BAOXIN AUTO GROUP LIMITED
寶信汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock code 股份代號：1293

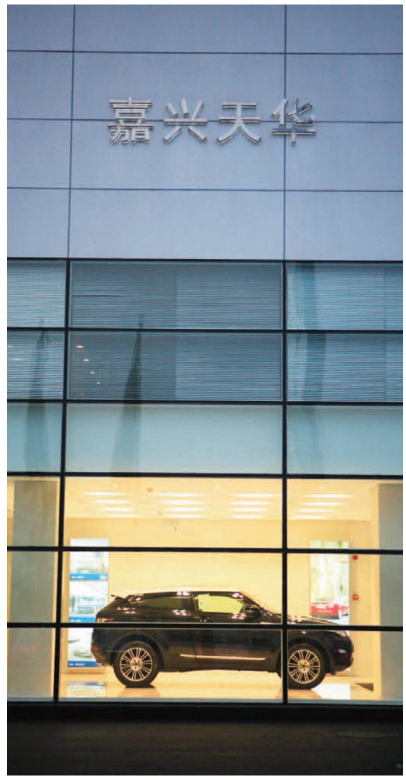
Annual Report 年報
2012

OUR CORPORATE MISSION

Customer-Oriented

Excellence Management

Quality Service



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. YANG Aihua *(Chairman)*
Mr. YANG Hansong *(President)*
Mr. YANG Zehua *(Vice President)*
Ms. HUA Xiuzhen
Mr. ZHAO Hongliang *(Vice President)*

Non-Executive Director

Mr. ZHANG Yang

Independent Non-Executive Directors

Mr. DIAO Jianshen
Mr. WANG Keyi
Mr. CHAN Wan Tsun Adrian Alan

AUDIT COMMITTEE

Mr. DIAO Jianshen *(Chairman)*
Mr. WANG Keyi
Mr. CHAN Wan Tsun Adrian Alan

REMUNERATION COMMITTEE

Mr. DIAO Jianshen *(Chairman)*
Mr. YANG Hansong
Mr. WANG Keyi

NOMINATION COMMITTEE

Mr. WANG Keyi *(Chairman)*
Mr. YANG Hansong
Mr. DIAO Jianshen

JOINT COMPANY SECRETARIES

Mr. CHEN Changdong
Ms. PAU Lai Mei

AUTHORIZED REPRESENTATIVES

Mr. YANG Hansong
Ms. PAU Lai Mei

STOCK CODE

1293

WEBSITE

www.klbaoxin.com

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

1715 Wuzhong Road,
Minhang District, Shanghai, PRC.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1803-4, 18/F, Bank of America Tower,
12 Harbour Road, Hong Kong.

REGISTERED OFFICE

P.O. Box 309, Ugland House,
Grand Cayman KY1-1104,
Cayman Islands.

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall, Cricket Square,
Grand Cayman, KY1-1102,
Cayman Islands.

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shop 1712–1716, 17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong.

COMPLIANCE ADVISER

CMB International Capital Limited
Units 1803–4,
18/F, Bank of America Tower,
12 Harcourt Road,
Central, Hong Kong.

LEGAL ADVISERS TO HONG KONG LAW

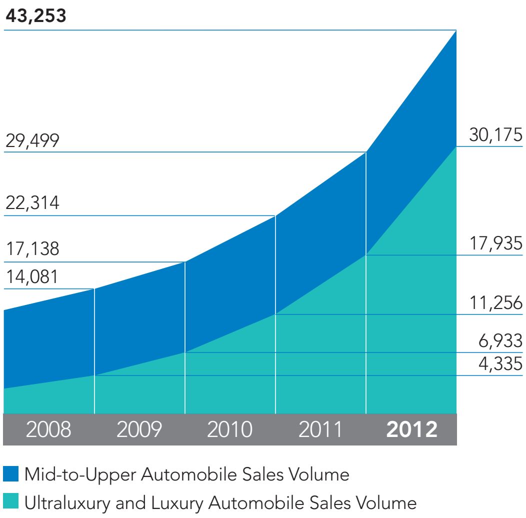
Cleary Gottlieb Steen & Hamilton (Hong Kong)
39/F, Bank of China Tower,
One Garden Road,
Central, Hong Kong.

