducting all transaction costs exceed the net amount to be received under the Offer, instead of accepting the Offer.

The Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in the letter from GTJA Capital and in Appendix I to the Composite Document.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Benny Ng
Senior Director

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer.

1.1 The Offer

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Share(s) in respect of which you intend to accept the Offer, by post or by hand, to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, marked “**China Greenland Rundong Auto Group Limited — Offer**” on the envelope, in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Share(s) (whether in full or in part), you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorizing it to accept the Offer on your behalf and requesting it to deliver it in an envelope marked “**China Greenland Rundong Auto Group Limited — Offer**” with the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Share(s) to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Share(s) has/have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian

bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Share(s) has/have been lodged with your investor participant's account maintained with CCASS, authorize your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Share(s), the Form of Acceptance should nevertheless be completed and delivered in an envelope marked "**China Greenland Rundong Auto Group Limited — Offer**" to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged transfer(s) of any of your Share(s) for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Share(s), you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked "**China Greenland Rundong Auto Group Limited — Offer**" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or GTJA Securities or their respective agent(s) to collect from the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorize and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance in accordance with Note 1 to Rule 30.2 of the Takeovers Code, is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or

such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code) and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:

- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Share(s); or
- (ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Share(s) which is/are not taken into account under another sub-paragraph of this paragraph (e)); or
- (iii) inserted in the Form of Acceptance, the total number of Shares equal to that represented by the certificates for Shares tendered for acceptance of the Offer. If no number is inserted or a number inserted in excess or smaller than that represented by the certificates for Shares tendered for acceptance of the Offer, the Form of Acceptance will be returned to you for correction and resubmission. Any corrected Form of Acceptance must be resubmitted and received by the Registrar on or before the latest time of acceptance of the Offer; or
- (iv) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (f) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (g) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Shares.

1.2 General

Subject to the terms of the Takeovers Code, acceptance(s) of the Offer may, at the discretion of the Offeror, be treated as valid even if not entirely in order or not accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of the relevant Share(s) (and/or any satisfactory indemnity or indemnities required in respect thereof), but, in such cases, the consideration due will not be despatched until the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) has/have been received by the Registrar.

2. SETTLEMENT OF THE OFFER

Provided that a valid Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order and in all respects and have been received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount due to each of the Shareholders who accept the Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him/her/it under the Offer will be despatched to such Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days from the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Registrar to render each such acceptance complete and valid.

Settlement of the consideration to which any Shareholder is entitled under the Offer will be implemented in full in accordance with its terms (save in respect of the payment of the seller's ad valorem stamp duty in respect of the Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

No fractions of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) The Offer is made on July 27, 2016, being the date of despatch of this Composite Document, and is open for acceptance on and from this date.
- (b) Unless the Offer has previously been extended or revised with the consent of the Executive and in accordance with the Takeovers Code, to be valid, the Form of Acceptance must be received by the Registrar by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the Form of Acceptance.

- (c) The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on the Closing Date stating whether the Offer have been extended, revised or has closed for acceptance.
- (d) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (e) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (f) If the closing date of the Offer is extended, any reference in this Composite Document and in the relevant Form of Acceptance to the closing date shall, except where the context otherwise requires be deemed to refer to the closing date of the Offer so extended.
- (g) Any acceptance of the relevant revised Offer shall be irrevocable unless and until the Independent Shareholder who accepted the Offer becomes entitled to withdraw their acceptance under the paragraph headed "Right of withdrawal" below duly do so.

4. ANNOUNCEMENT

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer has been revised or extended or has expired.

The announcement will state the total number of Shares:

- (i) for which acceptances of the Offer has been received;
- (ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired by the Offeror and persons acting in concert with it during the Offer Period.

The announcement must include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold. The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and satisfy the acceptance conditions set out in paragraph 1 of this Appendix and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code regarding publication of documents, all announcements in relation to the Offer will be made in accordance with the requirements of the Listing Rules.

5. NOMINEE REGISTRATION

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below. Subject to the above requirements, an acceptor of the Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar or the Company, as the case may be.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “Announcement” above, the Executive may require that the Independent Shareholders, who have tendered acceptances to the Offer to be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Independent Shareholder(s) withdraw(s) the acceptances, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title lodged with the Form of Acceptance to the relevant Independent Shareholders at their own risks.

7. OVERSEAS SHAREHOLDERS

The Offer will be made available to all the Independent Shareholders, including the Overseas Shareholders. The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. The Overseas Shareholders should observe any applicable legal or regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full

observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

8. STAMP DUTY

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer (or part thereof) at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Shareholders, or if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amount payable to those relevant Shareholders who accept the Offer.

The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

9. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, GTJA Capital, GTJA Securities, Optima Capital, the Registrar and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

10. GENERAL

- (a) All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, the Company and their ultimate beneficial owners and parties acting in concert with any of them, GTJA Capital, GTJA Securities, Optima Capital, the Registrar or any of their respective directors or other parties involved in the Offer or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.

- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer are made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) The Offer is made in accordance with the Takeovers Code.
- (f) Due execution of the Form of Acceptance will constitute an authority to the Offeror, GTJA Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (g) By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all liens, claims, encumbrances and all third party rights and together with all rights attaching or accruing thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document. The making of the Offer to a person with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Overseas Shareholders with registered addresses in jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.
- (h) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Offer.
- (i) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension or revision thereof.
- (j) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the Form of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (k) In making their decision, the Independent Shareholders, in addition to considering the information contained in the “Letter from GTJA Securities”, “Letter from the Board”, “Letter from the Independent Board Committee” and “Letter from Optima Capital” as set out in this Composite Document, must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, the Company,

their respective ultimate beneficial owners and parties acting in concert with them, GTJA Capital and GTJA Securities. The Independent Shareholders should consult their own professional advisers for professional advice.

- (1) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation in case of inconsistency.

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated results and financial information of the Group for each of the years ended December 31, 2013, 2014 and 2015, as extracted from the published financial statements of the Company for the relevant periods.

	For the year ended December 31		
	2013	2014	2015
	(Audited)	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	11,587,838	15,469,317	14,923,054
Cost of sales	(10,585,534)	(14,030,217)	(13,532,583)
Gross profit	1,002,304	1,439,100	1,390,471
Other income and gains	244,532	252,006	267,092
Selling and distribution costs	(265,920)	(417,995)	(444,759)
Administrative expenses	(284,221)	(443,964)	(487,711)
Other expenses	(17,884)	(10,701)	(10,727)
Finance costs	<u>(291,147)</u>	<u>(350,484)</u>	<u>(390,283)</u>
Profit before taxation	387,664	467,962	324,083
Taxation	<u>(139,271)</u>	<u>(155,032)</u>	<u>(115,184)</u>
Profit and total comprehensive income for the year	<u>248,393</u>	<u>312,930</u>	<u>208,899</u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company	238,959	305,422	203,303
Non-controlling interests	<u>9,434</u>	<u>7,508</u>	<u>5,596</u>
	<u>248,393</u>	<u>312,930</u>	<u>208,899</u>
Earnings per Ordinary Share			
— Basic (RMB)	0.30	0.34	0.20
Total assets	8,251,697	10,509,124	12,692,785
Total liabilities	<u>7,307,260</u>	<u>8,769,521</u>	<u>9,476,055</u>
Total equity	<u>944,437</u>	<u>1,739,603</u>	<u>3,216,730</u>

The auditor of the Company, Ernst & Young, did not issue any qualified opinion on the financial statements of the Group for each of the years ended December 31, 2013, 2014 and 2015 and the Company had no items which are exceptional because of size, nature or incidence for each of the years ended December 31, 2013, 2014 and 2015.

On July 23, 2014 (which was before the date on which the Ordinary Shares were listed on the Stock Exchange), the Directors of the Company declared a special dividend of RMB330.0 million out of historical profits of the Company to its then shareholders. The total number of Ordinary Shares entitled to the special dividend was 829,500,000, which has taken into account the share consolidation which took effect on July 23, 2014. Each of Rundong Fortune (holder of 484,016,000 Ordinary Shares), Rundong Smart (holder of 35,984,000 Ordinary Shares) and KKR Auto (holder of 280,000,000 Ordinary Shares) was entitled to RMB199.7 million (RMB0.41 per Ordinary Share), RMB14.8 million (RMB0.41 per Ordinary Share) and RMB115.5 million (RMB0.41 per Ordinary Share), respectively. Runda, a then shareholder of the Company holding 29,500,000 Ordinary Shares, decided not to take up the special dividend. No dividend has been declared by the Company since July 23, 2014.

2. LATEST PUBLISHED FINANCIAL INFORMATION

The followings are the consolidated results and financial information of the Group for the two years ended December 31, 2015 and 2014 together with the accompanying notes relating thereto as extracted from the annual reports of the Company for the two years ended December 31, 2015 and 2014, respectively.

Consolidated Statement of Profit or Loss

For the year ended December 31, 2015

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Revenue	<i>5(a)</i>	14,923,054	15,469,317
Cost of sales	<i>6(b)</i>	(13,532,583)	(14,030,217)
Gross profit		1,390,471	1,439,100
Other income and gains, net	<i>5(b)</i>	267,092	252,006
Selling and distribution costs		(444,759)	(417,995)
Administrative expenses		(487,711)	(443,964)
Other expenses		(10,727)	(10,701)
Finance costs	<i>7</i>	<u>(390,283)</u>	<u>(350,484)</u>
Profit before tax	<i>6</i>	324,083	467,962
Income tax expense	<i>8</i>	<u>(115,184)</u>	<u>(155,032)</u>
Profit for the year		<u>208,899</u>	<u>312,930</u>
Profit for the year attributable to:			
Owners of the parent		203,303	305,422
Non-controlling interests		<u>5,596</u>	<u>7,508</u>
		<u>208,899</u>	<u>312,930</u>
Earnings per share attributable to ordinary equity holders of the parent:	<i>12</i>		
Basic			
— For profit for the year (RMB)		<u>0.20</u>	<u>0.34</u>
Diluted			
— For profit for the year (RMB)		<u>0.16</u>	<u>0.34</u>

Consolidated Statement of Profit or Loss*For the year ended December 31, 2015*

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>208,899</u>	<u>312,930</u>
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(814)</u>	<u>(499)</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<u>(814)</u>	<u>(499)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>(814)</u>	<u>(499)</u>
Total comprehensive income for the year, net of tax	<u>208,085</u>	<u>312,431</u>
Total comprehensive income for the year attributable to:		
Owners of the parent	202,489	304,923
Non-controlling interests	<u>5,596</u>	<u>7,508</u>
	<u>208,085</u>	<u>312,431</u>

Consolidated Statement of Financial Position*At December 31, 2015*

		31 December 2015	31 December 2014
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>13</i>	3,249,299	2,640,307
Land use rights	<i>14</i>	480,802	343,688
Intangible assets	<i>15</i>	484,763	213,702
Prepayments	<i>16</i>	389,413	436,474
Finance lease receivables	<i>17</i>	2,426	—
Goodwill	<i>18</i>	700,724	207,146
Available-for-sale investments	<i>19</i>	102,000	102,000
Deferred tax assets	<i>29</i>	<u>10,657</u>	<u>7,458</u>
Total non-current assets		<u><u>5,420,084</u></u>	<u><u>3,950,775</u></u>
CURRENT ASSETS			
Inventories	<i>20</i>	1,810,452	1,899,654
Trade receivables	<i>21</i>	251,775	208,722
Finance lease receivables	<i>17</i>	2,750	—
Prepayments, deposits and other receivables	<i>22</i>	2,317,658	1,395,302
Cash in transit	<i>23</i>	47,606	60,017
Pledged bank deposits	<i>24</i>	1,329,248	1,922,496
Cash and cash equivalents	<i>25</i>	<u>1,513,212</u>	<u>1,072,158</u>
Total current assets		<u><u>7,272,701</u></u>	<u><u>6,558,349</u></u>
TOTAL ASSETS		<u><u>12,692,785</u></u>	<u><u>10,509,124</u></u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>28</i>	1,403,609	680,944
Deferred tax liabilities	<i>29</i>	<u>149,384</u>	<u>55,486</u>
Total non-current liabilities		<u><u>1,552,993</u></u>	<u><u>736,430</u></u>

		31 December 2015	31 December 2014
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
CURRENT LIABILITIES			
Trade and bills payables	26	2,775,017	3,638,877
Other payables and accruals	27	1,092,543	934,840
Interest-bearing bank and other borrowings	28	3,806,306	3,253,060
Income tax payable		<u>249,196</u>	<u>206,314</u>
Total current liabilities		<u>7,923,062</u>	<u>8,033,091</u>
NET CURRENT LIABILITIES		<u>(650,361)</u>	<u>(1,474,742)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,769,723</u>	<u>2,476,033</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	5	3
Reserves	31	<u>3,122,533</u>	<u>1,651,004</u>
		3,122,538	1,651,007
Non-controlling interests		<u>94,192</u>	<u>88,596</u>
Total equity		<u>3,216,730</u>	<u>1,739,603</u>
TOTAL EQUITY AND LIABILITIES		<u><u>12,692,785</u></u>	<u><u>10,509,124</u></u>

Consolidated Statement of Changes In Equity

For the year ended December 31, 2015

	Attributable to owners of the parent						Exchange fluctuation reserve	Total	Non- controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Share option reserve	Statutory reserve	Retained earnings				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(note 30)	(note 30)	(note 31(i))	(note 33)	(note 31(ii))		(note 31(iii))			
At 1 January 2014	—	—	522,799	8,230	81,315	275,779	(852)	887,271	57,166	944,437
Profit for the year	—	—	—	—	—	305,422	—	305,422	7,508	312,930
Other comprehensive loss	—	—	—	—	—	—	(499)	(499)	—	(499)
Total comprehensive income/(loss) for the year	—	—	—	—	—	305,422	(499)	304,923	7,508	312,431
Issue of share capital	3	665,372	(2)	—	—	—	—	665,373	—	665,373
Exercise of share options	—	94,752	—	(29,402)	—	—	—	65,350	—	65,350
Special dividend to the then shareholders	—	—	—	—	—	(297,000)	—	(297,000)	—	(297,000)
Capital contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	23,922	23,922
Transfer from retained earnings	—	—	—	—	48,046	(48,046)	—	—	—	—
Equity-settled share option arrangements	—	—	—	25,090	—	—	—	25,090	—	25,090
At 31 December 2014 and at 1 January 2015	3	760,124*	522,797*	3,918*	129,361*	236,155*	(1,351)*	1,651,007	88,596	1,739,603
Profit for the year	—	—	—	—	—	203,303	—	203,303	5,596	208,899
Other comprehensive income	—	—	—	—	—	—	(814)	(814)	—	(814)
Total comprehensive income for the year	—	—	—	—	—	203,303	(814)	202,489	5,596	208,085
Issue of share capital	2	1,266,524	—	—	—	—	—	1,266,526	—	1,266,526
Transfer from retained earnings	—	—	—	—	35,155	(35,155)	—	—	—	—
Equity-settled share option arrangements	—	—	—	2,516	—	—	—	2,516	—	2,516
At 31 December 2015	5	2,026,648*	522,797*	6,434*	164,516*	404,303*	(2,165)*	3,122,538	94,192	3,216,730

* These reserve accounts comprise the consolidated reserves of RMB1,651,004,000 and RMB3,122,533,000, respectively, in the consolidated statements of financial position as at 31 December 2014 and 2015.

Consolidated Statement of Cash Flows
For the year ended December 31, 2015

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Operating activities			
Profit before tax		324,083	467,962
Adjustments for:			
Depreciation	<i>6(c)</i>	227,369	170,962
Amortisation of intangible assets	<i>6(c)</i>	28,569	14,892
Amortisation of land use rights	<i>6(c)</i>	13,953	8,709
Finance costs	<i>7</i>	390,283	350,484
Interest income	<i>5(b)</i>	(19,026)	(18,490)
Loss on disposal of items of property, plant and equipment	<i>6(c)</i>	6,557	5,611
Equity-settled share option expense	<i>33</i>	2,516	25,090
Decrease/(increase) in inventories		294,500	(259,965)
Decrease/(increase) in trade receivables		10,790	(18,572)
Increase in prepayments, deposits and other receivables		(556,683)	(257,918)
Increase in finance lease receivables		(5,176)	—
Decrease/(increase) in pledged bank deposits		984,751	(907,636)
Decrease/(increase) in cash in transit		21,625	(36,672)
(Decrease)/increase in trade and bills payables		(1,217,464)	900,815
(Decrease)/increase in other payables and accruals		<u>(633,729)</u>	<u>126,686</u>
		(127,082)	571,958
Income taxes paid		<u>(82,930)</u>	<u>(122,432)</u>
Net cash flows (used in)/generated from operating activities		<u>(210,012)</u>	<u>449,526</u>
Investing activities			
Purchase of items of property, plant and equipment		(340,038)	(1,091,582)
Proceeds from disposal of items of property, plant and equipment		73,732	119,681
Purchase of land use rights		(6,376)	(17,771)
Purchase of intangible assets		(1,856)	(7,035)
Interest received		19,026	18,490
Prepayment for potential acquisitions		(379,801)	(418,485)
Acquisition of subsidiaries	<i>32</i>	<u>(94,474)</u>	<u>—</u>
Net cash flows used in investing activities		<u>(729,787)</u>	<u>(1,396,702)</u>

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Financing activities			
Proceeds from issue of shares		1,266,526	665,373
Proceeds from exercise of share options		—	65,350
Proceeds from interest-bearing bank and other borrowings		8,373,639	6,822,538
Repayment of interest-bearing bank and other borrowings		(8,090,499)	(6,133,933)
Interest paid		(392,621)	(362,227)
Dividend paid		(103,950)	—
Capital contribution from non-controlling interests of subsidiaries		—	23,922
Repayment from a substantial shareholder, net		—	266,107
Decrease in pledged bank deposits		<u>328,572</u>	<u>255,218</u>
Net cash flows generated from financing activities		<u><u>1,381,667</u></u>	<u><u>1,602,348</u></u>
Net increase in cash and cash equivalents		441,868	655,172
Net foreign exchange differences		(814)	(499)
Cash and cash equivalents at beginning of year		<u>1,072,158</u>	<u>417,485</u>
Cash and cash equivalents at end of year	25	<u><u>1,513,212</u></u>	<u><u>1,072,158</u></u>
Analysis of balances of cash and cash equivalents			
Cash and bank balances	25	<u>1,513,212</u>	<u>1,072,158</u>
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		<u><u>1,513,212</u></u>	<u><u>1,072,158</u></u>

Statement of Financial Position*At December 31, 2015*

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
NON-CURRENT ASSETS			
Investments in subsidiaries	40	<u>4,328,731</u>	<u>3,178,731</u>
CURRENT ASSETS			
Cash and cash equivalents		106,149	176,084
Due from subsidiaries		<u>1,301,388</u>	<u>266,089</u>
Total current assets		<u>1,407,537</u>	<u>442,173</u>
TOTAL ASSETS		<u>5,736,268</u>	<u>3,620,904</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		<u>942,221</u>	<u>—</u>
CURRENT LIABILITIES			
Other payables and accruals		<u>13,320</u>	<u>117,270</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,722,948</u>	<u>3,503,634</u>
NET ASSETS		<u>4,780,727</u>	<u>3,503,634</u>
EQUITY			
Share capital	30	5	3
Reserves		<u>4,780,722</u>	<u>3,503,631</u>
TOTAL EQUITY		<u>4,780,727</u>	<u>3,503,634</u>

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated on 15 January 2014 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 August 2014.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the sale and service of motor vehicles in Mainland China.

On 21 August 2015, the Company changed its registered name from China Rundong Auto Group Limited (中國潤東汽車集團有限公司) to China Greenland Rundong Auto Group Limited (中國綠地潤東汽車集團有限公司).

2.1 BASIS OF PRESENTATION

Through a group reorganisation (the “Reorganisation”) as set out in the section headed “History and Reorganisation” in the Prospectus dated 31 July 2014 for the public listing of the Company’s shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 22 January 2014. The shares of the Company were listed on the Stock Exchange on 12 August 2014.

The consolidated financial statements of the Group have been prepared and presented based on the principle of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), as if the Reorganisation had been completed as at the beginning of the year for the purpose of this report.

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

The Group recorded net current liabilities of RMB650,361,000 as at 31 December 2015. The Directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the financial statements are prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. 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 financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

The nature and the impact of each amendment is described below:

- (a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.
- (b) The Annual Improvements to HKFRSs 2010–2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
 - HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.
 - HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 Related Party Disclosures: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.
- (c) The Annual Improvements to HKFRSs 2011–2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
- HKFRS 3 Business Combinations: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.
 - HKFRS 13 Fair Value Measurement: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.
 - HKAS 40 Investment Property: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as no acquisition of investment properties during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 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 these financial statements.

HKFRS 9	<i>Financial Instruments</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities : Applying the Consolidation Exception</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ¹
<i>Annual Improvements 2012–2014 Cycle</i>	Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

⁴ No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective

date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018. During the year ended 31 December 2015, the Group performed a preliminary assessment on the impact of the adoption of HKFRS 15.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(b) Fair value measurement

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 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 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on 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 levels in the hierarchy by reassessing 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.

(c) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current 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 of disposal, 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.

(d) 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);
 - (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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

(e) 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	15–20 years	3%
Leasehold improvements	Over the shorter of the lease terms and 5 years	—
Plant and machinery	10 years	3%
Furniture and fixtures	3–5 years	3%
Motor vehicles	6 years	3%

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 any 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.

(f) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. 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:

Category	Estimated useful life
Software	5 years
Dealership relationship	15–20 years
Customer relationship	15 years
Insurance license	15 years

(g) 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, including prepaid land lease payments under 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 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.

The Group as lessor

Amounts due from lessees under finance leases of passenger vehicles are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(h) Land use rights

All land in Mainland China is state-owned and no individual land ownership rights exist. The Group acquires the rights to use certain land and the consideration paid for such rights are recorded as land use rights, which are amortised over the lease terms ranging from 20 to 50 years using the straight-line method.

(i) Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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, except in the case of financial assets recorded at fair value through profit or loss.

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.

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 finance income 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 other expenses for receivables.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

(j) 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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

(k) 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 individually whether objective evidence of 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 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 a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

(I) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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 include trade and bills payables, other payables and accruals, interest-bearing bank 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 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.

(m) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

(n) 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.

(o) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

(p) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated on a 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 the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(q) 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 consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with initial terms of three months or less, which are not restricted as to use.

(r) Income tax

Income tax comprises current and deferred income 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 income tax liabilities are recognised for all taxable temporary differences, except:

- (i) Where the deferred income tax liability arises from the initial recognition of goodwill or 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
- (ii) 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:

- (i) 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
- (ii) 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 income 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 income tax asset to be utilised. Unrecognised deferred income 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 income tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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 only 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.

(s) 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 periods 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.

(t) 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, on the percentage of completion basis, in the period in which the services are rendered;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (e) dividend income, when the shareholders' right to receive payment has been established; and
- (f) finance lease income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

(u) Vendor rebate

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.

(v) Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 to the financial statements.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(w) Other 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 certain percentages 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.

(x) 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 ranging between 8.00% and 8.97% has been applied to the expenditure on the individual assets.

(y) Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were 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. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(z) Foreign currencies

These financial statements are 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 are initially recorded using the 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 measured. The gain or loss arising on translation 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 RMB. The functional currency of Mainland China subsidiaries is RMB. As the Group mainly operates in Mainland China, RMB is used as the presentation currency of the Group. 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. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, 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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated 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 judgment 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 RMB7,458,000 and RMB10,657,000 as at 31 December 2014 and 2015, respectively. More details are given in note 29.

Operating lease commitments

The Group has entered into commercial property leases on its property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

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 goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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 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

Property, plant and equipment are depreciated on the straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives periodically to determine the related depreciation charges for its property, plant and equipment. The estimation is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions, with consideration of market condition. Management will increase the depreciation charges when useful lives become shorter than previously estimated.