AUDITORS

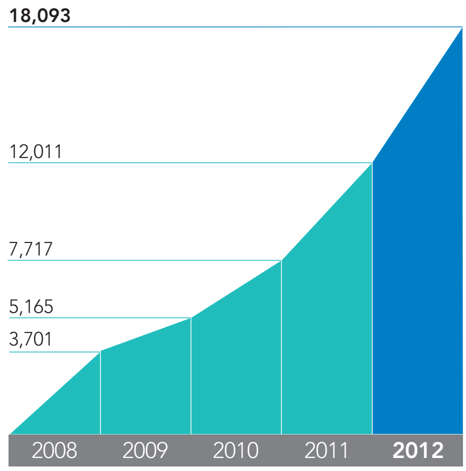
Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Financial Highlights

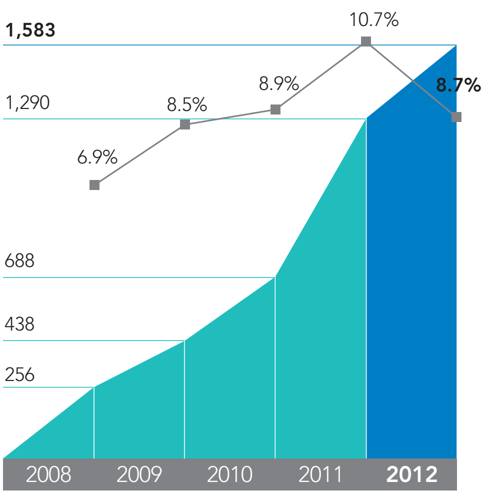
Automobile Sales Volume
(Units)



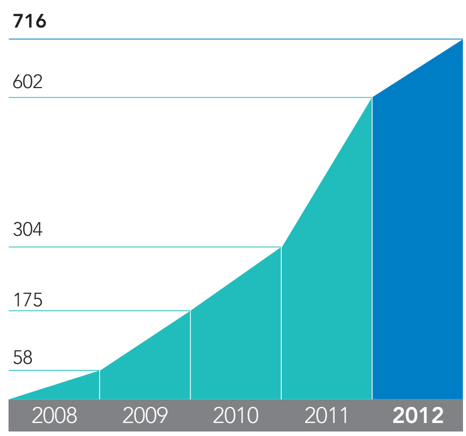
Revenue
(RMB million)



Gross Profit and Gross Profits Margin
(RMB million)



Profit Attributable to Owners of the Parent
(RMB million)



Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") and the management of Baoxin Auto Group Limited (the "Company" or "our Company" and together with its subsidiaries, "Baoxin", "we", "us", "our", the "Group" or "our Group"), I am pleased to present the annual results report of the Group for the year 2012.

2012 was a challenging year for China's automotive industry, but it was also a year full of opportunities. According to the statistics released by the China Association of Automobile Manufacturers (the "CAAM"), as compared to the same period in 2011, the production and sales volume of passenger automobiles in China only increased by 7.17% and 7.07% respectively, although luxury and ultra-luxury automobiles still achieved double digit growth. This is especially so for Audi, BMW and Jaguar Land Rover, who saw increases of 29.6%, 40.4%, and 71.4% respectively. With the ever accelerating Chinese economy and the increase of per capita income in China, we believe that the luxury automobile market has vast potential for development, and will remain at a steady growth for a considerable period in the future.

The Group achieved significant development in 2012 both externally and internally, as a result of efficient corporate management, prudent strategies and dedicated team members. During the reporting period, the Group successfully acquired the entire share capital of NCGA Holdings Limited (together with its subsidiaries, the "**NCGA Group**") and Rui'an Baolong Automotive Sales & Service Co., Ltd. ("Rui'an Baolong"). Consequently, the Group's coverage on luxury and ultra-luxury brands has expanded, and its leadership position in northern and western China has been enhanced. This is highly encouraging to the future development of the Group.

Chairman's Statement

As at the year ended December 31, 2012, the Group owned 75 dealership stores, representing an increase of 127% from 33 dealership stores at the end of 2011. This consists of 60 dealership stores which are dedicated to luxury and ultra-luxury brands, representing a significant growth of 161% as compared to 2011. During the reporting period, the Group's recorded automobile sales was 43,253 units, representing an increase of 46.6% from 29,499 units for the same period in 2011. Luxury and ultra-luxury brands accounted for 30,175 units, representing an increase of 68.2% as compared to the same period in 2011. Notably, luxury and ultra-luxury automobiles represented 69.8% of the total sales volume of new automobiles in 2012. The revenue of the Group totaled RMB18,092.9 million, representing an increase of 50.6% from that of RMB12,010.9 million in 2011; operating profits amounted to RMB1,240.5 million, representing an increase of 29.2% from that of RMB959.9 million for the same period in 2011. The profit attributable to owners of the parent amounted to RMB715.9 million, representing an increase of 18.9%, from that of RMB601.9 million in 2011.