Useful lives of intangible assets

Intangible assets are amortised on the straight-line basis with nil residual value. The Group reviews the estimated useful lives periodically to determine the related amortisation charges for its intangible assets. The estimation is based on useful lives as determined by comparable companies in the same industry and the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition. Management will increase the amortisation charges when useful lives become shorter than previously estimated.

4. SEGMENT INFORMATION

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

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

Information about geographical area

Since all of the Group's revenue was generated from the sale and service of motor vehicles in Mainland China and all of the Group's identifiable assets and liabilities were located in Mainland China, no geographical information is presented.

Information about major customers

Since no revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2014 and 2015, no information about major customer is presented.

5. REVENUE, OTHER INCOME AND GAINS, NET**(a) Revenue**

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Revenue from the sale of motor vehicles	12,972,579	13,828,960
Others	<u>1,950,475</u>	<u>1,640,357</u>
	<u><u>14,923,054</u></u>	<u><u>15,469,317</u></u>

(b) Other income and gains, net

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Commission income	193,422	191,940
Advertisement support received from motor vehicle manufacturers	32,286	29,172
Interest income	19,026	18,490
Rental income	7,557	3,569
Government grants	4,484	2,704
Others	<u>10,317</u>	<u>6,131</u>
	<u><u>267,092</u></u>	<u><u>252,006</u></u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
(a) Employee benefit expense (excluding directors' and chief executive's remuneration (<i>note 9</i>)):		
Wages and salaries	189,990	199,294
Equity-settled share option expense	2,516	6,690
Other welfare	<u>98,534</u>	<u>72,038</u>
	<u>291,040</u>	<u>278,022</u>
(b) Cost of sales and services:		
Cost of sales of motor vehicles	12,430,503	13,123,786
Others	<u>1,102,080</u>	<u>906,431</u>
	<u>13,532,583</u>	<u>14,030,217</u>
(c) Other items:		
Depreciation of items of property, plant and equipment	227,369	170,962
Advertisement and business promotion expenses	73,992	70,031
Lease expenses	60,483	55,161
Amortisation of intangible assets	28,569	14,892
Bank charges	10,110	14,688
Amortisation of land use rights	13,953	8,709
Loss on disposal of items of property, plant and equipment	<u>6,557</u>	<u>5,611</u>

7. FINANCE COSTS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Interest expense on bank borrowings wholly repayable within five years	344,550	340,315
Interest expense on other borrowings	48,071	21,912
Less: interest capitalised	<u>(2,338)</u>	<u>(11,743)</u>
	<u>390,283</u>	<u>350,484</u>

8. TAX

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Current:		
Mainland China corporate income tax	125,812	155,077
Deferred tax (<i>note 29</i>)	<u>(10,628)</u>	<u>(45)</u>
	<u>115,184</u>	<u>155,032</u>

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-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gain or appreciation shall apply to the Company or its operations.

The subsidiary incorporated in the British Virgin Islands (“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 BVI.

The subsidiaries incorporated in Hong Kong are subject to profits tax at the rate of 16.5% during the years ended 31 December 2014 and 2015. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2014 and 2015.

According to the Corporate Income Tax Law of the People’s Republic of China (the “CIT Law”), the income tax rate 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 rate for the region in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit before tax	<u>324,083</u>	<u>467,962</u>
Tax at the applicable tax rate (25%)	81,021	116,991
Adjustments in respect of current tax of previous years	901	960
Expenses not deductible for tax	12,996	11,364
Tax losses utilised from previous years	—	(535)
Tax losses not recognised	19,872	21,354
Deductible temporary differences not recognised	30	27
Recognition of deferred tax assets not recognised in previous periods	364	—
Effect of withholding tax at 10% on the distributable profits of the Group’s PRC subsidiaries	<u>—</u>	<u>4,871</u>
Tax charge	<u>115,184</u>	<u>155,032</u>

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December 2015				Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	
Executive directors:					
Mr. Yang Peng*	—	912	33	—	945
Mr. Liu Dongli	—	768	35	—	803
Mr. Zhao Zhongjie	—	757	40	—	797
Mr. Liu Jian	—	576	35	—	611
Mr. Li Xiang**	—	251	23	—	274
Non-executive directors:					
Mr. Yan Sujian	—	540	—	—	540
Mr. Liu Haifeng**	—	—	—	—	—
Mr. Zhao Fu	—	—	—	—	—
Mr. Li Wei	—	—	—	—	—
Mr. Wu Zhengkui	—	—	—	—	—
Mr. Xiao Zhengsan	220	—	—	—	220
Mr. Mei Jianping	220	—	—	—	220
Mr. Peng Zhenghuai	220	—	—	—	220
Mr. Li Gangwei	220	—	—	—	220
	<u>880</u>	<u>3,804</u>	<u>166</u>	<u>—</u>	<u>4,850</u>

* Mr. Yang Peng who acted as an executive director of the Company was also chief executive officer of the Company for the year ended 31 December 2015.

** On 14 August 2015, Mr. Li Xiang and Mr. Liu Hai Haifeng resigned from their positions as an executive director and a non-executive director, respectively, and Mr. Li Wei and Mr. Wu Zhengkui were appointed as new non-executive directors of the Company.

	Year ended 31 December 2014				Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	
Executive directors:					
Mr. Yang Peng***	—	997	13	—	1,010
Mr. Liu Dongli	—	862	37	7,799	8,698
Mr. Zhao Zhongjie	—	805	37	4,135	4,977
Mr. Liu Jian	—	645	28	2,539	3,212
Mr. Li Xiang	—	602	28	485	1,115
Non-executive directors:					
Mr. Yan Sujian	610	—	—	3,442	4,052
Mr. Liu Haifeng	—	—	—	—	—
Mr. Zhao Fu	—	—	—	—	—
Mr. Xiao Zhengsan	92	—	—	—	92
Mr. Mei Jianping	92	—	—	—	92
Mr. Peng Zhenghuai	92	—	—	—	92
Mr. Li Gangwei	92	—	—	—	92
	<u>978</u>	<u>3,911</u>	<u>143</u>	<u>18,400</u>	<u>23,432</u>

*** Mr. Yang Peng who acted as an executive director of the Company was also chief executive officer of the Company for the year ended 31 December 2014.

During the year ended 31 December 2014, certain executive directors, a non-executive director and the chief executive were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 33 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year ended 31 December 2014 is included in the above directors' and chief executive's remuneration disclosures.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2014 and 2015.

10. FIVE HIGHEST PAID EMPLOYEES

The five individuals whose emoluments were the highest for the years ended 31 December 2014 and 2015 include four and four directors, respectively, whose emoluments are reflected in the analysis presented in note 9 above.

Details of the remuneration for the year of the remaining one (2014: one) highest paid employee who are neither a director nor chief executive of the Company are as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Salaries, bonuses, allowances and benefits in kind	593	621
Pension scheme contributions	35	37
Equity-settled share option expense	—	981
	<u>628</u>	<u>1,639</u>

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Nil to RMB1,000,000	1	—
RMB1,000,001 to RMB1,500,000	—	—
RMB1,500,001 to RMB2,000,000	—	1
	<u>1</u>	<u>1</u>

During the year ended 31 December 2014, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group under the share option scheme of the Company, further details of which are included in note 33 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year ended 31 December 2014 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. DIVIDENDS

The Board of the directors does not recommend payment of dividend to the ordinary equity holders of the Company for the year ended 31 December 2015 (2014: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,026,474,750 (2014: 902,927,750) in issue during the year.

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

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	<u>203,303</u>	<u>305,422</u>
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,026,474,750	902,927,750
Effect of dilution weighted average number of ordinary shares:		
Conversion preference shares	249,100,780	—
Share options	<u>1,843,127</u>	<u>6,082,506</u>
	<u>1,277,418,657</u>	<u>909,010,256</u>
	2015	2014
Earnings per share		
Basic (RMB)	<u>0.20</u>	<u>0.34</u>
Diluted (RMB)	<u>0.16</u>	<u>0.34</u>

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:							
At 1 January 2015	2,031,726	124,373	176,401	148,519	367,831	166,056	3,014,906
Additions	22,066	188,410	18,676	25,403	101,412	11,585	367,552
Transfers	69,795	148,081	9,643	7,842	—	(235,361)	—
Acquisition of subsidiaries (note 32)	202,786	62,461	22,852	25,413	38,006	238,593	590,111
Disposals	<u>(4,789)</u>	<u>—</u>	<u>—</u>	<u>(2,120)</u>	<u>(100,282)</u>	<u>—</u>	<u>(107,191)</u>
At 31 December 2015	<u>2,321,584</u>	<u>523,325</u>	<u>227,572</u>	<u>205,057</u>	<u>406,967</u>	<u>180,873</u>	<u>3,865,378</u>
Accumulated depreciation:							
At 1 January 2015	(174,350)	(8,867)	(42,186)	(71,641)	(77,555)	—	(374,599)
Depreciation provided during the year	(81,144)	(34,830)	(17,258)	(32,381)	(61,756)	—	(227,369)
Acquisition of subsidiaries (note 32)	(18,942)	(1,353)	(5,716)	(10,032)	(6,038)	—	(42,081)
Disposals	<u>1,368</u>	<u>—</u>	<u>—</u>	<u>1,051</u>	<u>25,551</u>	<u>—</u>	<u>27,970</u>
At 31 December 2015	<u>(273,068)</u>	<u>(45,050)</u>	<u>(65,160)</u>	<u>(113,003)</u>	<u>(119,798)</u>	<u>—</u>	<u>(616,079)</u>
Net book value:							
At 31 December 2014	<u>1,857,376</u>	<u>115,506</u>	<u>134,215</u>	<u>76,878</u>	<u>290,276</u>	<u>166,056</u>	<u>2,640,307</u>
At 31 December 2015	<u>2,048,516</u>	<u>478,275</u>	<u>162,412</u>	<u>92,054</u>	<u>287,169</u>	<u>180,873</u>	<u>3,249,299</u>

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2014	1,447,010	10,077	122,145	121,901	268,263	194,887	2,164,283
Additions	48,816	9,313	31,056	28,782	207,119	693,115	1,018,201
Transfers	588,668	104,983	23,433	4,862	—	(721,946)	—
Disposals	(52,768)	—	(233)	(7,026)	(107,551)	—	(167,578)
At 31 December 2014	<u>2,031,726</u>	<u>124,373</u>	<u>176,401</u>	<u>148,519</u>	<u>367,831</u>	<u>166,056</u>	<u>3,014,906</u>
Accumulated depreciation:							
At 1 January 2014	(111,587)	(5,242)	(29,846)	(50,017)	(49,231)	—	(245,923)
Depreciation provided during the year	(87,330)	(3,625)	(12,510)	(23,485)	(44,012)	—	(170,962)
Disposals	24,567	—	170	1,861	15,688	—	42,286
At 31 December 2014	<u>(174,350)</u>	<u>(8,867)</u>	<u>(42,186)</u>	<u>(71,641)</u>	<u>(77,555)</u>	<u>—</u>	<u>(374,599)</u>
Net book value:							
At 31 December 2013	<u>1,335,423</u>	<u>4,835</u>	<u>92,299</u>	<u>71,884</u>	<u>219,032</u>	<u>194,887</u>	<u>1,918,360</u>
At 31 December 2014	<u>1,857,376</u>	<u>115,506</u>	<u>134,215</u>	<u>76,878</u>	<u>290,276</u>	<u>166,056</u>	<u>2,640,307</u>

The application for the property ownership certificates for certain buildings with net book values of approximately RMB273,535,000 and RMB258,818,000, respectively, as at 31 December 2014 and 2015 was still in progress.

Certain of the Group's buildings with aggregate net book values of approximately RMB427,704,000 and RMB430,003,000, respectively, as at 31 December 2014 and 2015 were pledged as security for the Group's interest-bearing bank and other borrowings (note 28).

Certain of the Group's buildings with aggregate net book values of RMB41,985,000 and RMB27,570,000, respectively, as at 31 December 2014 and 2015 do not have building ownership certificates because they were built on land where the Group did not have the land use right certificates. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group can build the relevant buildings on such land, (2) no fine will be imposed on the Group for the use of land, (3) the relevant bureaus will not confiscate the constructions and other facilities built on such land, and (4) the Group will not be required to return the relevant land before public bidding. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or confiscating the buildings is relatively low.

As set out in Note 32, certain of the Group's buildings acquired during the year with aggregate net book values of RMB106,997,000 as at 31 December 2015 do not have building ownership certificates because they were built on land where the Group did not have the land use right certificates. The Group has obtained the undertaking from the former controlling shareholders of those dealership stores (the "Sellers"), in the event that government authorities imposes a fine on the Group or confiscates the buildings, the Sellers shall indemnify the Group for all the losses suffered by the Group. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or confiscating the buildings is relatively low.

14. LAND USE RIGHTS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Cost		
At the beginning of the year	376,377	376,377
Additions	12,938	—
Acquisition of subsidiaries (<i>note 32</i>)	<u>150,161</u>	<u>—</u>
At the end of the year	<u>539,476</u>	<u>376,377</u>
Accumulated amortisation		
At the beginning of the year	(32,689)	(23,980)
Charge for the year	(13,953)	(8,709)
Acquisition of subsidiaries (<i>note 32</i>)	<u>(12,032)</u>	<u>—</u>
At the end of the year	<u>(58,674)</u>	<u>(32,689)</u>
Net book value:		
At the end of the year	<u>480,802</u>	<u>343,688</u>

The Group's land use rights are related to land located in Mainland China. The remaining periods of the land use rights of the Group are from 12 to 48 years.

Certain of the Group's land use rights with aggregate net book values of approximately RMB209,612,000 and RMB185,641,000, respectively, as at 31 December 2014 and 2015 were pledged as security for the Group's interest-bearing bank and other borrowings (*note 28*).

Certain of the Group's land use rights are rights with aggregate net book values of RMB13,925,000 and RMB11,744,000, respectively, as at 31 December 2014 and 2015, of which the Group had not obtained the land use right certificates. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group can build and operate dealership stores on such land, (2) no fine will be imposed on the Group for the use of land, (3) the relevant bureaus will not confiscate the constructions and other facilities built on such land, and (4) the Group will not be required to return the relevant land before public bidding. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or requiring the Group to return the relevant land before public bidding is relatively low.

Included in the Group's land use rights are rights to some parcels of land, with aggregate net book values of RMB49,842,000 and RMB34,703,000, respectively, as at 31 December 2014 and 2015, which the Group did not use for their designated usage. Under applicable PRC laws and regulations, government approval is required for land use rights holders to change the designated usage for the land. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group is the legal land use right holder of the relevant lands with full payment made, (2) the relevant bureaus are aware of the Group's present use of the land as dealership stores, and (3) there will be no fines or additional land grant fees to be imposed by the relevant bureaus and the Group will not be required to return the land to the government. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or requiring the Group to return the relevant land is relatively low.

As set out in *Note 32*, certain of the Group's land use rights acquired during the year with aggregate net book values of RMB75,666,000 as at 31 December 2015 were not used for their designated usage. The Group has obtained the undertaking from the Sellers, in the event that government authorities impose a fine on the Group or confiscates the land use rights, the Sellers shall indemnify the Group for all the losses suffered by the Group. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or requiring the Group to return the relevant land is relatively low.

15. INTANGIBLE ASSETS

	Software RMB'000	Dealership relationship RMB'000	Customer relationship RMB'000	Insurance license RMB'000	Total RMB'000
Cost					
At 1 January 2015	19,394	141,300	50,137	26,500	237,331
Additions	1,856	—	—	—	1,856
Acquisition of subsidiaries (note 32)	2,102	212,600	83,712	—	298,414
At 31 December 2015	23,352	353,900	133,849	26,500	537,601
Accumulated amortisation					
At 1 January 2015	(8,411)	(9,297)	(4,178)	(1,743)	(23,629)
Charge for the year	(3,398)	(15,410)	(7,527)	(2,234)	(28,569)
Acquisition of subsidiaries (note 32)	(640)	—	—	—	(640)
At 31 December 2015	(12,449)	(24,707)	(11,705)	(3,977)	(52,838)
Net book value					
At 31 December 2015	10,903	329,193	122,144	22,523	484,763
Cost					
At 1 January 2014	12,359	141,300	50,137	26,500	230,296
Additions	7,035	—	—	—	7,035
At 31 December 2014	19,394	141,300	50,137	26,500	237,331
Accumulated amortisation					
At 1 January 2014	(5,693)	(1,766)	(836)	(442)	(8,737)
Charge for the year	(2,718)	(7,531)	(3,342)	(1,301)	(14,892)
At 31 December 2014	(8,411)	(9,297)	(4,178)	(1,743)	(23,629)
Net book value					
At 31 December 2014	10,983	132,003	45,959	24,757	213,702

16. PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Prepayments for potential acquisitions	379,801	418,485
Prepayments for land use rights	9,612	17,989
	389,413	436,474

17. FINANCE LEASE RECEIVABLES

Certain motor vehicles of the Group are leased out under finance leases. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Analysed as:		
Current	2,750	—
Non-current	<u>2,426</u>	<u>—</u>
	<u><u>5,176</u></u>	<u><u>—</u></u>

Finance lease receivables comprise:

	Minimum lease receivables 2015 <i>RMB'000</i>	Present value of Minimum lease receivables 2015 <i>RMB'000</i>
Analysed as:		
Within one year	3,129	2,750
In the second to fifth years, inclusive	<u>2,760</u>	<u>2,426</u>
	5,889	5,176
Less: unearned finance income	<u>713</u>	<u>N/A</u>
Present value of minimum lease receivables	<u><u>5,176</u></u>	<u><u>5,176</u></u>

18. GOODWILL

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Cost:		
At the beginning of the year	207,146	207,146
Acquisition of a subsidiary (<i>Note 32</i>)	<u>493,578</u>	<u>—</u>
At 31 December	<u><u>700,724</u></u>	<u><u>207,146</u></u>

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the respective cash-generating units for impairment testing.

The recoverable amounts of the cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period from the end of the reporting period is 3% (2014: 3%) for all years. The pre-tax discount rate applied to the cash flow projections beyond one year is 17.5% (2014: 16%).

Key assumptions used in the value in use calculation

The following describes the key assumptions of the cash flow projections.

Revenue from the sale and service of motor vehicles — the bases used to determine the future earnings from the sale and service of motor vehicles are historical sales and the average growth rate of similar 4S stores of the Group over the last two years.

Operating expenses — the bases used to determine the values assigned are cost of inventories, staff costs, depreciation, amortisation and other operating expenses. The values assigned to the key assumptions reflect past experience and management's commitment to maintain its operating expenses at an acceptable level.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash-generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values, including goodwill, of the cash-generating units to materially exceed the recoverable amounts.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted equity investments, at cost		
Jiangsu Bank Company Limited	53,000	53,000
Xuzhou Huaihai Nongcun Commercial Bank Company Limited	40,000	40,000
Tongshanxian Nongcun Credit Cooperation Association	<u>9,000</u>	<u>9,000</u>
	102,000	102,000
Impairment	<u>—</u>	<u>—</u>
	<u>102,000</u>	<u>102,000</u>

On 28 August 2010, the Group entered into an equity interest transfer agreement with Mr. Yang Peng, pursuant to which the Group agreed to transfer equity shares in Jiangsu Bank Company Limited (江蘇銀行股份有限公司 or “Jiangsu Bank”), equity shares in Xuzhou Huaihai Nongcun Commercial Bank Company Limited (徐州淮海農村商業銀行股份有限公司 or “Xuzhou Huaihai Bank”) and equity shares in Tongshanxian Nongcun Credit Cooperation Association (銅山縣農村信用合作聯社 or “Tongshanxian Credit”), respectively, to Mr. Yang Peng for considerations of RMB12,000,000, RMB10,200,000 and RMB5,000,000 (which were determined based on the considerations then paid by the Group in acquiring the relevant shares). Pursuant to the sale and purchase agreement, Mr. Yang Peng, as the purchaser, was entitled to nominate a third party as the transferee of the relevant shares and Xuzhou Dianrun Advertisement Company Limited (徐州點潤廣告有限公司 or “Xuzhou Dianrun”), which is not a related party of the Group, was appointed by Mr. Yang Peng as such transferee with beneficial interest in such shares. The Group disposed of the shares in these companies, which are principally engaged in the banking or credit business, to prepare a portfolio of assets focused on the principal business of automobile dealerships for the purpose of facilitating the investment by KKR China Auto Retail Holding Ltd II (“KKR”) in 2010. After entering into the equity transfer agreement, the Group continued to hold these shares as a nominee. All of Jiangsu Bank, Xuzhou Huaihai Bank and Tongshanxian Credit are financial institutions based in Jiangsu Province providing financial services to corporate and individual clients. They have provided corporate loans to the Group from time to time and are considered the Group's business partners in Jiangsu Province.

On 31 December 2013, the Group entered into a series of equity interest transfer agreements with Mr. Yang Peng and Xuzhou Dianrun (as the beneficial owner of the target shares) to acquire equity shares in Jiangsu Bank, equity shares in Xuzhou Huaihai Bank and equity shares in Tongshanxian Credit for considerations of RMB53,000,000, RMB40,000,000 and RMB9,000,000, respectively, which were determined based on the valuations of these shares conducted by an independent valuer. The acquired shares represent a minority interest in each of them, representing less than 5% of the total issued equity interests of Jiangsu Bank, Xuzhou Huaihai Bank

and Tongshanxian Credit. It is not part of the Group's investment strategy, and neither does the Group has any current intention, to make further investments in any financial institutions. Subsequent to such acquisitions, the Group was released from holding these shares in Jiangsu Bank, Xuzhou Huaihai Bank and Tongshanxian Credit as a nominee of Xuzhou Dianrun.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. As at 31 December 2014 and 31 December 2015, certain unlisted equity investments with carrying amounts of RMB102,000,000 and RMB102,000,000, respectively, were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Under each of the equity interest transfer agreements, Xuzhou Dianrun and Mr. Yang Peng have jointly provided an undertaking to the Group, that if (a) the Group sells all or part of its shares acquired to any independent third party under normal commercial terms within three years of the date of each of the equity interest transfer agreements; and (b) the average sale price per share to the independent third party is lower than the average price per share acquired, Xuzhou Dianrun and Mr. Yang Peng shall jointly indemnify the Group for all the losses suffered by the Group.

As at 31 December 2014 and 2015, certain of the Group's bank loans amounted to RMB65,000,000 and RMB65,000,000, respectively, were secured by equity shares of Jiangsu Bank (note 28).

20. INVENTORIES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Motor vehicles	1,647,930	1,743,615
Spare parts and accessories	<u>162,522</u>	<u>156,039</u>
	<u>1,810,452</u>	<u>1,899,654</u>

Certain of the Group's inventories with carrying amounts of RMB1,104,925,000 and RMB1,314,186,000 as at 31 December 2014 and 2015 were pledged as security for the Group's bills payable.

Certain of the Group's inventories with aggregate net book values of approximately RMB638,690,000 and RMB404,745,000 as at 31 December 2014 and 2015 were pledged as security for the Group's interest-bearing bank and other borrowings (note 28).

21. TRADE RECEIVABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade receivables	251,775	208,722
Impairment	<u>—</u>	<u>—</u>
	<u>251,775</u>	<u>208,722</u>

The Group's trading terms with its customers are mainly on cash, except for some transactions which are traded on credit. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within 3 months	235,108	193,451
3 to 12 months	14,696	13,261
Over 12 months	<u>1,971</u>	<u>2,010</u>
	<u><u>251,775</u></u>	<u><u>208,722</u></u>

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Neither past due nor impaired	235,108	193,451
Less than 3 months past due	14,696	13,261
3 to 12 months past due	<u>1,971</u>	<u>2,010</u>
	<u><u>251,775</u></u>	<u><u>208,722</u></u>

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.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Prepayments to suppliers	1,080,999	647,180
Rebate receivables	750,228	558,003
Other receivables (<i>note 32 (i)</i>)	242,055	—
VAT recoverable	109,091	120,554
Prepaid expense	11,181	33,092
Others	<u>124,104</u>	<u>36,473</u>
	<u><u>2,317,658</u></u>	<u><u>1,395,302</u></u>

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.

23. CASH IN TRANSIT

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Cash in transit	<u><u>47,606</u></u>	<u><u>60,017</u></u>

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

24. PLEDGED BANK DEPOSITS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Deposits pledged with banks as collateral against:		
— Bills payable granted by the banks	780,743	1,765,494
— Credit facilities granted by the banks	<u>548,505</u>	<u>157,002</u>
	<u><u>1,329,248</u></u>	<u><u>1,922,496</u></u>

The pledged bank deposits, which are all denominated in RMB as at 31 December 2014 and 2015, earn interest at interest rates stipulated by the respective financial institutions.

25. CASH AND CASH EQUIVALENTS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Cash and bank balances	<u><u>1,513,212</u></u>	<u><u>1,072,158</u></u>

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. The carrying amounts of the cash and cash equivalents approximate to their fair values.

The Group's cash and bank balances as at 31 December 2014 and 2015 are denominated in the following currencies:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Denominated in:		
— RMB	1,115,097	890,688
— HKD	300,716	171,754
— USD	<u>97,399</u>	<u>9,716</u>
	<u><u>1,513,212</u></u>	<u><u>1,072,158</u></u>

26. TRADE AND BILLS PAYABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Bills payable	2,700,467	3,518,607
Trade payables	<u>74,550</u>	<u>120,270</u>
Trade and bills payables	<u><u>2,775,017</u></u>	<u><u>3,638,877</u></u>

An aged analysis of the trade and bills payables as at 31 December 2014 and 2015, based on the invoice date, is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	2,164,085	2,947,251
3 to 6 months	586,932	684,769
6 to 12 months	24,000	3,033
Over 12 months	—	3,824
	<u>2,775,017</u>	<u>3,638,877</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

27. OTHER PAYABLES AND ACCRUALS

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Advances from customers	312,543	321,166
Payables for purchase of items of property, plant and equipment and land use rights	194,067	169,638
Taxes payable (other than income tax)	131,801	148,589
Unsettled consideration for business combinations (<i>note 32</i>)	53,154	—
Accrued expenses	33,654	36,972
Dividend payable	13,320	117,270
Advancements from former shareholders and employees arising from new acquisitions (<i>note 32</i>) (<i>i</i>)	241,359	—
Others	<u>112,645</u>	<u>141,205</u>
	<u>1,092,543</u>	<u>934,840</u>

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Effective interest rate (%)	2015 RMB'000	Effective interest rate (%)	2014 RMB'000
Current					
Bank loans		4.35–10.20	3,453,152	5.88–10.20	3,023,257
Other borrowings		6.44–10.55	<u>353,154</u>	6.44–10.98	<u>229,803</u>
			<u>3,806,306</u>		<u>3,253,060</u>
Non-current					
Long-term loan facilities	(i)	3.55–3.98	974,040	—	—
Bank loans		7.44–8.97	<u>461,388</u>	6.44–8.97	<u>680,944</u>
			1,435,428		680,944
Transaction cost			<u>(31,819)</u>		<u>—</u>
			<u>1,403,609</u>		<u>680,944</u>
			<u>5,209,915</u>		<u>3,934,004</u>
Bank loans and other borrowings representing:					
— secured	(a)		148,179		284,244
— guaranteed	(b)		2,238,774		1,688,790
— secured and guaranteed	(a)(b)		1,880,741		1,960,970
— unsecured,	(i)		<u>942,221</u>		<u>—</u>
			<u>5,209,915</u>		<u>3,934,004</u>

- (i) The Group entered into a facility agreement with a syndicate of banks on 27 November 2015 (the “Facility Agreement”) for a term loan facility of US\$100 million which is subject to the accession by any additional banks to the Facility Agreement increased by US\$150 million (the “Facility”). Its interest rate is floating applicable to LIBOR. The Group utilised US\$150 million (approximately RMB974 million) of the Facility as at 31 December 2015. The Facility has a term of 36 months from the first utilisation date of the Facility (i.e., 2 December 2015).

Pursuant to the Facility Agreement, the Group shall ensure the satisfaction of a series of financial covenants at the end of each reporting period. If the Group fails to comply with any of financial covenants, an event of default will be triggered accordingly, that is, the total commitment under the Facility may be cancelled and all outstanding amounts, together with accrued interest and all other amounts accrued will become immediately due and payable.

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Analysed into:		
Bank loans repayable:		
Within one year	3,453,152	3,023,257
In the second year	452,171	317,506
In the third to fifth years, inclusive	<u>951,438</u>	<u>363,438</u>
	<u>4,856,761</u>	<u>3,704,201</u>
Other borrowings repayable:		
Within one year	<u>353,154</u>	<u>229,803</u>
	<u><u>5,209,915</u></u>	<u><u>3,934,004</u></u>

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

- (i) mortgages over the Group's buildings, which had aggregate net book values of approximately RMB427,704,000 and RMB430,003,000, respectively, as at 31 December 2014 and 2015 (note 13).
- (ii) mortgages over the Group's land use rights situated in Mainland China, which had aggregate net book values of approximately RMB209,612,000 and RMB185,641,000, respectively, as at 31 December 2014 and 2015 (note 14).
- (iii) certain of the Group's bank loans amounting to RMB65,000,000 and RMB65,000,000 as at 31 December 2014 and 2015, respectively, which were secured by equity shares of Jiangsu Bank (note 19).
- (iv) mortgages over the Group's inventories, which had aggregate net book values of approximately RMB638,690,000 and RMB404,745,000, respectively, as at 31 December 2014 and 2015 (note 20).
- (v) mortgages over 1,168,640,000 shares and 1,168,640,000 shares of the Group's subsidiaries, respectively, as at 31 December 2014 and 2015.

(b) Certain of the Group's bank loans are guaranteed by:

- (i) certain of the Group's bank loans amounting to RMB50,870,000 and RMB65,163,000, respectively, which were guaranteed by the Controlling Shareholder as at 31 December 2014 and 2015.
- (ii) certain of the Group's bank loans amounting to RMB1,218,017,000 and RMB3,687,286,000, respectively, which were guaranteed by the subsidiaries of the Group as at 31 December 2014 and 2015.
- (iii) certain of the Group's bank loans amounting to RMB2,380,873,000 and RMB367,066,000, respectively, which were guaranteed jointly by the Controlling Shareholder, the subsidiaries of the Group and the third parties as at 31 December 2014 and 2015.

29. DEFERRED TAX

Deferred tax assets

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements for the years ended 31 December 2014 and 2015 are as follows:

	Accrued payroll RMB'000	Losses available for offsetting against future taxable profits RMB'000	Provisions RMB'000	Total RMB'000
At 1 January 2015	393	6,423	642	7,458
Credited/(charged) to the statement of profit or loss during the year	<u>(148)</u>	<u>3,679</u>	<u>(332)</u>	<u>3,199</u>
At 31 December 2015	<u>245</u>	<u>10,102</u>	<u>310</u>	<u>10,657</u>
At 1 January 2014	642	5,155	—	5,797
Credited/(charged) to the statement of profit or loss during the year	<u>(249)</u>	<u>1,268</u>	<u>642</u>	<u>1,661</u>
At 31 December 2014	<u>393</u>	<u>6,423</u>	<u>642</u>	<u>7,458</u>

Deferred tax assets have not been recognised in respect of the following item:

	2015 RMB'000	2014 RMB'000
Tax losses	<u>233,711</u>	<u>178,459</u>

The above tax losses arising in Mainland China are subject to an expiry period of five years for offsetting against future taxable profits of the companies in which the losses arose, while those tax losses arising in Hong Kong 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 the above item as it is not considered probable that taxable profits will be available against which the above item can be utilised.

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2015	55,486	—	55,486
Deferred tax liabilities recognised in the consolidated statement of financial position	101,327	—	101,327
Deferred tax utilised in the statement of profit or loss during the year	(7,429)	—	(7,429)
At 31 December 2015	149,384	—	149,384
At 1 January 2014	58,741	31,556	90,297
Deferred tax (credited)/charged to the statement of profit or loss during the year	(3,255)	4,870	1,615
Deferred tax utilised in the statement of profit or loss during the year	—	(36,426)	(36,426)
At 31 December 2014	55,486	—	55,486

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from Mainland China effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between Mainland China and the jurisdiction of the foreign investors. Under the Arrangement between Mainland China and the Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, or the China-HK Tax Arrangement, a qualified Hong Kong tax resident which is the “beneficial owner” and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%.

And the applicable tax rate of the Group is 10%. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of Mainland China from the retained earnings as at 31 December 2007 are exempted from withholding tax.

The Group has provided for withholding taxes of RMB4,871,000 for the year ended 31 December 2014. No deferred tax has been recognised for withholding taxes that would be payable on the remaining unremitted earnings of the Group’s subsidiaries established in Mainland China, as in the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of such remaining unremitted earnings totalled approximately RMB291,395,000 and RMB514,323,000, respectively, as at 31 December 2014 and 2015.

30. SHARE CAPITAL

Shares

	2015 RMB'000	2014 RMB'000
Issued and fully paid:		
946,476,000 (2014:1,074,474,000) ordinary shares of US\$0.0000005 each	3	3
664,268,747 (2014: Nil) convertible preference shares of US\$0.0000005 each	<u>2</u>	<u>—</u>
	<u>5</u>	<u>3</u>

A summary of the movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2014	—	—	—	—
Incorporation (note (a))	1	—	—	—
Share swap (note (b))	799,999,999	2	—	2
Exercise of share options (note (c))	29,500,000	—	94,752	94,752
Issue of new shares (note (d))	<u>244,974,000</u>	<u>1</u>	<u>665,372</u>	<u>665,373</u>
At 31 December 2014 and 1 January 2015	<u>1,074,474,000</u>	<u>3</u>	<u>760,124</u>	<u>760,127</u>
Issue of new shares (note (e))	<u>536,270,747</u>	<u>2</u>	<u>1,266,524</u>	<u>1,266,526</u>
At 31 December 2015	<u>1,610,744,747</u>	<u>5</u>	<u>2,026,648</u>	<u>2,026,653</u>

Notes:

- (a) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 January 2014 with initial authorised share capital of US\$50,000 divided into 250,000,000,000 ordinary shares of US\$0.0000002 each. On the date of incorporation, one share was issued to China Rundong Auto Holding Limited (the "Parent of the Company") (representing the then entire issued share capital of the Company).
- (b) On 22 January 2014, the Parent of the Company entered into an equity transfer agreement with the Company pursuant to which the Company acquired all of the issued share capital in each of the subsidiaries incorporated in the BVI directly held by the Parent of the Company. The Company allotted and issued 1,999,999,999 shares (799,999,999 after the share consolidation) at par value to the Parent of the Company as the consideration of this transfer. Immediately after this transfer, the Company became the holding company of the subsidiaries comprising the Group. Pursuant to the resolutions of shareholders of the Company dated 23 July 2014, every ten ordinary shares in the capital of the Company of US\$0.0000002 each were to be consolidated into four ordinary shares of the Company of US\$0.0000005 each (the "Share Consolidation"). Immediately after the completion of the Share Consolidation, the authorised and issued share capital of the Company, comprising 250,000,000,000 and 2,000,000,000 ordinary shares of US\$0.0000002 each, respectively, were consolidated into 100,000,000,000 ordinary shares and 800,000,000 ordinary shares of US\$0.0000005 each, respectively, prior to the Company's public listing.

- (c) The subscription rights attaching to 29,500,000 share options were exercised, on 12 August 2014, at the subscription price of US\$0.3573 per share (note 33), resulting in the issue of 29,500,000 shares for a total cash consideration of RMB65,350,000. An amount of RMB29,402,000 was transferred from the share option reserve to share premium upon the exercise of the share options.
- (d) On 12 August 2014, in connection with the Company's IPO as defined in the Prospectus, 244,974,000 new ordinary shares of the Company of US\$0.0000005 each were issued at a price of HK\$3.58 per share with net proceeds of RMB665,372,000.
- (e) On 16 May 2015, the Company, Greenland Financial Overseas Investment Group Co., Ltd. ("Greenland") and Rundong Fortune ("RF", the original controlling shareholder ultimately controlled by Mr. Yang Peng) entered into the subscription agreement, pursuant to which Greenland had conditionally agreed to subscribe for, and the Company had conditionally agreed to allot and issue, a total of 536,270,747 subscription shares, at a subscription price of HK\$2.89 per share or an aggregate subscription price of HK\$1,549,822,458 (the "Subscription").

On 14 August 2015, the Board of the Company announced that all conditions precedent in respect of the subscription agreement had been satisfied by the parties to the subscription agreement and the completion of the subscription took place in accordance with the terms of the subscription agreement. The Company allotted and issued a total of 536,270,747 subscription shares, comprising 251,942,800 ordinary shares and 284,327,947 convertible preference shares ("CPS") of par value US\$0.0000005 each in the share capital of the Company at a subscription price of HK\$2.89 per share.

In connection with the Subscription and in order to facilitate the maintenance of the public float requirement by the Company upon the completion of the Subscription, RF, KKR China Auto Retail Holding Ltd II ("KKR") and the Company entered into the redesignation agreement, pursuant to which (a) up to 200,073,200 RF ordinary shares, subject to the redesignation adjustment, would be redesignated into the same number of RF redesignated shares; and (b) up to 179,867,600 KKR ordinary shares, subject to the redesignation adjustment, would be redesignated into the same number of KKR redesignated shares upon the completion of the Subscription.

On 17 August 2015, the Company collected total net proceeds of RMB1,266,526,000, after deducting the transaction costs, from the issuance of the subscription shares to Greenland.

31. RESERVES

(i) Merger reserve

The merger reserve of the Group represents the capital contributions from the then equity holders of the Company. The additions during the year 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 Shareholder. The deductions during the year represent the decrease in the Group's net assets resulted from the distribution to equity holders of the Company and acquisition of interests in subsidiaries from the Controlling Shareholder for business combinations under common control.

(ii) Statutory reserve

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 41 to the financial statements 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.

(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.

32. BUSINESS COMBINATIONS

In April 2015, the Group acquired 100% equity interests in eight dealership stores in Jiangsu Province and Shandong Province from independent third parties, at a cash consideration of RMB605,000,000. The consideration of RMB605,000,000 was not fully settled with the remaining balance of RMB53,154,000 outstanding as at 31 December 2015.

The fair values of the identifiable assets and liabilities of the eight dealership stores as at the date of acquisition were as follows:

	2015 <i>RMB'000</i>
Property, plant and equipment	548,030
Land use rights	138,129
Intangible assets	297,774
Inventories	205,298
Trade receivables	53,843
Prepayments, deposits and other receivables (i)	365,673
Pledged bank deposits	720,075
Cash in transit	9,214
Cash and cash equivalents	38,887
Trade and bills payables	(353,604)
Other payables and accruals (i)	(571,371)
Interest-bearing bank and other borrowings	(1,239,199)
Deferred tax liabilities	<u>(101,327)</u>
Total identifiable net assets	111,422
Goodwill on acquisition (<i>note 18</i>)	<u>493,578</u>
Satisfied by cash	<u><u>605,000</u></u>

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2015 <i>RMB'000</i>
Total purchase consideration	605,000
Less: Prepayment made in previous year (<i>note 16</i>)	(418,485)
Less: Unsettled consideration (<i>note 27</i>)	(53,154)
Less: Cash and cash equivalents acquired	<u>(38,887)</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u><u>94,474</u></u>

Since the acquisition, the acquired businesses contributed RMB1,465,669,000 to the Group's turnover and RMB14,350,000 loss to the consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year ended 31 December 2015 would have been RMB15,411,897,000 and RMB179,361,000, respectively.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of those eight dealership stores with those of the Group. The goodwill is not deductible for income tax purposes.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB53,843,000 and RMB365,673,000, respectively.

- (i) Under the agreement between the Company and the Sellers, the Sellers shall endeavor to settle the other receivables of these dealership stores arising from the acquisition within a period of twelve months due by 1 April 2016. In addition, under the settlement arrangement, both parties agree that the remaining unsettled balances to be settled by way of either (a) offset the outstanding amounts against the remaining balance of outstanding purchase consideration of RMB53,154,000 and/or the other payables of these dealership stores due to the Sellers' related parties; or (b) to extend for a six month repayment period due by 1 October 2016, and the overdue balance is subject to the prevailing interest rate at 6.6% per annum. Other payables represented the interest-bearing borrowings from the employees and former controlling shareholders of those dealership stores acquired with rates ranging from 6% to 15% per annum with no fixed repayment terms.

As at 31 December 2015, the other receivables due from the Sellers' related parties, and the other payables due to the Sellers' related parties amounted to RMB242,055,000 (note 22), and RMB241,359,000 (note 27), respectively. In view of the above settlement arrangement, and there were no recent history of default, the Directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances.

In addition, under each of the business acquisition agreements, the respective Sellers have provided an undertaking to the Group that there is no exposure or risk in the perspectives of legal, taxation, properties, bank borrowings and etc. And the Sellers shall indemnify the Group for all losses to be suffered by the Group of which triggered due to past events during the pre-acquisition periods.

33. SHARE OPTION SCHEME

Before the incorporation of the Company, China Rundong Auto Holding Ltd. (the "Former Listing Vehicle") operates a share option scheme (the "Pre-IPO Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. In order to operate the Pre-IPO Scheme, the Former Listing Vehicle established a trust (the "Employee Pre-IPO Trust") under a trust deed in September 2011. Eligible participants of the Pre-IPO Scheme will be nominated as beneficiaries of the Employee Pre-IPO Trust. Eligible participants include the Company's directors, including independent non-executive directors, and other employees of the Group and its subsidiaries. The Pre-IPO Scheme became effective on 15 November 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date with a fixed exercise price of US\$0.3573 per share.

The Former Listing Vehicle offered the share options to subscribe for a total of 40,000,000 shares upon their exercise, representing 5% of the then issued share capital of the Former Listing Vehicle, to Runda (PTC) Limited ("Runda"), acting as the trustee to the Employee Pre-IPO Trust. Runda holds the share options for the benefit of the eligible participants when they are granted with the share options. Share options were offered to each eligible participant in various batches from 2 January 2012 to 31 December 2013.

Each of the eligible participants has entered into a share option agreement (the "Pre-IPO Share Option Agreement") with the Former Listing Vehicle and Runda under which the Former Listing Vehicle nominated eligible participants as a beneficiary of the Employee Pre-IPO Trust. The offer of a grant of options may be accepted within seven days from the date of offer. The exercise period of the share options granted is dependent on the Company's qualified IPO listing and commences after a vesting period of one to five years and ends on the expiry date of the Pre-IPO Scheme.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 24 March 2014, 14 eligible participants (the "Relevant Grantees") entered into supplemental agreements (each, the "Supplemental Agreement") to their respective Pre-IPO Share Option Agreements with the Former Listing Vehicle and Runda to modify the original vesting conditions and periods and be entitled to fully vest their share options on the date of modification. The share options would be exercisable upon the completion of the IPO. Pursuant to the Supplemental Agreement, the Former Listing Vehicle agreed to (a) procure Runda to exercise the share options to which each of these Relevant Grantees was entitled to; and (b) upon such exercise, issue 30,700,000 shares in the Former Listing Vehicle to Runda as unpaid shares for the Relevant Grantees as beneficiaries of those shares. The incremental fair value of share options during the three months ended 31 March 2014 was estimated as at the date of modification, using a binomial model, taking into account the terms and

conditions upon which the options were modified. The incremental fair value was measured as the difference between the fair value of the original award and that of the modified award and was recognised as a share option expense during the six months ended 30 June 2014.

Upon the Company's public listing, the Former Listing Vehicle, the Company, Runda and eligible participants entered into share option agreements to carry forward its former share options in the Former Listing Vehicle, other than those early exercised, to the Company without any change in terms and conditions.

The following share options were outstanding under the Pre-IPO Scheme during the years ended 31 December 2014 and 2015:

	2015		2014	
	Exercise price US\$ per share	Number of options '000	Exercise price US\$ per share	Number of options '000
At the beginning of the year	0.3573	6,012	0.3573	22,979
Granted during the year	0.3573	804	0.3573	14,062
Forfeited during the year	0.3573	(1,612)	0.3573	(1,529)
Exercised during the year	—	—	0.3573	(29,500)
At the end of the year	<u>0.3573</u>	<u>5,204</u>	<u>0.3573</u>	<u>6,012</u>

The weighted average fair values of the share options granted during the years ended 31 December 2014 and 2015 were US\$0.1725 (RMB1.0588) and US\$0.2192 (RMB1.3401) per option. The Group recognised equity-settled share option expenses of RMB25,090,000 and RMB2,516,000 during the years ended 31 December 2014 and 2015, respectively.

The fair value of the share options granted during the years ended 31 December 2014 and 2015 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2015	2014
Dividend yield (%)	—	—
Expected volatility (%)	37.9	34.90 – 45.70
Risk-free interest rate (%)	2.77	2.51 – 3.81
Expected life of options (year)	10	10
Weighted average share price (US\$ per share)	0.4514	0.5158–0.6400

The expected life of the options is based on the Pre-IPO Scheme which became effective on 15 November 2011 and will remain in force for 10 years until 15 November 2021. The expected volatility reflects the assumption that the historical volatility of other similar listed companies is indicative of future trends of the Company, which may also not necessarily be the actual outcome. The weighted average share price reflects the assumption that the historical weighted average share price of other similar listed companies is indicative of future trend of the Company.

No other feature of the options granted was incorporated into the measurement of fair value.

At 31 December 2014 and 2015, 6,012,474 and 5,203,800 share options were outstanding under the Pre-IPO Scheme, respectively.

34. CONTINGENT LIABILITIES

In the opinion of the Directors of the Company, other than the property defectives mentioned in note 13 and 14, as at 31 December 2015, neither the Group nor the Company had any significant contingent liabilities.

35. COMMITMENTS**a. Capital commitments**

Capital commitments of the Group in respect of property, plant and equipment outstanding as at 31 December 2015 not provided for in the financial statements were as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for land use rights and buildings	<u>251,878</u>	<u>432,406</u>

b. Operating lease commitments

The Group leases certain of its office properties and land under operating lease arrangements. Leases for properties and land are negotiated for terms ranging from 1 to 17 years.

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases with its tenants falling due as follows:

	2015		2014	
	Properties	Land	Properties	Land
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	32,140	14,801	33,383	14,127
In the second to fifth years, inclusive	125,277	45,747	120,626	47,159
After five years	<u>134,448</u>	<u>72,263</u>	<u>187,231</u>	<u>82,662</u>
	<u>291,865</u>	<u>132,811</u>	<u>341,240</u>	<u>143,948</u>

36. PLEDGE OF ASSETS

Details of the Group's assets pledged for its interest-bearing bank and other borrowings and bills payable are disclosed in notes 13, 14, 19, 20, 24 and 28 to the financial statements.

37. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the years ended 31 December 2014 and 2015:

Mr. Yang Peng is the chairman and a substantial shareholder of the Group and is also considered to be a related party of the Group.

- (a) The Group had the following transaction with a related party during the years ended 31 December 2014 and 2015:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Repayment from a substantial shareholder:		
Mr. Yang Peng	<u>—</u>	<u>445,837</u>

- (b) Compensation of key management personnel of the Group:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Short term employee benefits	5,137	6,798
Pension scheme contributions	234	243
Equity-settled share option expense	<u>—</u>	<u>22,285</u>
Total compensation paid to key management personnel	<u>5,371</u>	<u>29,326</u>

Further details of directors' emoluments are included in note 9 to the financial statements.

- (c) Subscription Agreement with Greenland

As disclosed in Note 30 to the financial statements, with the completion of the Subscription Agreement with Greenland in August 2015, in the opinion of the Directors of the Company, Greenland became the controlling shareholder of the Company and is also considered to be a related party of the Group.

In the opinion of the Directors of the Company, there were no related party transactions with Greenland for the year ended 31 December 2015; and there were no outstanding balances, commitments nor guarantees with Greenland as at 31 December 2015.