CONTINUED GROWTH OF THE LUXURY AND ULTRA-LUXURY AUTOMOBILE MARKET

In 2012, the sales volume of luxury and ultra-luxury automobiles in the PRC exceeded 1,000,000 units, representing an increase of 30% as compared to 2011. Luxury brands such as BMW and Audi recorded an annual sales volume of 326,000 units and 406,000 units respectively, representing an increase of 40.4% and 29.6% respectively as compared to the same period in 2011. Ultra-luxury brands, such as Jaguar Land Rover and Porsche, recorded an increase of 74.0% and 28.2% respectively. However, the penetration rate of Chinese luxury automobiles remain low as compared to 0.3% of 2011, which is significantly lower than that of developed countries, such as above 5% in USA and Europe. We are therefore of the opinion that the luxury automobile market still has great development potentials in China, and will remain at a steady growth for a considerable period of time.

Chairman's Statement

However, due to the enlarging dealership network and the increasing supply of luxury and ultra-luxury brands in China, periodical imbalance between supply and demand may appear. This may lead to price fluctuation for new automobiles, directly influencing the profit of dealers.

EXPANSION OF BRAND COVERAGE AND NETWORK

In 2012, the Group continued to place emphasis on the development of its dealership network for luxury and ultra-luxury brands. The Group has established relationships with several top global luxury brands, and increased the number of luxury and ultra-luxury brands in its portfolio from 6 in 2011 to 11 in 2012. Newly introduced brands include Ferrari, Maserati, Porsche, Volvo and GMC.

During the reporting period, the Group launched 20 dealership stores in key first-tier, second-tier and third-tier cities in China, where the economy is developed and the consumption level is higher. The Group also rapidly expanded and enhanced its position in northern and western China through the acquisition of the entire share capital of NCGA Holdings Limited (the "**NCGA Acquisition**").

As at the end of 2012, the Group owns 75 dealership stores, including 60 luxury and ultra-luxury brands dealership stores. The Group's vast network ensures coverage of the coastal regions and inland cities where the economy is the most developed in China.

STRENGTHENING AFTER-SALES SERVICES

Continuing on from the success of the after-sales service business in 2011, the Group continues to adhere to the 'customer-oriented' servicing philosophy, and has realized increased revenue from the after-sales services business. As at the end of 2012, the Group's revenue from after-sales services amounted to RMB1,295.2 million, representing an increase of 71.3% from that of RMB756.0 million in 2011. Revenue from after-sales services for luxury and ultra-luxury brands represented 81.9% of the total revenue from after-sales services, and accounted for RMB1,060.8 million. This represents an increase of 94.0% from that of RMB546.7 million in 2011.

In a mature automobile market, the profit generated from after-sales services represents up to 50% of the total profit of automobile dealership enterprises. In light of this and the maturing automobile market in China, the Group has captured an excellent market opportunity by launching authorized maintenance and repair centers in the first-tier and second-tier cities such as Shanghai, where demands for after-sales services are ever increasing. As at the end of 2012, the Group has launched three new after-sales maintenance and repair centers authorized by BMW, and has obtained authorizations for numerous maintenance and repair centers from automobile manufacturers.

THE NCGA ACQUISITION

The Group successfully completed the NCGA Acquisition in 2012. NCGA Group is one of the oldest and most qualified BMW dealers that operates in northern China, owning 14 BMW dealership stores, four Jaguar Land Rover dealership stores, one Porsche dealership store and one Volvo dealership store. NCGA Group operates in key first-tier and second-tier cities such as Beijing, Tianjin, Xi'an, Dalian and Ürümqi. Following the announcement of the acquisition, the Group has commenced the restructuring of NCGA Group by enhancing cost control, improving operational efficiency, rationalizing the financial structure and has increased the profitability of NCGA Group as a whole.

LOOKING FORWARD TO THE FUTURE

Despite challenging times, we firmly believe that the automobile market in China will move forward steadily and develop into a more mature market. We also firmly believe that the luxury and ultra-luxury automobile market has vast development potentials in China. We will continue to introduce new luxury and ultra-luxury automobile brands to enrich our brand portfolio, secure our position as a leading dealership company, and improve our partnership with various automobile manufacturers. We will also continue to expand and optimize our geographical network to cover more cities and regions by permeating into inland regions, while maintaining a core focus on the coastal regions. We will integrate resources to improve the efficiency of our operation and management, and further increase the output generated from individual stores. In respect of after-sales services, the Group will establish more authorized maintenance and repair centers in first-tier and second-tier cities, and improve the quality and efficiency of the service. This will enable us to provide superior services to our customers, and further develop our after-sales service business arm. Furthermore, the Group will also explore other business streams and profit growth points, and proactively develop lucrative businesses such as second-hand automobile sales and leasing.