- (d) Management Subscription Agreements with certain members of director and senior management of the Group

On 16 May 2015, the Company entered into subscription agreements (the "Management Subscription Agreements") with certain members of director and senior management of the Group (the "Management Subscribers"), pursuant to which the Company conditionally agreed to allot and issue and the Management Subscribers conditionally agreed to subscribe for, a total of 80,537,237 management subscription shares at the price of HK\$2.89 each pursuant to the terms and conditions of the Management Subscription Agreements, such management subscription becomes effective until the completion of the Subscription.

The management subscription scheme will take place in four instalments. First batch of 24,161,171 shares, representing 30% of the aggregate number of management subscription shares, have been granted in August 2015 when the Management Subscription Agreements was completed. The first batch management subscription shares had been forfeited during the year, as the performance conditions were not met pursuant to the terms and conditions of the Management Subscription Agreements.

38. FAIR VALUE

The fair values of the current portion of the Group's financial instruments approximates to their carrying amounts due to the short term maturities. For the non-current portion of bank loans and other borrowings, the fair value has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which also approximates to their carrying amount.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing borrowings, and cash and short term deposits. 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, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency 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 24) and cash and cash equivalents (note 25).

The Group's interest rate risk arises from its interest-bearing bank and other borrowings, details of which are set out in note 28. Borrowings at floating 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 rate relates primarily to the Group's debt obligations with floating interest rates.

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 floating rate borrowings)

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2015		
RMB	50	(23,864)
RMB	(50)	23,864
2014		
RMB	50	(24,616)
RMB	(50)	24,616

Foreign currency risk

The Group's business is located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB, except for certain bank balances denominated in HKD and USD as disclosed in note 25.

The Group's assets and liabilities denominated in HKD and USD were mainly held by certain subsidiaries incorporated outside Mainland China which had HKD and USD as their functional currencies.

The Group did not have material foreign currency transactions in Mainland China during the years ended 31 December 2014 and 2015.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HKD and USD exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

	Increase/ (decrease) in HKD rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2015			
If RMB weakens against HKD	5	15,036	15,036
If RMB strengthens against HKD	(5)	(15,036)	(15,036)
	Increase/ (decrease) in USD rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2015			
If RMB weakens against USD	5	42,241	42,241
If RMB strengthens against USD	(5)	(42,241)	(42,241)
	Increase/ (decrease) in HKD rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2014			
If RMB weakens against HKD	5	8,588	8,588
If RMB strengthens against HKD	(5)	(8,588)	(8,588)
	Increase/ (decrease) in USD rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2014			
If RMB weakens against USD	5	486	486
If RMB strengthens against USD	(5)	(486)	(486)

Credit risk

The Group has no significant concentration of credit risk. The carrying amounts of pledged bank deposits, cash in transit, cash and cash equivalents, trade receivables, deposits and other receivables included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2014 and 2015, 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 exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

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

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Beyond 5 years RMB'000	Total RMB'000
31 December 2015						
Trade and bills payables	2,775,017	—	—	—	—	2,775,017
Interest-bearing bank and other borrowings	1,432,102	197,930	3,445,930	1,435,428	—	6,511,390
Other payables and accruals	767,802	—	—	—	—	767,802
	<u>4,974,921</u>	<u>197,930</u>	<u>3,445,930</u>	<u>1,435,428</u>	<u>—</u>	<u>10,054,209</u>
31 December 2014						
Trade and bills payables	3,638,877	—	—	—	—	3,638,877
Interest-bearing bank and other borrowings	105,781	891,323	2,348,198	942,779	—	4,288,081
Other payables and accruals	597,839	—	—	—	—	597,839
	<u>4,342,497</u>	<u>891,323</u>	<u>2,348,198</u>	<u>942,779</u>	<u>—</u>	<u>8,524,797</u>

Capital management

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, an amount due to a related party, trade and bills payables, other payables and accruals, less cash and cash equivalents. The gearing ratios as at the end of the reporting periods are as follows:

	2015 RMB'000	2014 RMB'000
Trade and bills payables	2,775,017	3,638,877
Interest-bearing bank and other borrowings	5,209,915	3,934,004
Other payables and accruals	767,802	597,839
Less: cash and cash equivalents	<u>(1,513,212)</u>	<u>(1,072,158)</u>
Net debt	<u>7,239,522</u>	<u>7,098,562</u>
Equity attributable to owners of the parent	3,122,538	1,651,007
Capital and net debt	<u>10,362,060</u>	<u>8,749,569</u>
Gearing ratio	<u>70%</u>	<u>81%</u>

40. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
			Direct %	Indirect %	
Schnell International Ltd.	British Virgin Islands 14 September 2010	Registered and paid-in capital of USD5	100	—	Investment holding
Schnell Holding Ltd.	Hong Kong 29 October 2010	Registered and paid-in capital of HKD10,000	—	100	Investment holding
Allegro Auto International Ltd.	British Virgin Islands 14 September 2010	Registered and paid-in capital of USD5	100	—	Investment holding
Spring Oasis Investments Limited	Hong Kong 13 September 2010	Registered and paid-in capital of HKD10,000	—	100	Investment holding
Spring Oasis Investments Holding Limited	Cayman Islands 28 October 2011	Registered and paid-in capital of USD50,000	—	100	Investment holding
Fresca International Ltd.	British Virgin Islands 14 September 2010	Registered and paid-in capital of USD5	100	—	Investment holding
Stay Success Limited	Hong Kong 13 September 2010	Registered and paid-in capital of HK10,000	—	100	Investment holding
Presto Auto International Ltd.	British Virgin Islands 14 September 2010	Registered and paid-in capital of USD5	100	—	Investment holding
Treasure Path Holdings Limited	Hong Kong 13 September 2010	Registered and paid-in capital of HKD10,000	—	100	Investment holding
Vivace Auto International Ltd.	British Virgin Islands 14 September 2010	Registered and paid-in capital of USD5	100	—	Investment holding
True Worth Investments Limited	Hong Kong 13 September 2010	Registered and paid-in capital of HKD10,000	—	100	Investment holding
Rundong Automobile Group Co., Ltd. 潤東汽車集團有限公司	(i) Xuzhou, the PRC 3 March 1998	Registered and paid-in capital of RMB641,999,800	—	100	Investment holding
Xuzhou Rundong Jiaoguang Automobile Sales and Services Company Limited 徐州潤東交廣汽車營銷管理有限公司	(i) Xuzhou, the PRC 10 June 2008	Registered and paid-in capital of RMB107,150,000	—	100	Investment holding
Xuzhou Rundong Automobile Sales Management Company Limited 徐州潤東汽車營銷管理有限公司	(i) Xuzhou, the PRC 20 June 2003	Registered and paid-in capital of RMB204,090,000	—	100	Investment holding
Xuzhou Yuemei Automobile Sales Management Company Limited 徐州悅美汽車營銷管理有限公司	(i) Xuzhou, the PRC 20 September 2010	Registered and paid-in capital of RMB50,000,000	—	100	Investment holding

Name	Place and date of incorporation/ registration/ and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
			Direct %	Indirect %	
Shanghai Baojing Automobile Sales and Services Company Limited. 上海寶景汽車銷售服務有限公司	Shanghai, the PRC 6 July 2010	Registered and paid-in capital of RMB20,000,000	—	100	Sale and service of motor vehicles
Shanghai Baojing Xingcheng Automobile Sales and Services Company Limited 上海寶景星誠汽車銷售服務有限公司	Shanghai, the PRC 26 November 2010	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Shanghai Baojing Yuejie Automobile Sales & Services Company Limited 上海寶景悅捷汽車服務有限公司	Shanghai, the PRC 13 December 2011	Registered and paid-in capital of RMB500,000	—	100	Sale and service of motor vehicles
Shanghai Jierun Automobile Sales and Services Company Limited 上海捷潤汽車銷售服務有限公司	Shanghai, the PRC 19 September 2011	Registered and paid-in capital of RMB40,000,000	—	100	Sale and service of motor vehicles
Xuzhou Baojing Automobile Sales Services Company Limited 徐州寶景汽車銷售服務有限公司	Xuzhou, the PRC 6 March 2007	Registered and paid-in capital of RMB20,000,000	—	100	Sale and service of motor vehicles
Xuzhou Baojing Runbao Automobile Sales and Services Company Limited 徐州寶景潤寶汽車銷售服務有限公司	Xuzhou, the PRC 12 April 2011	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Xuzhou Rundong Ruijing Automobile Sales and Services Company Limited 徐州潤東瑞景汽車銷售服務有限公司	Xuzhou, the PRC 24 November 2004	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Xuzhou Rongchuang Automobile Services Company Limited 徐州融創車業服務有限公司	Xuzhou, the PRC 16 March 2010	Registered and paid-in capital of RMB1,000,000	—	100	Service of motor vehicles
Xuzhou Rundong Huijing Automobile Sales & Services Co., Ltd. 徐州潤東匯景汽車銷售服務有限公司	Xuzhou, the PRC 26 September 2002	Registered and paid-in capital of RMB5,000,000	—	100	Sale and service of motor vehicles
Xuzhou Rundong Pre-owned Automobiles Trading Company Limited 徐州潤東二手車交易市場有限公司	Xuzhou, the PRC 19 June 2009	Registered and paid-in capital of RMB3,000,000	—	100	Service of motor vehicles

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
			Direct %	Indirect %	
Xuzhou Hezhong Automobile Sales Company Limited 徐州合眾汽車銷售服務有限公司	Xuzhou, the PRC 28 January 2011	Registered and paid-in capital of RMB15,500,000	—	100	Sale and service of motor vehicles
Xuzhou Dongchen Automobile Sales Services Company Limited 徐州東辰汽車銷售服務有限公司	Xuzhou, the PRC 13 September 2002	Registered and paid-in capital of RMB13,000,000	—	70	Sale and service of motor vehicles
Xuzhou Rundong Huitong Automobile Sales Services Company Limited 徐州潤東匯通汽車銷售服務有限公司	Xuzhou, the PRC 12 June 2003	Registered and paid-in capital of RMB10,000,000	—	90	Sale and service of motor vehicles
Xuzhou Rundong Fengtian Automobile Sales Services Company Limited 徐州潤東豐田汽車銷售服務有限公司	Xuzhou, the PRC 14 April 2006	Registered and paid-in capital of RMB15,000,000	—	70	Sale and service of motor vehicles
Xuzhou Rundong Zhitian Automobile Sales and Services Company Limited 徐州潤東之田汽車銷售服務有限公司	Xuzhou, the PRC 4 December 2005	Registered and paid-in capital of RMB15,000,000	—	70	Sale and service of motor vehicles
Xuzhou Rundong Zhifeng Automobile Sales and Services Company Limited 徐州潤東之風汽車銷售服務有限公司	Xuzhou, the PRC 1 July 2005	Registered and paid-in capital of RMB12,000,000	—	51	Sale and service of motor vehicles
Xuzhou Rundong Zhouji Automobile Sales Services Company Limited 徐州潤東洲際汽車銷售服務有限公司	Xuzhou, the PRC 29 March 2004	Registered and paid-in capital of RMB12,000,000	—	100	Sale and service of motor vehicles
Xuzhou Rundong Jiahua Automobile Sales and Services Company Limited 徐州潤東嘉華汽車銷售服務有限公司	Xuzhou, the PRC 25 May 2004	Registered and paid-in capital of RMB12,000,000	—	100	Sale and service of motor vehicles
Xuzhou Rundong Automobile Trading Company Limited 徐州潤東汽車貿易有限公司	Xuzhou, the PRC 13 July 2001	Registered and paid-in capital of RMB13,000,000	—	100	Sale and service of motor vehicles
Xuzhou Huifeng Lexus Automobile Sales and Services Company Limited 徐州匯豐雷克薩斯汽車銷售服務有限公司	Xuzhou, the PRC 28 February 2006	Registered and paid-in capital of RMB25,000,000	—	100	Sale and service of motor vehicles

Name	Place and date of incorporation/ registration/ and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
			Direct %	Indirect %	
Xuzhou Jierun Automobile Sales and Services Company Limited 徐州捷潤汽車銷售服務有限公司	Xuzhou, the PRC 27 July 2011	Registered and paid-in capital of RMB16,000,000	—	100	Sale and service of motor vehicles
Maanshan City Baojing Automobile Sales and Services Company Limited 馬鞍山市寶景汽車銷售服務有限公司	Maanshan, the PRC 10 December 2010	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Nantong Runbaohang Automobile Sales and Services Company Limited 南通潤寶行汽車銷售服務有限公司	Nantong, the PRC 28 June 2010	Registered and paid-in capital of RMB12,000,000	—	100	Sale and service of motor vehicles
Huzhou Runzhiyi Automobile Sales and Services Company Limited 湖州潤之翼汽車銷售服務有限公司	Huzhou, the PRC 9 June 2011	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Huzhou Rundong Automobile Sales and Services Company Limited 湖州潤東汽車銷售服務有限公司	Huzhou, the PRC 18 May 2011	Registered and paid-in capital of RMB20,000,000	—	100	Sale and service of motor vehicles
Huzhou Baojing Automobile Sales and Services Company Limited 湖州寶景汽車銷售服務有限公司	Huzhou, the PRC 28 May 2010	Registered and paid-in capital of RMB30,000,000	—	100	Sale and service of motor vehicles
Huaian Baotielong Automobile Sales and Services Company Limited 淮安寶鐵龍汽車銷售有限公司	Huaian, the PRC 23 February 2011	Registered and paid-in capital of RMB15,000,000	—	100	Sale and service of motor vehicles
Huaian Rundong Zhifu Automobile Sales and Services Company Limited 淮安潤東之福汽車銷售服務有限公司	Huaian, the PRC 6 April 2006	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Xuzhou Rundong Huifeng Automobile Sales Services Company Limited 淮安潤東匯豐汽車銷售服務有限公司	Huaian, the PRC 24 September 2007	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Huaian Rundong Renheng Automobile Sales and Services Company Limited 淮安潤東仁恒汽車銷售服務有限公司	Huaian, the PRC 29 March 2007	Registered and paid-in capital of RMB13,000,000	—	100	Sale and service of motor vehicles

Name	Place and date of incorporation/ registration/ and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
			Direct %	Indirect %	
Huaian Rundong Shidai Automobile Sales and Services Company Limited 淮安潤東時代汽車銷售服務有限公司	Huaian, the PRC 1 August 2005	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Huaian Baojing Automobile Sales and Services Company Limited 淮安寶景汽車銷售服務有限公司	Huaian, the PRC 20 January 2010	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Lianyungang Tianlan Automobile Sales and Services Company Limited 連雲港天瀾汽車銷售服務有限公司	Lianyungang, the PRC 1 July 2004	Registered and paid-in capital of RMB10,000,000	—	87	Sale and service of motor vehicles
Lianyungang Tianlan Fengtian Automobile Sales and Services Company Limited 連雲港天瀾豐田汽車銷售服務有限公司	Lianyungang, the PRC 25 April 2006	Registered and paid-in capital of RMB12,000,000	—	70	Sale and service of motor vehicles
Lianyungang Rundong Tianyue Automobile Sales and Services Company Limited 連雲港潤東天裕汽車銷售服務有限公司	Lianyungang, the PRC 10 January 2008	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Lianyungang Zhibao Automobile Sales and Services Company Limited 連雲港之寶汽車銷售服務有限公司	Lianyungang, the PRC 22 April 2009	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Suqian Runkai Automobile Sales and Services Company Limited 宿遷潤凱汽車銷售服務有限公司	Suqian, the PRC 15 August 2011	Registered and paid-in capital of RMB15,000,000	—	100	Sale and service of motor vehicles
Yantai Runjie Automobile Sales and Services Company Limited 煙臺潤捷汽車銷售服務有限公司	Yantai, the PRC 16 September 2011	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Qingdao Baojing Automobile Sales and Services Company Limited 青島寶景汽車銷售服務有限公司	Qingdao, the PRC 16 September 2011	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles

Name	Place and date of incorporation/ registration/ and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
			Direct %	Indirect %	
Suzhou Baojing Automobile Sales and Services Company Limited 蘇州市寶景汽車銷售服務有限公司	Suzhou, the PRC 24 November 2011	Registered and paid-in capital of RMB10,000,000	—	80	Sale and service of motor vehicles
Linyi Baojing Automobile Sales and Services Company Limited 臨沂寶景汽車銷售服務有限公司	Linyi, the PRC 14 April 2011	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Taizhou Baojing Automobile Sales and Services Company Limited 泰州寶景汽車銷售服務有限公司	Taizhou, the PRC 1 March 2011	Registered and paid-in capital of RMB21,000,000	—	100	Sale and service of motor vehicles
Zaozhuang Baojing Automobile Sales and Services Company Limited 棗莊寶景汽車銷售服務有限公司	Zaozhuang, the PRC 14 April 2011	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Rizhao Baojing Automobile Sales Company Limited 日照寶景汽車銷售服務有限公司	Rizhao, the PRC 12 March 2012	Registered and paid-in capital of RMB17,000,000	—	100	Sale and service of motor vehicles
Lianyungang Runhe Automobile Sales and Services Company Limited 連雲港潤合汽車銷售有限公司	Lianyungang, the PRC 10 August 2012	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Nanjing Baojing Automobile Sales and Services Company Limited 南京寶景汽車銷售服務有限公司	Nanjing, the PRC 25 May 2012	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Yancheng Baojing Automobile Sales and Services Company Limited 鹽城寶景汽車銷售服務有限公司	Yancheng, the PRC 1 August 2012	Registered and paid-in capital of RMB20,000,000	—	100	Sale and service of motor vehicles
Linyi Aofeng Automobile Sales and Services Company Limited 臨沂奧豐汽車銷售服務有限公司	Linyi, the PRC 18 May 2011	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Linyi Jinhua Automobile Sales and Services Company Limited 臨沂金華汽車銷售服務有限公司	Linyi, the PRC 29 November 2002	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
			Direct %	Indirect %	
Linyi Jialun Automobile Insurance Brokerage Co., Ltd. 臨沂佳輪汽車保險代理有限公司	Linyi, the PRC 23 May 2012	Registered and paid-in capital of RMB3,000,000	—	100	Automobile insurance
Zaozhuang Aowei Automobile Sales and Services Company 棗莊奧威汽車銷售服務有限公司	Zaozhuang, the PRC 5 May 2008	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Lianyungang Runjie Automobile Sales Company Limited 連雲港潤捷汽車銷售有限公司	Lianyungang, the PRC 25 April 2013	Registered and paid-in capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Xuzhou Runzhiyi Automobile Sales and Services Company Limited 徐州潤之意汽車銷售服務有限公司	Xuzhou, the PRC 26 June 2013	Registered and paid-in capital of RMB20,000,000	—	100	Sale and service of motor vehicles
Huai'an Runbaohang Automobile Services Company Limited 淮安潤寶行汽車服務有限公司	Huai'an, the PRC 11 July 2013	Registered and paid-in capital of RMB20,000,000	—	100	Sale and service of motor vehicles
Jinan Runzhiyi Automobile Sales and Services Company Limited 濟南潤之意汽車銷售服務有限公司	Jinan, the PRC 23 July 2013	Registered and paid-in capital of RMB30,000,000	—	70	Sale and service of motor vehicles
Hong Kong Gen-kun Investment Co., Limited	Hong Kong 25 July 2011	Registered and paid-in capital of HKD10,000	—	100	Investment holding
Huiyu (Shanghai) Financing and Leasing Company 匯譽(上海)融資租賃有限公司	Shanghai, the PRC 30 September 2013	Registered capital of USD30,000,000 Paid-in capital of USD10,000,000	—	100	Automobile financing and leasing
Nanjing Runzhiyi Automobile Sales and Services Company Limited 南京潤之意汽車銷售服務有限公司	Nanjing, the PRC 4 March 2014	Registered and paid-in capital of RMB50,000,000	—	70	Sale and service of motor vehicles
Suzhou Runbaohang Automobile Services Company Limited 蘇州潤寶行汽車服務有限公司	Suzhou, the PRC 27 February 2014	Registered and paid-in capital of RMB3,000,000	—	100	Service of motor vehicles
Shanghai Jingbao Automobile Services Company Limited 上海景寶汽車服務有限公司	Shanghai, the PRC 12 May 2014	Registered capital of RMB5,000,000	—	100	Service of motor vehicles

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
			Direct %	Indirect %	
Shanghai Zhilian Automobile Services Company Limited 上海智聯汽車銷售服務有限公司	Shanghai, the PRC 3 June 2014	Registered capital of RMB10,000,000	—	100	Sale of motor vehicles
Shanghai Puyuan Automobile Services Company Limited 上海浦源汽車銷售服務有限公司	Shanghai, the PRC 7 November 2014	Registered capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Zhangjiagang Free Trade Zone Zhibao Automobile Services Company Limited 張家港保稅區智寶汽車銷售服務有限公司	Zhangjiagang, the PRC 7 November 2014	Registered capital of RMB10,000,000	—	100	Sale of motor vehicles
Xuzhou Jingzhong Automobile Services Company Limited 徐州景眾汽車銷售服務有限公司	Xuzhou, the PRC 28 November 2014	Registered capital of RMB5,000,000	—	100	Sale and service of motor vehicles
Xuzhou Zhixin Automobile Services Company Limited 徐州智信汽車服務有限公司	Xuzhou, the PRC 2 February 2015	Registered capital of RMB500,000	—	100	Sale of motor spare parts
Linyi Jialun Automobile Services Company Limited 臨沂佳輪汽車銷售服務有限公司	Linyi, the PRC 25 October 1989	Registered capital of RMB30,000,000	—	100	Sale and service of motor vehicles
Linyi Fenghui Automobile Services Company Limited 臨沂豐匯汽車銷售服務有限公司	Linyi, the PRC 18 August 2010	Registered capital of RMB8,000,000	—	100	Sale and service of motor vehicles
Linyi Jinyang Automobile Services Company Limited 臨沂金羊汽車銷售服務有限公司	Linyi, the PRC 30 June 1999	Registered capital of RMB8,000,000	—	100	Sale and service of motor vehicles
Linyi Jinlun Automobile Services Company Limited 臨沂金倫汽車銷售服務有限公司	Linyi, the PRC 22 October 2002	Registered capital of RMB8,000,000	—	100	Sale and service of motor vehicles
Nantong Runzhiyi Automobile Services Company Limited 南通潤之意汽車銷售服務有限公司	Nantong, the PRC 3 July 2015	Registered capital of RMB30,000,000	—	100	Sale and service of motor vehicles
Shanghai Puze Automobile Services Company Limited 上海浦澤汽車銷售服務有限公司	Shanghai, the PRC 29 October 2015	Registered capital of RMB2,000,000	—	100	Sale and service of motor vehicles

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest		Principal activities
			Direct %	Indirect %	
Xuzhou Baozun Automobile Services Company Limited 徐州寶尊汽車銷售服務有限公司	Xuzhou, the PRC 29 February 2012	Registered capital of RMB25,500,000	—	100	Sale and service of motor vehicles
Suqian Baozun Automobile Services Company Limited 宿遷寶尊汽車銷售服務有限公司	Suqian, the PRC 25 November 2011	Registered capital of RMB16,500,000	—	100	Sale and service of motor vehicles
Xuzhou Kainuo Automobile Services Company Limited 徐州凱諾汽車銷售服務有限公司	Xuzhou, the PRC 14 January 2013	Registered capital of RMB10,000,000	—	100	Sale and service of motor vehicles
Xuzhou Weichen Shenlan Automobile Services Company Limited 徐州維辰深藍汽車銷售服務有限公司	Xuzhou, the PRC 29 March 2013	Registered capital of RMB25,000,000	—	100	Sale and service of motor vehicles

- (i) The statutory accounts for the year ended 31 December 2015 were audited by 徐州春秋聯合會計師事務所 (Xuzhou Chunqiu Union Certified Public Accountants), certified public accountants registered in the PRC. Except for these PRC investment holding subsidiaries, no statutory accounts of the remaining subsidiaries for the year ended 31 December 2015 have been prepared by any of these subsidiaries as at the date of this report.

41. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to year end, the Group utilised the remaining portion of long-term loan facility of approximately RMB650million (US\$100 million) pursuant to the Facility Agreement (Note 28).

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2016.

3. STATEMENT OF INDEBTEDNESS

At the close of business on May 31, 2016 being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness statement of the Group was as below:

As at May 31, 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, the Group had total outstanding credit facilities of approximately RMB11,295,250,000, of which RMB8,107,450,000 has been utilized.

Save as the aforesaid, as at the close of business on May 31, 2016, the Group did not have any other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other contingent liabilities. The Directors confirm that they are not aware of any material change in indebtedness and contingent liabilities of the Group since 31 May, 2016 up to the Latest Practicable Date.

4. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since December 31, 2015, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 May 2016 of the property interests of the Company.



AVISTA Valuation Advisory

艾華迪評估諮詢

23rd Floor, Siu On Centre, No. 188 Lockhart Road,
Wan Chai, Hong Kong

TEL : (852) 3702 7338

FAX : (852) 3914 6388

info@avaval.com

www.avaval.com

27 July 2016

China Greenland Rundong Auto Group Limited

9F, Shenzhou Wisdom Plaza,
No. 567, West Tianshan Road,
Changning District,
Shanghai

Dear Sirs/Madams,

In accordance with the instructions of China Greenland Rundong Auto Group Limited (“China Rundong” or the “Company”) for us to carry out the valuation of the property interests held by the Company and its subsidiaries (hereinafter together referred to as the “Group”) (details of the properties are more particularly listed in the Summary of Values of this report), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 May 2016 (the “valuation date”).

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors, the International Valuation Standards published from time to time by the International Valuation Standards Council and Rule 11 of the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission.

In the course of our valuation, unless otherwise stated, we have valued the properties in their designated uses with the understanding that the properties will be used as such (hereafter referred to as “continued uses”).

In valuing the property interest due to the specific nature and uses of the buildings and structures that were designated and constructed and the particular location in which they are situated, there are unlikely relevant market comparable sales readily available. The property interests have been valued basis of depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have been shown copies of various title documents, sales and purchase agreements and other document relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company’s PRC legal advisers — Jingtian & Gongcheng, concerning the validity of the property interests in the PRC.

We have relied to a very considerable extent on the information given to us by the Company in the course of valuation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld. We have accepted advice given to us on such matters as title, planning approvals, statutory notices, easements, tenure, leases, particulars of occupancy, identification of property, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been made to verify their correctness. We have been advised by the Company that no material factors have been omitted from the information supplied to reach an informed view, and have no reason to suspect that any material information has been withheld.

We have not been commissioned carry out detailed site measurements to verify the correctness of the land or building areas in respect of the property but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties in the PRC, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. We have also assumed that there was not any material change of the property in between date of our inspection and the valuation date.

We have inspected the exterior and, where possible, the interior of the appraised property. However, we must point out that we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible, we are therefore unable to report and any such part of the property are free from rot, infestation or any other defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the property or on adjoining or neighbouring land or that the property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the date of valuation. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

The site inspection was carried out during the period from 20 June 2016 to 24 June 2016 by our David He (Valuer) and Jim Du (Valuer).

In accordance with our standard practice, this valuation certificates are/is for the exclusive use of the party to whom it is addressed and no responsibility is accepted to the third party for the whole or any part of its contents.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS(GP) AAPI MSc(RE)
Registered Professional Surveyor (GP)
Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has about 10 years' experience in the valuation of properties including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

SUMMARY OF VALUES

No. Property	Market value in existing state as at 31 May 2016 <i>RMB</i>	Interest Attributable To The Group	Market value Attributable to the Group as at 31 May 2016 <i>RMB</i>
Property interests owned and occupied by the Group in the PRC			
1. No. 56 Weiwei Avenue, Xincheng District, Xuzhou City, Jiangsu Province, the PRC	65,150,000	100%	65,150,000
2. No. 58 Weiwei Avenue, Xincheng District, Xuzhou City, Jiangsu Province, the PRC	41,500,000	100%	41,500,000
3. West of East Sanhuan Road, Xuzhou Economic Development Zone, Xuzhou City, Jiangsu Province, the PRC	28,750,000	100%	28,750,000
4. No. 175 Tongshan Road, Yunlong District, Xuzhou City, Jiangsu Province, the PRC	35,960,000	100%	35,960,000
5. No. 292 South Beijing Road, New Tongshan District, Xuzhou City, Jiangsu Province, the PRC	62,800,000	100%	62,800,000
6. No. 18 Yangshanduan, West of East Sanhuan Road, Xuzhou Economic Development Zone, Xuzhou City, Jiangsu Province, the PRC	42,420,000	100%	42,420,000

No. Property	Market value in existing state as at 31 May 2016 <i>RMB</i>	Interest Attributable To The Group	Market value Attributable to the Group as at 31 May 2016 <i>RMB</i>
7. Machang Lake Road, Gulou District, Xuzhou City, Jiangsu Province, the PRC	No commercial Value	100%	No commercial Value
8. Southwest side by the crossing of G104 and Shangju Road, Yunlong District, Xuzhou City, Jiangsu Province, the PRC	194,800,000	100%	194,800,000
9. Southwest side by the crossing of G104 and Shangju Road, Yunlong District, Xuzhou City, Jiangsu Province, the PRC	15,300,000	100%	15,300,000
10. West of East Sanhuan Road, Xuzhou Economic Development Zone, Xuzhou City, Jiangsu Province, the PRC	40,070,000	100%	40,070,000
11. South of Luotuoshan Railway Flyover, Dongsanhuan Road, Xuzhou City, Jiangsu Province, the PRC	35,330,000	51%	18,020,000
12. West of Tourism School, South of Xinxin Road, Xuzhou City, Jiangsu Province, the PRC	19,700,000	100%	19,700,000

No. Property	Market value in existing state as at 31 May 2016 <i>RMB</i>	Interest Attributable To The Group	Market value Attributable to the Group as at 31 May 2016 <i>RMB</i>
13. No. 21 Xiangyu Avenue, Economic Development Zone, Huaian City, Jiangsu Province, the PRC	194,180,000	100%	194,180,000
14. South of Guihua Road, West of Huaihai North Road, Huaiyin District, Huaian City, Jiangsu Province, the PRC	12,410,000	100%	12,410,000
15. No. 1055 Xinghu Avenue, Economic & Technological Development Zone, Nantong City, Jiangsu Province, the PRC	112,500,000	100%	112,500,000
16. No. 145 Shuangwei Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, the PRC	126,920,000	80%	101,540,000
17. Room No. 8 Xinhua Road, New Area Yandu District, Yancheng City, Jiangsu Province, the PRC	89,450,000	100%	89,450,000
18. No. 7168 Beisong Road, Songjiang District, Shanghai, the PRC	127,390,000	100%	127,390,000

No. Property	Market value in existing state as at 31 May 2016 <i>RMB</i>	Interest Attributable To The Group	Market value Attributable to the Group as at 31 May 2016 <i>RMB</i>
19. No. 109 Middle Haiqu Road, Rizhao City, Shandong Province, the PRC	67,930,000	100%	67,930,000
20. No. 613 Jichang Road, Fushan District, Yantai City, Shandong Province, the PRC	84,420,000	100%	84,420,000
21. No. 818 Huzhi Road, Wuxing District, Huzhou City, Zhejiang Province, the PRC	94,570,000	100%	94,570,000
22. No. 2999 Shushan Road, Huanzhu Village, Wuxing District, Huzhou City, Zhejiang Province, the PRC	65,660,000	100%	65,660,000
23. No. 2995 Shushan Road, Huanzhu Village, Wuxing District, Huzhou City, Zhejiang Province, the PRC	62,960,000	100%	62,960,000
24. No. 490 Yanghu Road, Economic & Technological Development Zone, Ma'anshan City, Anhui Province, the PRC	50,540,000	100%	50,540,000

No. Property	Market value in existing state as at 31 May 2016 <i>RMB</i>	Interest Attributable To The Group	Market value Attributable to the Group as at 31 May 2016 <i>RMB</i>
25. No. 1 Xinxing road, Zhangfan Town, Xuecheng District, Zaozhuang City, Shandong Province, the PRC	41,610,000	100%	41,610,000
26. No. 5-1 South Yinzhou Road, Haizhou Development Zone, Lianyungang City, Jiangsu Province, the PRC	No commercial Value	100%	No commercial Value
27. No. 5 South Yingzhou Road, Haizhou Development Zone, Lianyungang City, Jiangsu Province, the PRC	No commercial Value	100%	No commercial Value
28. No. 1-1 South Yuzhou Road, Haizhou Development Zone, Lianyungang City, Jiangsu Province, the PRC	No commercial Value	100%	No commercial Value
29. Xingtai Road, Hailin District, Taizhou City, Jiangsu Province, the PRC	87,760,000	100%	87,760,000
30. North of Xihu West Road and East of Tonghu Road, Susu Industrial Zone, Suqian City, Jiangsu Province, the PRC	79,530,000	100%	79,530,000

No. Property	Market value in existing state as at 31 May 2016 <i>RMB</i>	Interest Attributable To The Group	Market value Attributable to the Group as at 31 May 2016 <i>RMB</i>
31. No. 76 Wangwang Road, Qinghe New District, Huaian City, Jiangsu Province, the PRC	63,270,000	100%	63,270,000
32. No. 1 Zhiyuan Road, Susu Industrial Zone, Suqian City, Jiangsu Province, the PRC	113,060,000	100%	113,060,000
33. North of Guangming Road, Xuecheng District, Zaozhuang City, Shandong Province, the PRC	9,400,000	100%	9,400,000
34. No. 121 Mengshan Avenue, Lanshan District, Linyi City, Shandong Province, the PRC	22,660,000	100%	22,660,000
35. No. 78 Haiguan Road, Lanshan District, Linyi City, Shandong Province, the PRC	14,650,000	100%	14,650,000
36. South of East Tao Ran Road, Lanshan District, Linyi City, Shandong Province, the PRC	65,100,000	100%	65,100,000

No. Property	Market value in existing state as at 31 May 2016 <i>RMB</i>	Interest Attributable To The Group	Market value Attributable to the Group as at 31 May 2016 <i>RMB</i>
37. No. 207 Jiefang Road, Lanshan District, Linyi City, Shandong Province, the PRC	20,880,000	100%	20,880,000
38. North of Lanyan Road, Hedong District, Linyi City, Shandong Province, the PRC	17,360,000	100%	17,360,000
39. North of East Yihe Road, Luozhuang District, Linyi City, Shandong Province, the PRC	91,350,000	100%	91,350,000
Grand total:	<u>2,297,340,000</u>		<u>2,254,650,000</u>

VALUATION CERTIFICATE

Property interests owned and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
1.	No. 56 Weiwei Avenue, Xincheng District, Xuzhou City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 30,735.00 sq.m. and 5 buildings erected thereon which were completed in about 2005 to 2010.</p> <p>The buildings have a total gross floor area of approximately 13,649.12 sq.m. which included 5 automobile showrooms.</p> <p>The land use rights of the property has been granted for a term expiring on 20 May 2042 for commercial use.</p>	<p>The property is occupied by the Group for automobile showroom use.</p> <p>Portion of the property with the site area of approximately 7,683.80 sq.m. has been leased to an independent 3rd party at a total annual rent of approximately RMB230,514 with the term expiring on 31 December 2019.</p>	<p>65,150,000 (100% interest attributable to the Company: RMB65,150,000)</p>

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Xu Tu Guo Yong (2011) Di No. 29696 dated 8 July 2011 with a site area of approximately 30,735.00 sq.m. has been granted to Rundong Automobile Group Co., Ltd., a wholly owned subsidiary of the Company, for a term expiring on 20 May 2042 for commercial use.
2. Pursuant to the 5 Building Ownership Certificates — Xu Fang Quan Zheng Yun Long Zi Di No. 115621–115624 all dated 5 July 2011 and Guo Fang Quan Zheng Xu Zhou Zi Di No. SY0021948 dated 13 September 2012, the property with a total gross floor area of approximately 13,649.12 sq.m. are vested in Rundong Automobile Group Co., Ltd.
3. Pursuant to the tenancy agreement entered into between Rundong Automobile Group Co., Ltd. and Xuzhou Rundong Zhicheng Automobile Sales and Services Company Limited, the property with the site area of approximately 7,683.80 sq.m. has been leased to Xuzhou Rundong Zhicheng Automobile Sales and Services Company Limited for a term of 6 years commencing from 1 January 2014 and expiring on 31 December 2019 with an annual rent of approximately RMB230,514 for the first to third years, and approximately RMB242,040 for the fourth to sixth year.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property; and
 - b. The Group has legal rights to lease the property mentioned in Note 3. The terms and condition of the tenancy agreement is not in violation of PRC law.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
2.	No. 58 Weiwei Avenue, Xincheng District, Xuzhou City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 13,266.30 sq.m. and a building erected thereon which was completed in about 2009.</p> <p>The building has a total gross floor area of approximately 7,449.22 sq.m. which included an automobile showroom.</p> <p>The land use rights of the property has been granted for a term expiring on 20 May 2042 for commercial use.</p>	The property is currently occupied by the Group for automobile showroom use.	41,500,000 (100% interest attributable to the Company: RMB41,500,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Xu Tu Guo Yong (2011) Di No. 29698 dated 8 July 2011 with a site area of approximately 13,266.30 sq.m. has been granted to Rundong Automobile Group Co., Ltd., a wholly owned subsidiary of the Company, for a term expiring on 20 May 2042 for commercial use.
2. Pursuant to the Building Ownership Certificate — Xu Fang Quan Zheng Yun Long Zi Di No. 115620, dated 5 July 2011, the property with a total gross floor area of approximately 7,449.22 sq.m. is vested in Rundong Automobile Group Co., Ltd.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
3.	West of East Sanhuan Road, Xuzhou Economic Development Zone, Xuzhou City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 11,805.00 sq.m. and 2 buildings erected thereon which were completed in about 2006.</p> <p>The buildings have a total gross floor area of approximately 6,070.45 sq.m. which included 2 automobile showrooms.</p> <p>The land use rights of the property has been granted for a term expiring on 15 July 2041 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	28,750,000 (100% interest attributable to the Company: RMB28,750,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Xu Tu Guo Yong (2010) Di No. 40016 dated 15 November 2010 with a site area of approximately 11,805.00 sq.m. has been granted to Rundong Automobile Group Co., Ltd., a wholly owned subsidiary of the Company, for a term expiring on 15 July 2041 for commercial use.
2. Pursuant to the 2 Building Ownership Certificates — Guo Xu Fang Quan Zheng Jin Shan Qiao Zi Di No. 16805–16806, dated 10 November 2011, the property with a total gross floor area of approximately 6,070.45 sq.m. are vested in Rundong Automobile Group Co., Ltd.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
4.	No. 175 Tongshan Road, Yunlong District, Xuzhou City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 9,478.90 sq.m. and a building erected thereon which was completed in about 2010.</p> <p>The building has a total gross floor area of approximately 6,303.47 sq.m. which included an automobile showroom.</p> <p>The land use rights of the property has been granted for a term expiring on 21 May 2047 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	35,960,000 (100% interest attributable to the Company: RMB35,960,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Xu Tu Guo Yong (2013) Di No. 05714 date 4 February 2013 with a site area of approximately 9,478.90 sq.m. has been granted to Rundong Automobile Group Co., Ltd., a wholly owned subsidiary of the Company, for a term expiring on 21 May 2047 for commercial use.
2. Pursuant to the Building Ownership Certificate — Guo Fang Quan Zheng Xu Zhou Zi Di No. SY0021947 dated 13 September 2012, the property with a total gross floor area of approximately 6,307.47 sq.m. is vested in Rundong Automobile Group Co., Ltd.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
5.	No. 292 South Beijing Road, New Tongshan District, Xuzhou City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 112,184.90 sq.m. and 8 buildings erected thereon which were completed in about 2007 to 2014.</p> <p>The buildings have a total gross floor area of approximately 31,903.92 sq.m. which included 8 automobile showrooms.</p> <p>The land use rights of the property has been granted for a term expiring on 27 March 2057 for industrial use.</p>	<p>The property is occupied by the Group for automobile showroom use.</p> <p>Portion of the property with the site area of approximately 93,487.50 sq.m. has been leased to various independent 3rd parties at a total annual rent of approximately RMB2,804,625 with the term expiring on 31 December 2019.</p>	<p>62,800,000 (100% interest attributable to the Company: RMB62,800,000)</p>

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Tong Guo Yong (2012) Di No. 01487 dated 12 March 2012 with a site area of approximately 112,184.90 sq.m. has been granted to Rundong Automobile Group Co., Ltd., a wholly owned subsidiary of the Company, for a term expiring on 27 March 2057 for industrial use.
2. Pursuant to the 8 Building Ownership Certificates — Tong Fang Quan Zheng Tong Shan Zhen Zi Di No. 31294, 30843, 30842, 43456, 43757, 43791, 47,220 and 43455, the property with a total gross floor area of approximately 31,903.92 sq.m. are vested in Rundong Automobile Group Co., Ltd.
3. Pursuant to the 5 tenancy agreements entered into between Rundong Automobile Group Co., Ltd. And various independent 3rd parties, the property with the site area of approximately 93,487.50 sq.m. have been leased to the tenants for a term of 6 years commencing from 1 January 2014 and expiring on 31 December 2019 with an annual rent of approximately RMB2,804,625 for the first three years, and approximately RMB2,944,856 for the fourth to sixth year.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property;
 - b. The buildings erected on the land parcel which have been occupied or leased by the Group for automobile dealership, maintenance or showroom business which does not conform with designated land usage of the State-owned Land Use Rights Certificate. The government is entitled to charge the penalty and/or confiscate the land use rights of the property; and
 - c. Refer to Note 4b. that the tenancy agreements mentioned in Note 3 might be considered invalid.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
6.	No. 18 Yangshanduan, West of East Sanhuan Road, Xuzhou Economic Development Zone, Xuzhou City, Jiangsu Province, the PRC	<p>The property comprises 2 parcel of land with a total site area of approximately 17,674.60 sq.m. and a building erected thereon which was completed in about 2010.</p> <p>The building has a total gross floor area of approximately 4,958.60 sq.m. which included an automobile showroom.</p> <p>The land use rights of the property has been granted for a term expiring on 6 September 2046 and 6 September 2056 for commercial and storage use respectively.</p>	The property is occupied by the Group for automobile showroom use.	42,420,000 (100% interest attributable to the Company: RMB42,420,000)

Notes:

- Pursuant to 2 Realty Title Certificates — Su (2016) Xu Zhou Shi Bu Dong Chan Quan Di No. 0018296 and 0018316 date 27 April 2016 with a total site area of approximately 17,674.60 sq.m. have been granted to Rundong Automobile Group Co., Ltd., a wholly owned subsidiary of the Company, for a term expiring on 6 September 2046 and 6 September 2056 for commercial and storage use respectively.

Realty Title Certificates Number	Usage	Expiry Date	Site Area (sq.m.)
Su (2016) Xu Zhou Shi Bu Dong Chan Quan Di No. 0018296	Storage	6-Sep-2056	12,546.90
Su (2016) Xu Zhou Shi Bu Dong Chan Quan Di No. 0018316	Commercial	6-Sep-2046	5,127.70

- Pursuant to 2 Realty Title Certificates — Su (2016) Xu Zhou Shi Bu Dong Chan Quan Di No. 0018296 and 0018316, the property with a total gross floor area of approximately 4,958.60 sq.m. are vested in Rundong Automobile Group Co., Ltd.

Realty Title Certificates Number	Gross Floor Area (sq.m.)
Su (2016) Xu Zhou Shi Bu Dong Chan Quan Di No. 0018296	2,316.25
Su (2016) Xu Zhou Shi Bu Dong Chan Quan Di No. 0018316	2,642.35

- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group has legally obtained both of the State-owned Land Use Rights Certificates and the Building Ownership Certificate of the property; and
 - The building with a gross floor area 2,316.25 sq.m. erected on the land parcel with a site area of 12,546.90 which have been occupied by the Group for automobile dealership, maintenance or showroom business which does not conform with designated land usage of the State-owned Land Use Rights Certificate. The government is entitled to charge the penalty and/or confiscate the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
7.	Machang Lake Road, Gulou District, Xuzhou City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 1,379.2 sq.m. and a building erected thereon which was completed in about 1988.</p> <p>The building has a total gross floor area of approximately 694.49 sq.m. which is planned to demolish.</p> <p>The land use rights of the property has been granted for a term expiring on 6 September 2056 for storage use.</p>	The property is vacant.	No commercial value (100% interest attributable to the Company: RMBNo commercial value)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Xu Tu Guo Yong (2011) Di No. 41435 dated 4 November 2011 with a site area of approximately 1,379.2 sq.m. has been granted to Rundong Automobile Group Co., Ltd., a wholly owned subsidiary of the Company, for a term expiring on 6 September 2056 for storage use.
2. According to the house resumption agreement dated 6 August 2015, the land was resumed by the government with a compensation of RMB725,205. As confirmed by the company, the land use right certificate was resumed by the government and the compensation was received in June 2016. In the valuation of this property, we have attributed no commercial value to the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
8.	Southwest side by the crossing of G104 and Shangju Road, Yunlong District, Xuzhou City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 68,660.9 sq.m. and 5 buildings erected thereon which were completed in about 2010-2014.</p> <p>The buildings have a total gross floor area of approximately 22,538.99 sq.m. which included 5 automobile showrooms.</p> <p>The land use rights of the property has been granted for a term expiring on 17 May 2057 for industrial use.</p>	<p>The property is occupied by the Group for automobile showroom use.</p> <p>Portion of the property with the site area of approximately 17,165.20 sq.m. has been leased to an independent 3rd party at a total annual rent of approximately RMB514,956 with the term expiring on 31 December 2019.</p>	<p>194,800,000 (100% interest attributable to the Company: RMB194,800,000)</p>

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Xu Tu Guo Yong (2012) Di No. 25649 dated 13 August 2012 with a site area of approximately 68,660.9 sq.m. has been granted to Xuzhou Rundong Jiaoguang Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 17 May 2057 for industrial use.
2. Pursuant to the 5 Building Ownership Certificates — Guo Fang Quan Zheng Xu Zhou Zi Di No. SY0012086, SY0012087, SY0012448, SY0012449 and SY0012447, the property with a total gross floor area of approximately 22,538.99 sq.m. are vested in Xuzhou Rundong Jiaoguang Automobile Sales and Services Company Limited.
3. Pursuant to the tenancy agreement entered into between Xuzhou Rundong Jiaoguang Automobile Sales and Services Company Limited and Xuzhou Rundong Jiachi Automobile Sales and Services Company Limited, the property with the site area of approximately 17,165.20 sq.m. has been leased to Xuzhou Rundong Jiachi Automobile Sales and Services Company Limited for a term of 6 years commencing from 1 January 2014 and expiring on 31 December 2019 with an annual rent of approximately RMB514,956 for the first three years, and approximately RMB540,704 for the fourth to sixth year.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property;
 - b. The buildings erected on the land which occupied or leased by the Group for automobile dealership, maintenance or showroom business which does not conform with designated land usage of the State-owned Land Use Rights Certificate. The government is entitled to charge the penalty and/or confiscate the land use rights of the property; and
 - c. Refer to Note 4b. that the tenancy agreement mentioned in Note 3 might be considered invalid.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
9.	Southwest side by the crossing of G104 and Shangju Road, Yunlong District, Xuzhou City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 39,685.80 sq.m. and 3 buildings erected thereon which were completed in about 2014–2015.</p> <p>The buildings have a total gross floor area of approximately 39,342.78 sq.m. which included 3 automobile showrooms.</p> <p>The land use rights of the property has been granted for a term expiring on 17 May 2057 for industrial use.</p>	<p>The property is occupied by the Group for automobile showroom use.</p> <p>Portion of the property with the site area of approximately 13,288.60 sq.m. has been leased to an independent 3rd party at a total annual rent of approximately RMB396,858 with the term expiring on 31 December 2019.</p>	<p>15,300,000 (100% interest attributable to the Company: RMB15,300,000)</p>

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Xu Tu Guo Yong (2011) Di No. 15532 dated 2 April 2011 with a site area of approximately 39,685.80 sq.m. has been granted to Xuzhou Rundong Jiaoguang Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 17 May 2057 for industrial use.
2. Pursuant to the tenancy agreement entered into between Xuzhou Rundong Jiaoguang Automobile Sales and Services Company Limited and Xuzhou Runteng Automobile Sales and Services Company Limited, the property with the site area of approximately 13,288.60 sq.m. has been leased to Xuzhou Runteng Automobile Sales and Services Company Limited for a term of 6 years commencing from 1 January 2014 and expiring on 31 December 2019 with an annual rent of approximately RMB396,858 for the first three years and approximately RMB416,701 for the fourth to sixth year.
3. In the valuation of this property, we have attributed no commercial value to the 3 buildings with a total gross floor area of approximately 39,342.78 sq.m. which have not obtained any title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB148,220,000 assuming all relevant title certificate have been obtained and the building could be freely transferred.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained the State-owned Land Use Rights Certificate;
 - b. The construction and occupy of the buildings erected on the land which is not conformed under the PRC law. The government is entitled to charge the penalty of the property. As of the date of valuation, the Group has not obtained Building Ownership Certificate yet, therefore, the property may have legal impediment;
 - c. The buildings erected on the land which occupied or leased by the Group for automobile dealership, maintenance or showroom business which does not conform with designated land usage of the State-owned Land Use Rights Certificate. The government is entitled to charge the penalty and/or confiscate the land use rights of the property; and
 - d. Refer to Note 4b. that the tenancy agreement mentioned in Note 2 might be considered invalid.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
10.	West of East Sanhuan Road, Xuzhou Economic Development Zone, Xuzhou City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 11,169.69 sq.m. and 2 buildings erected thereon which were completed in about 2005.</p> <p>The buildings have a total gross floor area of approximately 4,819.13 sq.m. which included 2 automobile showrooms.</p> <p>The land use rights of the property has been granted for a term expiring on 9 July 2051 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	40,070,000 (100% interest attributable to the Company: RMB40,070,000)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract dated 20 May 2011, the land use rights of a parcel of land with a site area of approximately 11,170.00 sq.m. was contracted to be granted to Xuzhou Rundong Automobile Sales Management Company Limited, a wholly owned subsidiary of the Company, for commercial use at a land premium of approximately RMB11,760,000.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio:	≤ 1.00
Site Coverage:	≤ 50%
Height Restriction:	≤ 24m
Greenery Coverage:	≥ 20%

- Pursuant to the Realty Title Certificate — Su (2016) Xu Zhou Shi Bu Dong Chan Quan Di No. 0004692 dated 2 February 2016 with a site area of approximately 11,169.69 sq.m. has been granted to Xuzhou Rundong Automobile Sales Management Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 9 July 2051 for commercial use.
- Pursuant to the Realty Title Certificate — Su (2016) Xu Zhou Shi Bu Dong Chan Quan Di No. 0004692 dated 2 February 2016, the property with a total gross floor area of approximately 4,819.13 sq.m. are vested in Xuzhou Rundong Automobile Sales Management Company Limited.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
11.	South of Luotuoshan Railway Flyover, Dongsanhuan Road, Xuzhou City, Jiangsu Province, the PRC	The property comprises a parcel of land with a site area of approximately 11,252.30 sq.m. and 2 buildings erected thereon which was completed in about 2005. The building has a total gross floor area of approximately 4,619.76 sq.m. which included an automobile showroom.	The property is occupied by the Group for automobile showroom use.	35,330,000 (51% interest attributable to the Company: RMB18,020,000)
		The land use rights of the property has been granted for a term expiring on 1 May 2048 for commercial use.		

Notes:

1. Pursuant to the Realty Title Certificate — Su (2016) Xu Zhou Shi Bu Dong Chan Quan Di No. 0019444 dated 5 May 2016 with a site area of approximately 11,252.30 sq.m. has been granted to Xuzhou Rundong Zhifeng Automobile Sales and Services Company Limited, a 51% owned subsidiary of the Company, for a term expiring on 1 May 2048 for commercial use.
2. Pursuant to the Realty Title Certificate — Su (2016) Xu Zhou Shi Bu Dong Chan Quan Di No. 0019444 dated 5 May 2016, the property with a total gross floor area of approximately 4,619.76 sq.m. are vested in Xuzhou Rundong Zhifeng Automobile Sales and Services Company Limited.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
12.	West of Tourism School, South of Xinxin Road, Xuzhou City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 11,638.00 sq.m. and a building erected thereon which was completed in about 2013.</p> <p>The building has a total gross floor area of approximately 8,666.00 sq.m. which included an automobile showroom.</p> <p>The land use rights of the property has been granted for a term expiring on 23 May 2052 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	19,700,000 (100% interest attributable to the Company; RMB19,700,000)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract dated 24 April 2012, the land use rights of a parcel of land with a site area of approximately 84,157.00 sq.m. was contracted to be granted to Xuzhou Hezhong Automobile Sales Company Limited (a wholly owned subsidiary of the Company), Xuzhou Runjia Automobile Sales and Services Company Limited (an independent third party) and Xuzhou Rundong Ruichen Automobile Sales and Services Company Limited (an independent third party), for commercial use at a land premium of approximately RMB65,000,000.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio:	≤ 1.50
Site Coverage:	≤ 50%
Greenery Coverage:	≥ 20%

- Pursuant to the State-owned Land Use Rights Certificate — Xu Tu Guo Yong (2012) Di No. 38015 dated 14 November 2012 with a site area of approximately 11,638.00 sq.m. has been granted to Xuzhou Hezhong Automobile Sales Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 23 May 2052 for commercial use.
- In the valuation of this property, we have attributed no commercial value to the building with a total gross floor area of approximately 8,666.00 sq.m. which has not obtained any title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB83,380,000 assuming all relevant title certificate have been obtained and the building could be freely transferred.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group has legally obtained the State-owned Land Use Rights Certificate; and
 - The construction and occupy of the buildings erected on the land which is not conformed under the PRC law. The government is entitled to charge the penalty of the property. As of the date of valuation, the Group has not obtained Building Ownership Certificate yet, therefore, the property may have legal impediment.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
13.	No. 21 Xiangyu Avenue, Economic Development Zone, Huaian City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 39,992.30 sq.m. and 4 buildings erected thereon which were completed in about 2005 to 2009.</p> <p>The buildings have a total gross floor area of approximately 14,030.75 sq.m. which included 4 automobile showrooms.</p> <p>The land use rights of the property has been granted for a term expiring on 16 November 2045 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	194,180,000 (100% interest attributable to the Company: RMB194,180,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Huai A Guo Yong (2008) Chu Di No. 1400 dated 30 April 2008 with a site area of approximately 39,992.30 sq.m. has been granted to Huaian Rundong Zhifu Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 16 November 2045 for commercial use.
2. Pursuant to the 4 Building Ownership Certificates — Huai Fang Quan Zheng Kai Zi Di No. 10102783001301, 10110483000301, 10110483000601 and D201110777, the property with a total gross floor area of approximately 14,030.75 sq.m. are vested in Huaian Rundong Zhifu Automobile Sales and Services Company Limited.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
14.	South of Guihua Road, West of Huaihai North Road, Huaiyin District, Huaian City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 6,969.56 sq.m. and a block of building erected thereon which was completed in about 2004.</p> <p>The building has a total gross floor area of approximately 1,892.35 sq.m. which included an automobile showroom.</p> <p>The land use rights of the property has been granted for a term expiring on 15 April 2044 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	12,410,000 (100% interest attributable to the Company: RMB12,410,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Huai Y Guo Yong (2005) Chu Di No. 296 with a site area of approximately 6,969.56 sq.m. has been granted to Huaian Rundong Shidai Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 15 April 2044 for commercial use.
2. Pursuant to the Building Ownership Certificate — Huai Fang Quan Zheng Zi Di No. B200604221, dated 1 November 2006, the property with a total gross floor area of approximately 1,892.35 sq.m. is vested in Huaian Rundong Shidai Automobile Sales and Services Company Limited.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
15.	No. 1055 Xinghu Avenue, Economic & Technological Development Zone, Nantong City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 8,075.67 sq.m. and a building erected thereon which was completed in about 2011.</p> <p>The building has a total gross floor area of approximately 10,758.18 sq.m. which included an automobile showroom.</p> <p>The land use rights of the property has been granted for a term expiring on 26 December 2050 for wholesale and retail use.</p>	The property is occupied by the Group for automobile showroom use.	112,500,000 (100% interest attributable to the Company: RMB112,500,000)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract dated 24 December 2010, the land use rights of a parcel of land with a site area of approximately 8,075.67 sq.m. was contracted to be granted to Nantong Runbaohang Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for wholesale and retail use at a land premium of approximately RMB14,536,206.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Site Coverage: $\leq 40\%$
Greenery Coverage: $\geq 20\%$

- Pursuant to the State-owned Land Use Rights Certificate — Tong Kai Guo Yong (2011) Di No. 0302005 dated 24 February 2011 with a site area of approximately 8,075.67 sq.m. has been granted to Nantong Runbaohang Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 26 December 2050 for wholesale and retail use.
- Pursuant to the Building Ownership Certificate — Nan Tong Fang Quan Zheng Kai Fa Qu Zi Di No. 32073597, dated 16 November 2012, the property with a total gross floor area of approximately 10,758.18 sq.m. is vested in Nantong Runbaohang Automobile Sales and Services Company Limited.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
16.	No. 145 Shuangwei Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 11,000.11 sq.m. and a building erected thereon which was completed in about 2012.</p> <p>The building has a total gross floor area of approximately 11,930.07 sq.m. which included an automobile showroom.</p> <p>The land use rights of the property has been granted for a term expiring on 25 April 2052 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	126,920,000 (80% interest attributable to the Company: RMB101,540,000)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract dated 28 November 2011, the land use rights of a parcel of land with a site area of approximately 11,000.11 sq.m. was contracted to be granted to Suzhou Baojing Automobile Sales and Services Company Limited, a 80% owned subsidiary of the Company, for commercial use at a land premium of approximately RMB19,810,000.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio:	≤ 1.1
Site Coverage:	≤ 50%
Height Restriction:	≤ 18 m
Greenery Coverage:	≤ 40%

- Pursuant to the State-owned Land Use Rights Certificate — Su Gong Yuan Guo Yong (2012) Di No. 00061 dated 28 May 2012 with a site area of approximately 11,000.11 sq.m. has been granted to Suzhou Baojing Automobile Sales and Services Company Limited, a 80% owned subsidiary of the Company, for a term expiring on 25 April 2052 for commercial use.
- Pursuant to the Building Ownership Certificate — Su Fang Quan Zheng Yuan Qu Zi Di No. 00514186, dated 24 September 2013, the property with a total gross floor area of approximately 11,930.07 sq.m. is vested in Suzhou Baojing Automobile Sales and Services Company Limited.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
17.	Room No. 8 Xinhua Road, New Area Yandu District, Yancheng City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 7,874.00 sq.m. and a building erected thereon which was completed in about 2013.</p> <p>The building has a total gross floor area of approximately 8,459.75 sq.m. which included an automobile showroom.</p> <p>The land use rights of the property has been granted for a term expiring on 28 November 2052 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	89,450,000 (100% interest attributable to the Company: RMB89,450,000)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract dated 28 August 2012, the land use rights of a parcel of land with a site area of approximately 14,690.00 sq.m. was contracted to be granted to Rundong Automobile Group Co., Ltd, a wholly owned subsidiary of the Company, for commercial use at a land premium of approximately RMB17,628,000.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio:	≤ 1.2
Site Coverage:	≤ 50%
Greenery Coverage:	≥ 20%

- Pursuant to the Supplemental Agreement to the State-owned Land Use Rights Grant Contract as mentioned in Note 1, entered into between The Land and Resources Bureau of Yancheng, Rundong Automobile Group Co., Ltd. and Yancheng Baojing Automobile Sales and Services Company Limited dated 11 September 2012, portion of the land use rights with a site area of approximately 7,840.00 sq.m. that the grantee has been changed to Yancheng Baojing Automobile Sales and Services Company Limited.
- Pursuant to the State-owned Land Use Rights Certificate — Yan Du Guo Yong (2012) Di No. 022004671 with a site area of approximately 7,874.00 sq.m. has been granted to Yancheng Baojing Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 28 November 2052 for commercial use.
- Pursuant to the Building Ownership Certificate — Yan Fang Quan Zheng Shi Qu Du Zi Di No. 0250735, dated 30 June 2014, the property with a total gross floor area of approximately 8,459.75 sq.m. is vested in Yancheng Baojing Automobile Sales and Services Company Limited.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
18.	No. 7168 Beisong Road, Songjiang District, Shanghai, the PRC	<p>The property comprises a parcel of land with a site area of approximately 8,304.00 sq.m. and a building erected thereon which was completed in about 2012.</p> <p>The building has a total gross floor area of approximately 13,033.16 sq.m. which included an automobile showroom.</p> <p>The land use rights of the property has been granted for a term expiring on 22 December 2055 for industrial use.</p>	The property is occupied by the Group for automobile showroom use.	127,390,000 (100% interest attributable to the Company: RMB127,390,000)

Notes:

1. Pursuant to the Real Estate Transfer Contract dated 18 October 2010, entered into between 上海蔚旺服飾綉品有限公司 and Rundong Automobile Group Co., Ltd., a wholly owned subsidiary of the Company, the property with a gross floor area of approximately 4,697.99 sq.m. together with the correspondingly land use rights of a parcel of land with a site area of approximately 8,304.00 sq.m., was contracted to be transferred to Rundong Automobile Group Co., Ltd., for industrial use at a consideration of approximately RMB22,600,000.
2. Pursuant to Shanghai Certificate of Real Estate Ownership — Hu Fang De Song Zi (2012) Di No. 024772, dated 20 December 2012, the property with a gross floor area of approximately 13,033.16 sq.m. together with the correspondingly land use rights of a parcel of land with a site area of approximately 8,304.00 sq.m. for a term expiring on 22 December 2055 is vested in Shanghai Baojing Xingcheng Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for industrial use.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained the Shanghai Certificate of Real Estate Ownership of the property; and
 - b. The building erected on the land which occupied by the Group for automobile dealership, maintenance or showroom business which does not conform with designated land usage of the Shanghai Certificate of Real Estate Ownership. The government is entitled to charge the penalty and/or confiscate the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
19.	No. 109 Middle Haiqu Road, Rizhao City, Shandong Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 11,335.20 sq.m. and a building erected thereon which was completed in about 2013.</p> <p>The building has a total gross floor area of approximately 5,693.05 sq.m. which included an automobile showroom.</p> <p>The land use rights of the property has been granted for a term expiring on 15 March 2047 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	67,930,000 (100% interest attributable to the Company: RMB67,930,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Transfer Contract dated 24 April 2013, entered into between Rizhao Haizheng Automobile Sales and Services Company Limited and Rizhao Baojing Automobile Sales Company Limited, a wholly owned subsidiary of the Company, the property with a gross floor area of approximately 2,000.00 sq.m. together with the correspondingly land use rights of a parcel of land with a site area of approximately 11,335.20 sq.m., was contracted to be transferred to Rizhao Baojing Automobile Sales Company Limited, for commercial use at a consideration of approximately RMB10,034,700.
2. Pursuant to the State-owned Land Use Rights Certificate — Ri Kai Guo Yong (2013) Di No. 000042 with a site area of approximately 11,335.20 sq.m. has been granted to Rizhao Baojing Automobile Sales Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 15 March 2047 for commercial use.
3. Pursuant to the Building Ownership Certificate — Ri Fang Quan Zheng Shi Zi Di No. 20140909014, dated 9 September 2014, the property with a total gross floor area of approximately 5,693.05 sq.m. is vested in Rizhao Baojing Automobile Sales Company Limited.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
20.	No. 613 Jichang Road, Fushan District, Yantai City, Shandong Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 15,971 sq.m. and a building erected thereon which was completed in about 2013.</p> <p>The building has a total gross floor area of approximately 6,977.78 sq.m. which included an automobile showroom.</p> <p>The land use rights of the property has been granted for a term expiring on 8 March 2052 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	84,420,000 (100% interest attributable to the Company: RMB84,420,000)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract dated 22 March 2012, the land use rights of a parcel of land with a site area of approximately 15,971 sq.m. was contracted to be granted to Yantai Runjie Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for commercial use at a land premium of approximately RMB19,790,000.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio:	≤ 0.86
Site Coverage:	≤ 46.3%
Greenery Coverage:	≥ 20%

- Pursuant to the State-owned Land Use Rights Certificate — Yan Guo Yong (2012) Di No. 30025 with a site area of approximately 15,971 sq.m. has been granted to Yantai Runjie Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 8 March 2052 for commercial use.
- Pursuant to the Building Ownership Certificate — Yan Fang Quan Zheng Fu Zi Di No. F011403, dated 18 February 2013, the property with a total gross floor area of approximately 6,977.78 sq.m. is vested in Yantai Runjie Automobile Sales and Services Company Limited.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
21.	No. 818 Huzhi Road, Wuxing District, Huzhou City, Zhejiang Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 14,841.00 sq.m. and 3 buildings erected thereon which were completed in about 2013.</p> <p>The buildings have a total gross floor area of approximately 6,937.80 sq.m. which included an automobile showroom and two ancillary buildings.</p> <p>The land use rights of the property has been granted for a term expiring on 29 November 2050 for wholesale and retail use.</p>	The property is occupied by the Group for automobile showroom use.	94,570,000 (100% interest attributable to the Company: RMB94,570,000)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract dated 20 July 2010, the land use rights of a parcel of land with a site area of approximately 14,841.00 sq.m. was contracted to be granted to Huzhou Baojing Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for wholesale and retail use at a land premium of approximately RMB14,700,000.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio:	≤ 1.5
Site Coverage:	≤ 50%
Height Restriction:	≤ 24%
Greenery Coverage:	≥ 20%

- Pursuant to the State-owned Land Use Rights Certificate — Wu Tu Guo Yong (2013) Di No. 002412 dated 20 November 2013 with a site area of approximately 14,841.00 sq.m. has been granted to Huzhou Baojing Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 29 November 2050 for wholesale and retail use.
- Pursuant to the 3 Building Ownership Certificates — Hu Zhou Shi Zi Di No. 110204445, No. 110204447 and NO. 110204449 dated 16 December 2013, the property with a total gross floor area of approximately 6,937.80 sq.m. are vested in Huzhou Baojing Automobile Sales and Services Company Limited.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
22.	No. 2999 Shushan Road, Huanzhu Village, Wuxing District, Huzhou City, Zhejiang Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 11,769.00 sq.m. and 3 buildings erected thereon which were completed in about 2013.</p> <p>The buildings have a total gross floor area of approximately 4,069.77 sq.m. which included an automobile showroom and two ancillary buildings.</p> <p>The land use rights of the property has been granted for a term expiring on 18 September 2051 for wholesale and retail use.</p>	The property is occupied by the Group for automobile showroom use.	65,660,000 (100% interest attributable to the Company: RMB65,660,000)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract dated 30 August 2011, the land use rights of a parcel of land with a site area of approximately 11,743 sq.m. was contracted to be granted to Huzhou Rundong Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for wholesale and retail use at a land premium of approximately RMB13,200,000.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio:	≤ 1.2
Site Coverage:	≤ 40%
Height Restriction:	≤ 24m
Greenery Coverage:	≥ 20%

- Pursuant to the State-owned Land Use Rights Certificate — Wu Tu Guo Yong (2013) Di No. 002506 dated 20 November 2013 with a site area of approximately 11,769.00 sq.m. has been granted to Huzhou Rundong Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 18 September 2051 for wholesale and retail use.
- Pursuant to the 3 Building Ownership Certificates — Hu Zhou Shi Zi Di No. 110204440-110204442, dated 16 December 2013, the property with a total gross floor area of approximately 4,069.77 sq.m. are vested in Huzhou Rundong Automobile Sales and Services Company Limited.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
23.	No. 2995 Shushan Road, Huanzhu Village, Wuxing District, Huzhou City, Zhejiang Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 9,193.00 sq.m. and 2 buildings erected thereon which were completed in about 2013.</p> <p>The buildings have a total gross floor area of approximately 4,390.76 sq.m. and which included an automobile showroom and an ancillary building.</p> <p>The land use rights of the property has been granted for a term expiring on 20 November 2013 for wholesale and retail use.</p>	The property is occupied by the Group for automobile showroom use.	62,960,000 (100% interest attributable to the Company: RMB62,960,000)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract dated 30 August 2011, the land use rights of a parcel of land with a site area of approximately 9,187.00 sq.m. was contracted to be granted to Huzhou Runzhiyi Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for wholesale and retail use at a land premium of approximately RMB10,400,000.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio:	≤ 1.2
Site Coverage:	≤ 40%
Height Restriction:	≤ 24m
Greenery Coverage:	≥ 20%

- Pursuant to the State-owned Land Use Rights Certificate — Wu Tu Guo Yong (2013) Di No. 002505 dated 20 November 2013 with a site area of approximately 9,193.00 sq.m. has been granted to Huzhou Runzhiyi Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 18 September 2051 for wholesale and retail use.
- Pursuant to the 2 Building Ownership Certificates — Hu Zhou Shi Zi Di No. 110204454-110204455, dated 16 December 2013, the property with a total gross floor area of approximately 4,390.76 sq.m. are vested in Huzhou Runzhiyi Automobile Sales and Services Company Limited.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
24.	No. 490 Yanghu Road, Economic & Technological Development Zone, Ma'anshan City, Anhui Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 7,949.95 sq.m. and a building erected thereon which was completed in about 2014.</p> <p>The building has a total gross floor area of approximately 4,994.00 sq.m. which included an automobile showroom.</p> <p>The land use rights of the property has been granted for a term expiring on June 2055 for industrial use.</p>	The property is occupied by the Group for automobile showroom use.	50,540,000 (100% interest attributable to the Company: RMB50,540,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract dated 3 November 2010, the land use rights of a parcel of land with a site area of approximately 7,949.95 sq.m. was contracted to be granted to Maanshan City Baojing Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for industrial use at a land premium of approximately RMB1,900,000.
2. Pursuant to the State-owned Land Use Rights Certificate — Ma Guo Yong (2011) Di No. 84017 dated 29 September 2011 with a site area of approximately 7,949.95 sq.m. has been granted to Maanshan City Baojing Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 28 June 2055 for industrial use.
3. Pursuant to the Building Ownership Certificate — Ma Fang Zi Di No. 2014030948, dated 12 September 2014, the property with a total gross floor area of approximately 4,994.00 sq.m. is vested in Maanshan City Baojing Automobile Sales and Services Company Limited.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property; and
 - b. The buildings erected on the land which occupied or leased by the Group for automobile dealership, maintenance or showroom business which does not conform with designated land usage of the State-owned Land Use Rights Certificate. The government is entitled to charge the penalty and/or confiscate the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
25.	No. 1 Xinxing Road, Zhangfan Town, Xuecheng District, Zaozhuang City, Shandong Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 15,867 sq.m. and 2 buildings erected thereon which were completed in about 2010.</p> <p>The buildings have a total gross floor area of approximately 6,968.27 sq.m. which included an automobile showroom and an ancillary building.</p> <p>The land use rights of the property has been granted for a term expiring on 8 October 2049 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	41,610,000 (100% interest attributable to the Company: RMB41,610,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Xue Guo Yong (2009) Di No. 038 with a site area of approximately 15,867.00 sq.m. has been granted to Zaozhuang Aowei Automobile Sales and Services Company, a wholly owned subsidiary of the Company, for a term expiring on 8 October 2049 for commercial use.
2. Pursuant to the 2 Building Ownership Certificates — Zao Fang Quan Zheng Gao Xin Zi Di No. 352159 and 347625, the property with a total gross floor area of approximately 6,968.27 sq.m. are vested in Zaozhuang Aowei Automobile Sales and Services Company.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
26.	No. 5-1 South Yinzhou Road, Haizhou Development Zone, Lianyungang City, Jiangsu Province, the PRC	The property comprises a parcel of land with a site area of approximately 30,974.66 sq.m. and a building erected thereon which was completed in about 2008. The building has a total gross floor area of approximately 4,500.00 sq.m. which included an automobile showroom.	The property is occupied by the Group for automobile showroom use.	No commercial Value

Notes:

1. As informed by the Group, the State-owned Land Use Rights Certificate has not yet been obtained.
2. In the valuation of this property, we have attributed no commercial value to the building with a total gross floor area of approximately 4,500.00 sq.m. which has not obtained any title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings as at the date of valuation would be RMB19,160,000 assuming all relevant title certificate have been obtained and the building could be freely transferred.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group is not entitled to occupy the property. The government is entitled to charge the penalty and confiscate the property; and
 - b. As informed by the Group, the property has not been penalized on or before the date of valuation.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
27.	No. 5 South Yingzhou Road, Haizhou Development Zone, Lianyungang City, Jiangsu Province, the PRC	The property comprises a parcel of land with a site area of approximately 14,000.00 sq.m. and a building erected thereon which was completed in about 2008. The building has a total gross floor area of approximately 3,755.00 sq.m. which included an automobile showroom.	The property is occupied by the Group for automobile showroom use.	No commercial Value

Notes:

1. As informed by the Group, the State-owned Land Use Rights Certificate has not yet been obtained.
2. In the valuation of this property, we have attributed no commercial value to the building with a total gross floor area of approximately 3,755.00 sq.m. which has not obtained any title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings as at the date of valuation would be RMB15,990,000 assuming all relevant title certificate have been obtained and the building could be freely transferred.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group is not entitled to occupy the property. The government is entitled to charge the penalty and confiscate the property; and
 - b. As informed by the Group, the property has not been penalized on or before the date of valuation.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
28.	No. 1-1 South Yuzhou Road, Haizhou Development Zone, Lianyungang City, Jiangsu Province, the PRC	The property comprises a parcel of land with a site area of approximately 20,000.00 sq.m. and 2 buildings erected thereon which were completed in about 2008. The buildings have a total gross floor area of approximately 5,075.00 sq.m. which included 2 automobile showrooms.	The property is occupied by the Group for automobile showroom use.	No commercial Value

Notes:

1. As informed by the Group, the State-owned Land Use Rights Certificate has not yet been obtained.
2. In the valuation of this property, we have attributed no commercial value to the buildings with a total gross floor area of approximately 5,075.00 sq.m. which have not obtained any title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings as at the date of valuation would be RMB21,610,000 assuming all relevant title certificate have been obtained and the building could be freely transferred.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group is not entitled to occupy the property. The government is entitled to charge the penalty and confiscate the property; and
 - b. As informed by the Group, the property has not been penalized on or before the date of valuation.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
29.	Xingtai Road, Hailin District, Taizhou City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 9,653.00 sq.m. and a building erected thereon which was completed in about 2014.</p> <p>The building has a total gross floor area of approximately 7,690.38 sq.m. which included an automobile showroom.</p> <p>The land use rights of the property has been granted for a term expiring on 30 March 2053 for wholesale and retail use.</p>	The property is occupied by the Group for automobile showroom use.	87,760,000 (100% interest attributable to the Company: RMB87,760,000)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract dated 6 February 2013, the land use rights of a parcel of land with a site area of approximately 9,653.00 sq.m. was contracted to be granted to Taizhou Baojing Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for wholesale and retail use at a land premium of approximately RMB13,300,000.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio:	≥ 0.8
Site Coverage:	≤ 50%
Greenery Coverage:	≥ 20%

- Pursuant to the State-owned Land Use Rights Certificate — Tai Zhou Guo Yong (2013) Di No. 19100 dated 6 February 2013 with a site area of approximately 9,653.00 sq.m. has been granted to Taizhou Baojing Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 30 March 2053 for wholesale and retail use.
- Pursuant to the Building Ownership Certificate — Tai Fang Quan Zheng Hai Ling Zi Di No. 1000119961 dated 28 August 2015, the property with a total gross floor area of approximately 7,690.38 sq.m. is vested in Taizhou Baojing Automobile Sales and Services Company Limited.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
30.	North of Xihu West Road and East of Tonghu Road, Susu Industrial Zone, Suqian City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 18,266.00 sq.m. and a building erected thereon which were completed in about 2014.</p> <p>The building have a total gross floor area of approximately 5,630.91 sq.m.</p> <p>The land use rights of the property has been granted for a term expiring on 15 August 2051 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	79,530,000 (100% interest attributable to the Company: RMB79,530,000)

Notes:

1. Pursuant to the 2 State-owned Land Use Rights Grant Contract dated 16 August 2011, the land use rights of 2 parcels of land with a total site area of approximately 18,266.00 sq.m. were contracted to be granted to Suqian Runkai Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for commercial use at a land premium of approximately RMB18,631,320.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio: ≤ 1.3
Site Coverage: $\leq 70\%$

2. Pursuant to the State-owned Land Use Rights Certificate — Su Su Yuan Guo Yong (2011) Di No. 141 dated 19 September 2011 with a site area of approximately 18,266.00 sq.m. has been granted to Suqian Runkai Automobile Sales and Services Company Limited for a term expiring on 15 August 2051 for commercial use.
3. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 321300201150014 dated 19 September 2011 in favour of Suqian Runkai Automobile Sales and Services Company Limited, permission towards the planning of a parcel of land with a total site area of approximately 18,269.00 sq.m.
4. Pursuant to a Construction Works Planning Permit — Jian Zi Di No. 321300201360204 dated 25 June 2013 in favour of Suqian Runkai Automobile Sales and Services Company Limited, the construction work with a total gross floor area of approximately 5,630.91 sq.m. have been approved for construction.
5. Pursuant to a Construction Works Commencement Permit — No. 321392020130019 dated 11 November 2013 in favour of Suqian Runkai Automobile Sales and Services Company Limited, permission by the relevant local authority has been given to commence the construction work with a total gross floor area of approximately 5,630.91 sq.m.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained the State-owned Land Use Rights Certificate;
 - b. The Group has obtained permission and approval in relation to the construction of the building as required under PRC law according to the progress of the construction work; and
 - c. As informed by the Group, the Building Ownership Certificate is under application. The Group will possess the legal title after obtaining the Building Ownership Certificate.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
31.	No. 76 Wangwang Road, Qinghe New District, Huaian City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 10,516.9 sq.m. and 2 buildings erected thereon which were completed in about 2013.</p> <p>The buildings have a total gross floor area of approximately 4,517.04 sq.m. which included an automobile showroom and an ancillary building.</p> <p>The land use rights of the property has been granted for a term expiring on 28 March 2052 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	63,270,000 (100% interest attributable to the Company: RMB63,270,000)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract dated 6 March 2011, the land use rights of a parcel of land with a site area of approximately 10,516.9 sq.m. was contracted to be granted to Huaian Baotielong Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for commercial use at a land premium of approximately RMB23,400,000.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio:	≤ 2
Site Coverage:	≤ 50%
Greenery Coverage:	≥ 25%

- Pursuant to the State-owned Land Use Rights Certificate — Huai A Guo Yong (2012 Chu) Di No. 8257 dated 1 November 2012 with a site area of approximately 10,516.9 sq.m. has been granted to Huaian Baotielong Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 28 March 2052 for commercial use.
- Pursuant to the 2 Building Ownership Certificates — Huai Fang Quan Zheng Qing He Zi Di No. A201446929 and A201446926, dated 29 August 2014, the property with a total gross floor area of approximately 4,517.04 sq.m. are vested in Huaian Baotielong Automobile Sales and Services Company Limited.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
32.	No. 1 Zhiyuan Road, Susu Industrial Zone, Suqian City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 12,755 sq.m. and a building erected thereon which were completed in about 2013.</p> <p>The building has a total gross floor area of approximately 8,511.12 sq.m.</p> <p>The land use rights of the property has been granted for a term expiring on 8 January 2052 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	113,060,000 (100% interest attributable to the Company: RMB113,060,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract dated 9 January 2012, the land use rights of a parcel of land with a site area of approximately 12,755 sq.m. was contracted to be granted to Suqian Baozun Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for commercial use at a land premium of approximately RMB13,010,100.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio:	≤ 1.2
Site Coverage:	≤ 60%
Height Restriction	≤ 18.5

2. Pursuant to the State-owned Land Use Rights Certificate — Su Su Yuan Guo Yong (2012) Di No. 053 dated 19 April 2012 with a site area of approximately 12,755 sq.m. has been granted to Suqian Baozun Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 8 January 2052 for commercial use.
3. Pursuant to the Building Ownership Certificates — Su Fang Quan Zheng Su Su Yuan Zi Di No. 00000565, dated 12 May 2014, the property with a total gross floor area of approximately 8,511.12 sq.m. is vested in Suqian Baozun Automobile Sales and Services Company Limited.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
33.	North of Guangming Road, Xuecheng District, Zaozhuang City, Shandong Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 14,828 sq.m. and a block of building erected thereon which were completed in about 2015.</p> <p>The building has a total gross floor area of approximately 4,839.20 sq.m.</p> <p>The land use rights of the property has been granted for a term expiring on 29 January 2055 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	9,400,000 (100% interest attributable to the Company: RMB9,400,000)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract dated 30 May 2014, the land use rights of a parcel of land with a site area of approximately 14,828 sq.m. was contracted to be granted to Zaozhuang Baojing Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for commercial use at a land premium of approximately RMB9,350,000.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio: ≤ 1.2
Site Coverage: $\leq 40\%$

- Pursuant to the State-owned Land Use Rights Certificate — Zao Tu Guo Yong (2015) Di No. 35 dated 22 December 2015 with a site area of approximately 14,828 sq.m. has been granted to Zaozhuang Automobile Sales and Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 29 January 2055 for commercial use.
- In the valuation of this property, we have attributed no commercial value to the building with a total gross floor area of approximately 4,839.20 sq.m. which have not obtained any title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB48,390,000 assuming all relevant title certificate have been obtained and the building could be freely transferred.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group has legally obtained the State-owned Land Use Rights of the property; and
 - The construction and occupy of the buildings erected on the land which is not conformed under the PRC law. The government is entitled to charge the penalty of the property. As of the date of valuation, the Group has not obtained Building Ownership Certificate yet, therefore, the property may have legal impediment.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
34.	No. 121 Mengshan Avenue, Lanshan District, Linyi City, Shandong Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 17,950 sq.m. and 3 buildings erected thereon which were completed in about 2007.</p> <p>The buildings have a total gross floor area of approximately 7,226.61 sq.m.</p> <p>The land use rights of the property has been granted for a term expiring on 12 August 2027 for industrial use.</p>	The property is occupied by the Group for automobile showroom use.	22,660,000 (100% interest attributable to the Company: RMB22,660,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Lin Lan Guo Yong (2004) Di No. 0077 dated 25 February 2004 with a site area of approximately 17,950 sq.m. has been granted to Linyi Jialun Automobile Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 12 August 2027 for industrial use.
2. Pursuant to the Building Ownership Certificates — Lin Fang Quan Zheng Lan Shan Qu Zi Di No. 000033824 dated 26 September 2007, the property with a total gross floor area of approximately 7,226.61 sq.m. is vested in Linyi Jialun Automobile Services Company Limited
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property; and
 - b. The buildings erected on the land parcel which have been occupied by the Group for automobile dealership, maintenance or showroom business which does not conform with designated land usage of the State-owned Land Use Rights Certificate. The government is entitled to charge the penalty and/or confiscate the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
35.	No. 78 Haiguan Road, Lanshan District, Linyi City, Shandong Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 6,075.95 sq.m. and 3 buildings erected thereon which were completed in about 2007.</p> <p>The buildings have a total gross floor area of approximately 4,232.42 sq.m.</p> <p>The land use rights of the property has been granted for a term expiring on 18 January 2033 for industrial use.</p>	The property is occupied by the Group for automobile showroom use.	14,650,000 (100% interest attributable to the Company: RMB14,650,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Lin Lan Guo Yong (2003) Zi Di No. 1371 dated 31 March 2003 with a site area of approximately 6,075.95 sq.m. has been granted to Linyi Jialun Automobile Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 18 January 2033 for industrial use.
2. Pursuant to the 2 Building Ownership Certificates — Lin Fang Quan Zheng Lan Shan Qu Zi Di No. 000022183 and No. 000022188, dated 11 April 2007, the property with a total gross floor area of approximately 4,232.42 sq.m. is vested in Linyi Jialun Automobile Services Company Limited.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property; and
 - b. The buildings erected on the land parcel which have been occupied by the Group for automobile dealership, maintenance or showroom business which does not conform with designated land usage of the State-owned Land Use Rights Certificate. The government is entitled to charge the penalty and/or confiscate the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
36.	South of East Tao Ran Road, Lanshan District, Linyi City, Shandong Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 28,382.25 sq.m. and 3 buildings erected thereon which were completed in about 2015.</p> <p>The buildings have a total gross floor area of approximately 25,837 sq.m.</p> <p>The land use rights of the property has been granted for a term expiring on 7 March 2051 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	65,100,000 (100% interest attributable to the Company: RMB65,100,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Lin Lan Guo Yong (2015) Di No. 0061 dated 3 June 2015 with a site area of approximately 28,382.25 sq.m. has been granted to Linyi Jialun Automobile Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 7 March 2051 for commercial use.
2. In the valuation of this property, we have attributed no commercial value to the 3 buildings with a total gross floor area of approximately 25,837 sq.m. which have not obtained any title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB125,600,000 assuming all relevant title certificate have been obtained and the building could be freely transferred.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained the State-owned Land Use Rights of the property; and
 - b. The construction and occupy of the buildings erected on the land which is not conformed under the PRC law. The government is entitled to charge the penalty of the property. As of the date of valuation, the Group has not obtained Building Ownership Certificate yet, therefore, the property may have legal impediment.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
37.	No.207 Jiefang Road, Lanshan District, Linyi City, Shandong Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 8,127.86 sq.m. and 7 buildings erected thereon which were completed in about 2007.</p> <p>The buildings have a total gross floor area of approximately 6,144.98 sq.m.</p> <p>The land use rights of the property has been granted for a term expiring on 18 January 2033 for industrial use.</p>	The property is occupied by the Group for automobile showroom use.	20,880,000 (100% interest attributable to the Company: RMB20,880,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Lin Lan Guo Yong (2003) Zi Di No. 1372 dated 3 March 2003 with a site area of approximately 8,127.86 sq.m. has been granted to Linyi Jialun Automobile Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 18 January 2033 for industrial use.
2. Pursuant to the 3 Building Ownership Certificates — Lin Fang Quan Zheng Lan Shan Qu Zi Di No. 000023632, 000023877 and 000031206 dated 17 May 2007, 23 May 2007 and 14 August 2007, the property with a total gross floor area of approximately 6,144.98 sq.m. is vested in Linyi Jialun Automobile Services Company Limited.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property; and
 - b. The buildings erected on the land parcel which have been occupied by the Group for automobile dealership, maintenance or showroom business which does not conform with designated land usage of the State-owned Land Use Rights Certificate. The government is entitled to charge the penalty and/or confiscate the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
38.	North of Lanyan Road, Hedong District, Linyi City, Shandong Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 9,120.09 sq.m. and 4 buildings erected thereon which were completed in about 2007.</p> <p>The buildings have a total gross floor area of approximately 2,215.10 sq.m.</p> <p>The land use rights of the property has been granted for a term expiring on 29 March 2027 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	17,360,000 (100% interest attributable to the Company: RMB17,360,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Lin He Guo Yong (2003) Di No. 0010 dated 6 June 2003 with a site area of approximately 9,120.09 sq.m. has been granted to Linyi Jialun Automobile Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 29 March 2027 for commercial use.
2. Pursuant to the a Building Ownership Certificate — Lin Fang Quan Zheng He Dong Qu Zi Di No. 000033799 dated 26 September 2007, the property with a total gross floor area of approximately 2,215.10 sq.m. is vested in Linyi Jialun Automobile Services Company Limited.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
39.	North of East Yihe Road, Luozhuang District, Linyi City, Shandong Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 17,003 sq.m. and 3 buildings erected thereon which were completed in about 2015.</p> <p>The buildings have a total gross floor area of approximately 10,805.81 sq.m.</p> <p>The land use rights of the property has been granted for a term expiring on 16 August 2050 for commercial use.</p>	The property is occupied by the Group for automobile showroom use.	91,350,000 (100% interest attributable to the Company: RMB91,350,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Lin Luo Guo Yong (2010) Di No. 079 dated 26 November 2010 with a site area of approximately 17,003 sq.m. has been granted to Linyi Jialun Automobile Services Company Limited, a wholly owned subsidiary of the Company, for a term expiring on 16 August 2050 for commercial use.
2. Pursuant to the a Building Ownership Certificate — Lin Fang Quan Zheng Luo Zhuang Qu Zi Di No. 000415401 dated 15 June 2015, the property with a total gross floor area of approximately 10,805.81 sq.m. is vested in Linyi Jialun Automobile Services Company Limited.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The Group has legally obtained both of the State-owned Land Use Rights Certificate and the Building Ownership Certificates of the property.

1. RESPONSIBILITY STATEMENTS

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this Composite Document (other than those relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The sole director of the Offeror, namely, Mr. Yang, accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those information relating to the Group), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. SHARE CAPITAL, MANAGEMENT SUBSCRIPTION SHARES, SHARE OPTIONS AND CONVERTIBLE SECURITIES

Share Capital

As at the Latest Practicable Date, the authorized and issued share capital of the Company is as follows:

	Authorized share capital	Par value	No. of authorized Shares	No. of issued Shares
Ordinary Shares	US\$49,650.00	US\$0.0000005	99,300,000,000	946,476,000
CPS	US\$350.00	US\$0.0000005	700,000,000	664,268,747

All the issued Ordinary Shares are fully paid and rank pari passu in all respects including, in particular, the rights in respect of capital, dividend and voting.

All the issued CPS are fully paid and rank pari passu in all respects (including the rights to all dividends and other distributions declared). The CPS does not have a right to vote (except in limited circumstances) and otherwise rank pari passu in all respects with the Ordinary Shares in issue or to be issued by the Company.

The Company had not issued any new Shares since December 31, 2015, being the end of the last financial year of the Company. Neither the Company nor any of its subsidiaries has made any repurchase of the Shares since the last financial year ended December 31, 2015.

Management Subscription Shares

As at the Latest Practicable Date, there are 51,507,146 Management Subscription Shares remain outstanding. The Management Subscription Price of HK\$2.89 per Management Subscription Share. The Management Subscribers will take place in four installments (the “**Installment Completion**”) in the following manner:

Time of Installment Completion	Percentage of the aggregate number of Management Subscription Shares agreed to be issued to the relevant subscriber (%)
First anniversary of the date of completion of the Management Subscription Agreement	30
Second anniversary of the date of completion of the Management Subscription Agreement	30
Third anniversary of the date of completion of the Management Subscription Agreement	20
Fourth anniversary of the date of completion of the Management Subscription Agreement	20

Each Installment Completion with respect to each of the Management Subscribers is conditional upon the fulfillment of the following conditions (the “**Installment Completion Conditions**”):

- (a) the revenue and net profit of the Group for the financial year immediately preceding each Installment Completion are not less than the revenue and net profit of the Group for the financial year ended December 31, 2014, respectively;
- (b) the relevant Management Subscriber having achieved the performance target for the relevant financial year of the Company set by the Board specifically with respect to such subscriber (the “**Relevant Performance Target**”), subject to the following adjustments:
 - (i) if the relevant Management Subscriber achieves 70% of his Relevant Performance Target before the relevant Installment Completion, the number of Management Subscription Shares that he is entitled to subscribe for at such Installment Completion shall be 70%;
 - (ii) if the relevant Management Subscriber achieves between 70% to 100% of his Relevant Performance Target before the relevant Installment Completion, the number of Management Subscription Shares that he is entitled to subscribe for at such Installment Completion shall be adjusted proportionally (up to 100%); and

- (iii) if the relevant Management Subscriber achieves below 70% of his Relevant Performance Target, the Management Subscription Shares that he is entitled to subscribe for at such Installment Completion shall be cancelled.
- (c) the relevant Management Subscriber having remained as an employee of the Group; and
- (d) compliance with the requirement of maintaining the prescribed public float under the Listing Rules by the Company and the voting rights of the Offeror in the Company not falling from above 30% to below 30% at the relevant Installment Completion; otherwise the relevant Installment Completion will need to be postponed until these two conditions can be met.

Each Management Subscription Agreement shall be terminated, among other grounds, (a) upon mutual termination by the parties to the agreement; or (b) if the Management Subscription Conditions have not been satisfied within 12 months from the date of the relevant Management Subscription Agreement.

As the performance conditions were not met pursuant to the terms and conditions of the Management Subscription Agreements in the first anniversary, the first batch of Management Subscription Shares had been forfeited.

Share options and convertible securities

As at the Latest Practicable Date, save for the Options granted the Pre-IPO Share Option Scheme under which 6,963,414 Options remain outstanding, the Company has no outstanding convertible securities, options, warrants or derivatives in issue which are convertible or exchangeable into Ordinary Shares. The Company has not granted any options under the Post-IPO Share Option Scheme, which was terminated with effect from August 14, 2015.

The details of the outstanding share options under the Pre-IPO Share Option Scheme are set out below:

Date of grant	Exercise period	Vesting period	Exercise price per Share	Outstanding as at Latest Practicable Date
November 15, 2011	<i>Note 1</i>	<i>Note 2</i>	US\$0.3573	6,963,414

Notes:

- Each grantee to whom an Option has been granted shall be entitled to exercise his/her share option in such manner as set out below:

Exercise date	Maximum cumulative percentage of the vested share options exercised
The date after the first anniversary of August 12, 2014 (the “ Listing Date ”) but before the second anniversary of the Listing Date	30%
The date after the second anniversary of the Listing Date but before the third anniversary of the Listing Date	60%
The date after the third anniversary of the Listing Date but before the fourth anniversary of the Listing Date	80%
The date after the fourth anniversary of the Listing Date	100%

- The Pre-IPO Share Option Scheme shall be vested in accordance with the following schedule (the “**Vesting Date**”): (a) if a grantee is employed on or before December 31, 2011, the Vesting Date shall be March 31 of every year commencing 2012; (b) if a grantee is employed from January 1, 2012 to December 31, 2012, the Vesting Date shall be March 31 of every year commencing 2013; and (c) if a grantee is employed from January 1, 2013 to December 31, 2013, the Vesting Date shall be March 31 of every year commencing 2014.

3. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Share HK\$
January 29, 2016	3.01
February 29, 2016	3.00
March 31, 2016	2.89
April 29, 2016	2.85
May 31, 2016	3.16
June 24, 2016 (Last Trading Day prior to the issue of the Joint Announcement) (<i>Note</i>)	3.27
June 30, 2016	Suspended
July 22, 2016 (Latest Practicable Date)	3.50

Note: Trading of the Shares was suspended during the period from June 27, 2016 to June 30, 2016.

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$3.51 per Share on July 5, 11, 14, 15, 19, 20 and 21, 2016 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$2.80 per Share on May 11, 2016.

4. DISCLOSURE OF INTERESTS

A. Directors' interest

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors

of Listed Issuers of the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares and underlying shares of the Company

Name of Director	Capacity/Nature	Number of Ordinary Shares held	Percentage of interest (%)
Yang Peng ⁽¹⁾	Beneficial owner; Interest in controlled corporation	1,246,115,943 (L) 325,949,347 (S)	131.66 34.44
Liu Dongli ⁽²⁾⁽³⁾	Beneficial owner; Beneficiary of a trust	6,599,368 (L)	0.70
Zhao Zhongjie ⁽³⁾⁽⁴⁾	Beneficial owner; Beneficiary of a trust	6,837,538 (L)	0.72
Liu Jian ⁽³⁾⁽⁵⁾	Beneficial owner; Beneficiary of a trust	4,271,414 (L)	0.45
Yan Sujian ⁽³⁾⁽⁶⁾	Beneficial owner; Beneficiary of a trust	4,275,638 (L)	0.45

(L) denotes long position

(S) denotes long position

Notes:

- (1) Mr. Yang as the protector of the Run Feng family trust is deemed to be interested in the Shares held as he has the power to appoint and remove, and to amend the rights of, the trustee to the Run Feng family trust, currently being HSBC International Trustee Limited. Mr. Yang is also (a) beneficially interested in 25,829,196 Management Subscription Shares pursuant to the Management Subscription and (b) interested in 484,401,147 CPS since he is deemed to be interested in the same number of CPS as the Offeror under the SFO.

Mr. Yang, as the protector of the Run Feng family trust, controls the Offeror. The Offeror has pledged certain Shares in favour of Cheer Hope Holdings Limited, which is wholly controlled by CCBI Investments Limited, which is wholly controlled by CCB International (Holdings) Limited, which is wholly controlled by CCB Financial Holdings Limited, which is wholly controlled by CCB International Group Holdings Limited, which is wholly controlled by China Construction Bank Corporation, which is in turn 57.31% controlled by Central Huijin Investment Ltd.

- (2) Mr. Liu Dongli is beneficially interested in (a) 5,416,460 Management Subscription Shares and (b) 1,182,908 Ordinary Shares as a beneficiary of a trust.
- (3) The Ordinary Shares was held by Runda, a private trust company incorporated under the laws of the British Virgin Islands, one of the shareholders of the Company. Runda is a trustee of China Auto Retail Holding Group Ltd Option Trust, a discretionary trust under which Liu Dongli, Zhao Zhongjie, Liu Jian, Li Xiang and Yan Sujian are eligible beneficiaries.

- (4) Mr. Zhao Zhongjie is beneficially interested in (a) 5,416,460 Management Subscription Shares and (b) 1,421,078 Ordinary Shares as a beneficiary of a trust.
- (5) Mr. Liu Jian is beneficially interested in (a) 3,398,920 Management Subscription Shares and (b) 872,494 Ordinary Shares as a beneficiary of a trust.
- (6) Mr. Yan Sujian is beneficially interested in (a) 3,092,730 Management Subscription Shares and (b) 1,182,908 Shares as a beneficiary of a trust.

As at the Latest Practicable Date, save as disclosed above, none of the Directors nor chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this Composite Document pursuant to the requirements of the Takeovers Code.

B. Substantial Shareholders' Interest

As at the Latest Practicable Date, the following persons and entities, other than a Director or chief executive of the Company, had an interest or short position in the Ordinary Shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

Long and short positions in the Shares of the Company

Name of shareholder	Capacity/Nature	Number of Ordinary Shares held	Percentage of shareholding (%)
The Offeror	Beneficial Interest	1,220,286,747 (L)	128.93 (L)
		325,949,347 (S)	34.44 (S)
Cheerful Autumn Holdings Limited ⁽¹⁾	Interest in controlled corporation	1,220,286,747 (L)	128.93 (L)
		325,949,347 (S)	34.44 (S)
Rue Feng Holdings Limited ⁽¹⁾	Interest in controlled corporation	1,220,286,747 (L)	128.93 (L)
		325,949,347 (S)	34.44 (S)
HSBC International Trustee Limited ⁽¹⁾	Trustee	1,220,286,747 (L)	128.93 (L)
		325,949,347 (S)	34.44 (S)

Name of shareholder	Capacity/Nature	Number of Ordinary Shares held	Percentage of shareholding (%)
Mr. Yang Peng ⁽¹⁾⁽²⁾	Beneficial Interest; Interest in controlled corporation	1,246,115,943 (L) 325,949,347 (S)	131.66 (L) 34.44 (S)
China Auto Retail Holding Ltd II	Beneficial owner	112,000,000 (L)	11.83 (L)
KKR China Auto Retail Holding Ltd I ⁽³⁾	Interest in controlled corporation	112,000,000 (L)	11.83 (L)
KKR China Growth Fund L.P. ⁽³⁾	Interest in controlled corporation	112,000,000 (L)	11.83 (L)
KKR Associates China Growth L.P. ⁽³⁾	Interest in controlled corporation	112,000,000 (L)	11.83 (L)
KKR China Growth Limited ⁽³⁾	Interest in controlled corporation	112,000,000 (L)	11.83 (L)
KKR Fund Holdings L.P. ⁽³⁾	Interest in controlled corporation	112,000,000 (L)	11.83 (L)
KKR Fund Holdings GP Limited ⁽³⁾	Interest in controlled corporation	112,000,000 (L)	11.83 (L)
KKR Group Holdings L.P. ⁽³⁾	Interest in controlled corporation	112,000,000 (L)	11.83 (L)
KKR Group Limited ⁽³⁾	Interest in controlled corporation	112,000,000 (L)	11.83 (L)
KKR & Co. L.P. ⁽³⁾	Interest in controlled corporation	112,000,000 (L)	11.83 (L)
KKR Management LLC ⁽³⁾	Interest in controlled corporation	112,000,000 (L)	11.83 (L)
Mr. Henry R. Kravis ⁽³⁾	Interest in controlled corporation	112,000,000 (L)	11.83 (L)

Name of shareholder	Capacity/Nature	Number of Ordinary Shares held	Percentage of shareholding (%)
Mr. George R. Roberts ⁽³⁾	Interest in controlled corporation	112,000,000 (L)	11.83 (L)
Cheer Hope Holdings Limited ⁽⁴⁾	Person having a security interest in Shares	325,949,347 (L)	34.44 (L)
CCBI Investments Limited ⁽⁴⁾	Person having a security interest in Shares	325,949,347 (L)	34.44 (L)

Notes:

- (1) The Offeror is the wholly-owned subsidiary of Cheerful Autumn Holdings Limited, which is wholly-owned by Rue Feng Holdings Limited, which in turn is legally owned by the trustee to the Run Feng family trust (being HSBC International Trustee Limited) for the benefit of the beneficiaries of the Run Feng family trust. Mr. Yang, being the protector of the Run Feng family trust, has the power to appoint and remove, and to amend the rights of, the trustee to the Run Feng family trust.
- (2) Mr. Yang is also interested in 25,829,196 Management Subscription Shares.
- (3) Each of the relevant persons is interested in 112,000,000 Shares according to the relevant disclosure of interest forms (“**DI Forms**”) filed on June 29, 2016. Based on the knowledge of the Company, each of KKR China Auto Retail Holding Ltd I (as the sole shareholder of China Auto Retail Holding Ltd II), KKR China Growth Fund L.P. (as the controlling shareholder of KKR China Auto Retail Holding Ltd. I), KKR Associate China Growth L.P. (as the general partner of KKR China Growth Fund L.P.), KKR China Growth Limited (as the general partner of KKR Associates China Growth L.P.); KKR Fund Holdings L.P. (as the sole shareholder of KKR China Growth Limited), KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as the general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as the general partner of KKR & Co. L. P.), and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) is deemed to be interested in the Shares. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the Shares.
- (4) Each of the relevant persons is interested in 325,949,347 Shares according to the relevant DI Forms filed on May 12, 2016. Based on the knowledge of the Company, pursuant to a deed of charge, the Offeror has pledged certain Shares in favour of Cheer Hope Holdings Limited, which is wholly controlled by CCBI Investments Limited, which is wholly controlled by CCB International (Holdings) Limited, which is wholly controlled by CCB Financial Holdings Limited, which is wholly controlled by CCB International Group Holdings Limited, which is wholly controlled by China Construction Bank Corporation, which is in turn 57.31% controlled by Central Huijin Investment Ltd.

Save as disclosed above, as at the Latest Practicable Date, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the Ordinary Shares and underlying shares in the Company (i) as recorded in the register required to be kept under section 336 of the SFO; or (ii) required to be disclosed in this Composite Document pursuant to the Takeovers Code.

C. The Offeror's Interest

The Offeror is an investment holding company incorporated on November 18, 2013 in British Virgin Islands with limited liability. As at the Latest Practicable Date, the Offeror is the wholly-owned subsidiary of Cheerful Autumn Holdings Limited, which is wholly-owned by Rue Feng Holdings Limited, which in turn is legally owned by the trustee to the Run Feng family trust (being HSBC International Trustee Limited) for the benefit of the beneficiaries of the Run Feng family trust. Mr. Yang, being the protector of the Run Feng family trust, has the power to appoint and remove, and to amend the rights of, the trustee to the Run Feng family trust. The beneficiaries of Rue Feng family trust are Ms. Cao Weijing and Mr. Yang Zhiqing (the son of Mr. Yang and Ms. Cao Weijing).

On June 26, 2016, Greenland and the Offeror entered into the Greenland Sale and Purchase Agreement, pursuant to which the Greenland agreed to sell and the Offeror agreed to acquire the Greenland Sale Shares, comprising 283,942,800 Ordinary Shares and 284,327,947 CPS, free from all encumbrances together with all rights attaching thereto as at the date of Greenland Completion, including all rights to any dividend or other distribution declared, made or paid on or after the date of Greenland Completion. The consideration for the Greenland Sale Shares is HK\$2,004,444,227, equivalent to approximately HK\$3.5273 per Ordinary Share and per CPS. The Greenland Sale Shares, being all the Shares held by Greenland, represent approximately (a) 30.0% of the voting rights of the Company (assuming no CPS have been converted into Ordinary Shares); and (b) 35.3% of the voting rights of the Company (assuming full conversion of CPS). Greenland Completion took place on June 27, 2016 pursuant to the Greenland Sale and Purchase Agreement. Upon Greenland Completion, the Offeror is interested in 567,885,600 Ordinary Shares and 484,401,147 CPS, representing approximately: (a) 60.0% of the voting rights of the Company (assuming no CPS have been converted into Ordinary Shares); and (b) 65.3% of the voting rights of the Company (assuming full conversion of CPS).

On June 26, 2016, KKR Auto, the Offeror and Mr. Yang entered into the KKR Auto Sale and Purchase Agreement, pursuant to which the Offeror agreed to acquire and KKR Auto agreed to sell the KKR Auto Sale Shares, comprising 168,000,000 CPS, for a total consideration of HK\$592,586,400, equivalent to HK\$3.5273 per CPS. As at the Latest Practicable Date, the KKR Auto Sales Shares represent: (a) 0% of the voting rights of the Company (assuming no CPS have been converted into Ordinary Shares); and (b) approximately 10.4% of the voting rights of the Company (assuming full conversion of CPS). KKR Auto Completion took place on July 15, 2016.

Save for (i) 567,885,600 Ordinary Shares that are already owned by the Offeror; (ii) 35,984,000 Ordinary Shares owned by Rundong Smart; (iii) 5,855,000 Ordinary Shares and 6,963,414 Options held by Runda as trustee for the benefit of the Runda Ordinary Share Beneficiaries and the Runda Option Beneficiaries, respectively; and (iv) 25,829,196 Management Subscription Shares which Mr. Yang is interested in, none of the Offeror, its ultimate beneficial owner, nor parties acting in concert with any one of them owned or controlled any other interest in the Shares, options, warrants, derivatives or securities which are convertible into Shares as at the Latest Practicable Date.

5. ADDITIONAL DISCLOSURE OF INTEREST AND DEALINGS IN SECURITIES

During the Relevant Period and as at the Latest Practicable Date, in respect of the Company:

- (a) the Company did not hold, nor had dealt for value in the shares of the Offeror, or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror;
- (b) none of the Directors held, or had dealt for value in the shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror;
- (c) save as Greenland and KKR Auto which have dealt for value in the Shares pursuant to the Greenland Sale and Purchase Agreement and the KKR Auto Sale and Purchase Agreement, respectively, no person who had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any parties acting in concert with it had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (d) save as disclosed in the section headed “4. Disclosure of Interests” in this Appendix IV, none of the Directors was interested in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and had no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (e) none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of any of its subsidiaries; nor (iii) any adviser to the Company (as specified in class (2) of the definition of “associate” under the Takeovers Code), had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and/or had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (f) save for the Irrevocable Undertakings, no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code;

- (g) no securities of the Company were managed on a discretionary basis by any fund managers connected with the Company, nor did any such fund managers deal in any securities of the Company;
- (h) no Shares or securities of the Company had been borrowed or lent by any of the Directors or any person acting in concert with the Directors or by the Company;
- (i) save as disclosed in the section headed “4. Disclosure of Interests” in this Appendix IV, no Directors held/directed/owned any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date;
- (j) there was no benefit (other than statutory compensation) to be given to any Director as compensation for loss of compensation for loss office or otherwise in connection with the Offer;
- (k) save for the Sale and Purchase Agreements and the GTJA Facility Agreement, in which Mr. Yang has interest by being a close relative of the beneficial owners of the Offeror, there was no material contract entered into by the Offeror or any party acting in concert with it in which any Director had a material personal interest; and
- (l) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome or otherwise connected with the Offer.

The Offeror confirms that during the Relevant Period and as at the Latest Practicable Date:

- (a) save as disclosed in section headed “4. Disclosure of Interests” in this Appendix IV and the Sale and Purchase Agreements, none of the Offeror, its shareholders, its ultimate beneficial owners, its directors nor parties acting in concert with any of them was interested in or owned or controlled nor had dealt in any Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares;
- (b) no shares or securities of the Company had been borrowed or lent by any of the Offeror, its directors, its shareholder, its ultimate beneficial owners, or any parties acting in concert with any of them;
- (c) save for Greenland Sale and Purchase Agreement, there was no agreement or arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer;
- (d) save for the GTJA Facility Agreement pursuant to which a total of 361,942,800 Ordinary Shares and all the Offer Shares to be acquired through the Offer by the Offeror shall be pledged to GTJA Securities for the Loan Facility, the Offeror and/or parties acting concert with it had no intention to transfer, charge or pledge the Shares

to be acquired under the Offer to any other persons nor was there any such agreement, arrangement or understanding which have been or will be entered into by the Offeror and/or parties acting concert with it to transfer, charge or pledge any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which have been or to be or agreed to be (if any) acquired by the Offeror and/or parties acting in concert with it to any other persons;

- (e) save for (i) the GTJA Facility Agreement pursuant to which a total of 361,942,800 Ordinary Shares; (ii) the Offer Shares to be acquired through the Offer by the Offeror shall be pledged to GTJA Securities for the Loan Facility; and (iii) dealing by GTJA Securities as the broker/custodian on behalf of its clients in the ordinary course of business, GTJA Securities did not have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code), and/or had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (f) save for KKR Auto, the Management Subscribers (save for Mr. Yang), Runda Option Beneficiaries and Runda Ordinary Share Beneficiaries who had entered into the Irrevocable Undertakings, the Offeror, its shareholders, its ultimate beneficial owner, and parties acting in concert with any of them had not received any irrevocable commitment to accept or reject the Offer prior to and up to the Latest Practicable Date; and save for the dealing by KKR Auto pursuant to the KKR Sale and Purchase Agreement, none of KKR Auto, the Management Subscribers, Runda Option Beneficiaries and Runda Ordinary Share Beneficiaries had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (g) there was no outstanding derivative in respect of securities in the Company, which was entered into by the Offeror, its shareholders, its ultimate beneficial owners and/or parties acting in concert with any of them;
- (h) save for the Irrevocable Undertakings, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person on the one hand and (i) the Offeror or (ii) the parties acting in concert with it or (iii) the associates of the Offeror on the other hand;
- (i) save as disclosed in section headed “4. Disclosure of Interests” in this Appendix IV, the Offeror, its shareholders, its ultimate beneficial owners and parties acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company; and
- (j) there was no agreement or arrangement to which the Offeror, its shareholders, its director(s), its ultimate beneficial owners and parties acting in concert with any of them was a party which related to circumstances in which it might or might not invoke or seek to invoke a precondition or a condition to the Offer.

A shareholders' agreement dated December 28, 2010 was entered into between, among others, KKR Auto and Rundong Holding, pursuant to which KKR Auto was granted certain rights to require the Offeror and Rundong Smart to transfer additional Ordinary Shares if the Company does not achieve certain profit target. Details of this are disclosed in the prospectus of the Company dated July 31, 2014. On May 18, 2015, KKR Auto, the Offeror, Mr. Yang and Ms. Cao Weijing, among others, entered into an amendment agreement to amend the valuation adjustment. Pursuant to such amendment agreement, following the sale by KKR Auto of all of the Investor Shares held by KKR Auto, if there is any Shortfall, Rundong Smart and Mr. Yang will either transfer Ordinary Shares or make a cash payment to KKR Auto so as to offset the amount the Shortfall.

KKR Auto has (i) confirmed that there has been no dealing in the relevant securities (having the meaning ascribed to it under the Takeovers Code) of the Company by KKR Auto within the Relevant Period; and (ii) undertaken that it will not deal in the relevant securities (having the meaning ascribed to it under the Takeovers Code) of the Company by KKR Auto during the Offer period. The Offeror and KKR Auto do not consider themselves to be parties acting in concert.

Save for the purchase of Greenland Sale Shares and KKR Auto Sale Shares by the Offeror, a company which Mr. Yang controls in his capacity as the protector of the Run Feng family trust, pursuant to the Sale and Purchase Agreements, no Director had dealt for value in any relevant securities (having the meaning ascribed to it under the Takeovers Code) of the Company during the Relevant Period.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

7. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date,

- (a) no benefit (other than statutory compensation) had been and would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (b) save and except for the Sale and Purchase Agreements and the GTJA Facility Agreement in which Mr. Yang has interest by being a close relative of the beneficial owners of the Offeror, no material contracts had been entered into by the Offeror in which any Director has a material personal interest; and
- (c) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

8. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, namely, Mr. Yang, Mr. Liu Dongli, Mr. Zhao Zhongjie and Mr. Liu Jian, entered into a service contract with the Company for an initial term of three years commencing from August 12, 2014 which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company. Under their respective service contracts, Mr. Yang, Mr. Liu Dongli, Mr. Zhao Zhongjie and Mr. Liu Jian is entitled to a fixed remuneration of RMB1,000,000; RMB800,000, RMB800,000 and RMB600,000 per annum, respectively, and is not entitled to any variable remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

Each of the non-executive Directors, namely Mr. Yan Sujian, Mr. Li Wei, Mr. Wu Zhengkui and Mr. Wu Jin, has signed an appointment letter with the Company for a term of one year with effect from May 27, 2016. Under their respective appointment letters, Mr. Yan Sujian is entitled to a fixed remuneration of RMB600,000 per annum and is not entitled to any variable remuneration, while the other three non-executive Directors, namely Mr. Li Wei, Mr. Wu Zhengkui and Mr. Wu Jin are not entitled to any fixed or variable remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles. The appointment letter of Mr. Yan Sujian replaces the earlier appointment letter entered into by Mr. Yan Sujian with the Company dated July 23, 2014 for a term of one year effective from August 12, 2014, pursuant to which Mr. Yan Sujian was entitled to a fixed remuneration of RMB600,000 per annum and was not entitled to any variable remuneration. The appointment letters of each of Mr. Li Wei and Mr. Wu Zhengkui replace the earlier appointment letters entered into by each of Mr. Li Wei and Mr. Wu Zhengkui with the Company, each dated August 14, 2015 for a term of one year, pursuant to which each of Mr. Li Wei and Mr. Wu Zhengkui was not entitled to any fixed or variable remuneration. As Mr. Wu Jin was first appointed as a Director on May 27, 2016, he has not entered into any earlier appointment letters.

Each of the independent non-executive Directors, namely Mr. Peng Zhenhuai, Mr. Mei Jianping, Mr. Lee Conway Kong Wai and Mr. Xiao Zhengsan has signed an appointment letter with the Company for a term of one year with effect from May 27, 2016. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed remuneration of RMB220,000 per annum and is not entitled to any variable remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles. The appointment letters of each of Mr. Peng Zhenhuai, Mr. Mei Jianping, Mr. Lee Conway Kong Wai and Mr. Xiao Zhengsan replace the earlier appointment letters entered into by each of Mr. Peng Zhenhuai, Mr. Mei Jianping, Mr. Lee Conway Kong Wai and Mr. Xiao Zhengsan with the Company, each dated July 23, 2014 for a term of one year effective from August 12, 2014, pursuant to which each of Mr. Peng Zhenhuai, Mr. Mei Jianping, Mr. Lee Conway Kong Wai and Mr. Xiao Zhengsan was entitled to a fixed remuneration of RMB220,000 per annum and was not entitled to any variable remuneration.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing service contracts with any member of the Group or any associated company of the Group:

- (a) which (including both continuous and fixed term contracts) have been entered into or amended within 6 months prior to commencement of the Offer Period;
- (b) which are continuous contracts with a notice period of 12 months or more; or
- (c) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

9. OTHER ARRANGEMENT IN RELATION TO THE OFFER

As at the Latest Practicable Date, save for the Sale and Purchase Agreements and the GTJA Facility Agreement, there were no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares (or other relevant securities of the Company) or the shares of the Offeror (or other relevant securities of the Offeror) which might be material to the Offer.

10. MATERIAL CONTRACTS

During the two years immediately preceding the date of the Joint Announcement and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group, have been entered into by the Group and are or may be material:

- (a) the deed of non-competition dated July 23, 2014 entered into among the Offeror, Cheerful Autumn Holdings Limited, Rue Feng Holdings Limited, Mr. Yang and the Company regarding non-competition undertakings given by the Offeror, Cheerful Autumn Holdings Limited, Rue Feng Holdings Limited and Mr. Yang in favor of the Company;
- (b) the deed of indemnity dated July 23, 2014 entered into among the Offeror, Cheerful Autumn Holdings Limited, Rue Feng Holdings Limited and Mr. Yang and the Company pursuant to which each of the Offeror, Cheerful Autumn Holdings Limited, Rue Feng Holdings Limited and Mr. Yang agreed to give certain indemnities in favor of the Group;
- (c) the underwriting agreement dated July 30, 2014 relating to the Hong Kong public offering of the Company and entered into by, among others, the Company, Rue Feng Holdings Limited, Cheerful Autumn Holdings Limited, the Offeror, Mr. Yang, Merrill Lynch Far East Limited, Morgan Stanley Asia Limited, Merrill Lynch International, CCB International Capital Limited, Haitong International Securities Company Limited, Merrill Lynch International and Morgan Stanley Asia Limited;
- (d) the subscription agreement dated May 16, 2015 in respect of the subscription of the 536,270,747 Shares entered into between the Company, Greenland and the Offeror;

- (e) the Management Subscription Agreements; and
- (f) the redesignation agreement dated May 16, 2015 in relation to the redesignation of Shares held by the Offeror and KKR Auto entered into between the Company, the Offeror and KKR Auto.

11. MISCELLANEOUS

As at the Latest Practicable Date:

- (a) The Offeror is Rundong Fortune Investment Limited.
- (b) The registered office of the Offeror is at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands.
- (c) The correspondence address of Mr. Yang is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The correspondence address of Runda is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The correspondence address of Rundong Smart is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) The registered Office of GTJA Capital and GTJA Securities is at 27/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

12. EXPERTS AND CONSENTS

The following is the qualifications of the expert who has given opinion or advice which is contained in this Composite Document:

Name	Qualifications
Avista	AVISTA Valuation Advisory Limited
GTJA Capital	a licensed corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities
Optima Capital	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the experts mentioned above has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter, report and references to its name in the form and context in which it appears.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on the websites of the SFC (www.sfc.hk) and the Company (www.rundong.com.cn) during the period from the date of despatch of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual report of the Company for the financial year ended December 31, 2014;
- (d) the annual report of the Company for the financial year ended December 31, 2015;
- (e) the letter from GTJA Capital, the text of which is set out on pages 13 to 21 of this Composite Document;
- (f) the letter from the Board, the text of which is set out on pages 22 to 31 of this Composite Document;
- (g) the letter from the Independent Board Committee, the text of which is set out on pages 32 to 33 of this Composite Document;
- (h) the letter from Optima Capital, the text of which is set out on pages 34 to 58 of this Composite Document;
- (i) the property valuation reports of the Group from Avista, the text of which is set out in Appendix III to this Composite Document;
- (j) the Sale and Purchase Agreements;
- (k) the Irrevocable Undertakings;
- (l) the GTJA Facility Agreement;
- (m) service contracts and appointment letters with the Directors referred to in the section headed “8. Directors’ Services Contracts” in this Appendix IV;
- (n) the written consents referred to in the section headed “12. Experts and consents” in this Appendix IV; and
- (o) the material contracts referred to in the section headed “10. Material Contracts” in this appendix IV.