We firmly believe that the trust and support from our business partners and shareholders will continue to be our driving force, as well as the solid foundation upon which we embrace the challenges that lie ahead of us and achieve our goals. We are truly determined and dedicated to fulfilling our promises and pursuing excellence, and look forward to sharing our achievements and success with our shareholders in the near future.

Yours sincerely,
Yang Aihua
Chairman

Hong Kong, March 27, 2013

Management Discussion and Analysis

INDUSTRY OVERVIEW

With the impact of European debt crisis and the slower economic growth in China, 2012 was a challenging year to China's automotive industry. The macro economic factors have negatively affected the automobile industry, including the automobile dealerships, in China as a whole. According to the statistics and analysis from China Association of Automobile Manufacturers, the total production and sales volume of basic passenger vehicles (sedan) in 2012 was 10.8 million units and 10.7 million units respectively, representing a moderate year-on-year growth of 6.22% and 6.15%.

Despite a year of moderate growth in the general passenger vehicle market, the growth in the luxury and ultra-luxury brand automobile market has remained strong. Driven by the increasing population of middle class and affluent upper middle class in China and growing demand in the upgrading of middle class vehicles, the total sales volume of luxury and ultra-luxury automobiles generally increased: major brands such as BMW, Land Rover and Jaguar brands of Jaguar Land Rover PLC ("**Land Rover & Jaguar**") and Audi recorded the annual sales of 326,000 units, 73,000 units and 406,000 units in China for 2012, representing a growth of 40.4%, 71.4% and 29.6% as compared to the previous year. For various other luxury and ultra-luxury brands, the Chinese market ranked top in the world in terms of sales volume. Nevertheless, the attractiveness of the Chinese automobile market had also led to the growth in dealership networks of every luxury and ultra-luxury brand in China. The competition among luxury and ultra-luxury brands has led to supply and demand imbalances as well as price fluctuations for new automobiles caused by price competitions, narrowing the profit margins for luxury 4S dealership groups.

With continued accumulation of household wealth and increase in disposable income, we believe the demand for luxury and ultra-luxury brand automobiles will continue to surge and the opportunities and potentials for the development of such automobile brands will be immense. In addition, as the automobile market in China develops and matures, together with the increase in general accumulation of luxury and ultra-luxury brand automobiles in China, we expect the market for after-sales services to continue to grow collaterally.

BUSINESS OVERVIEW

Rapid expansion in dealership network

We are a leading luxury and ultra-luxury automobile dealership group in China with broad coverage of brands and a well-established dealership network across the country. We have developed a leading position in major luxury and ultra-luxury brands, especially for BMW and Land Rover & Jaguar, in terms of sales volume and number of dealership stores. As at December 31, 2012, we have a well-established network of 75 stores, consisting of 60 luxury and ultra-luxury brand dealership stores (including three dealership stores in trial operation), 11 mid-to-upper market brand dealership stores, two automobile customization centers, one certified collision damage assessment center and one after-sales service center.

Among the 75 stores, 16 new dealership stores, one certified collision damage assessment center, and three additional dealership stores which were in trial operations were formally launched by the Group during the year of 2012 (the "**New Dealership Stores**"). 12 4S dealership stores and eight showrooms were acquired through the NCGA Acquisition pursuant to a sale and purchase agreement dated August 29, 2012, and two other dealership stores were acquired during the year of 2012. Out of the 75 stores, 39 stores have been opened for less than two years, 16 stores have been opened for two to five years and the remaining 20 stores have been opened for over five years.

Management Discussion and Analysis

With our large and strategically located dealership network, we have been able to achieve synergies among our stores that provide significant competitive advantages in China's highly fragmented automobile dealership industry. Our operating scale allows us to better manage our automobiles and spare parts inventory turnover, coordinate and aggregate our purchases of automobile accessories and other products and implement a systematic approach to train and promote talented personnel.

Number of Stores	As of December 31, 2012	As of December 31, 2011
Luxury and ultra-luxury brands	**60**	23
Audi	**1**	1
BMW	**38**	16
Cadillac	**1**	1
Land Rover & Jaguar	**16**	5
GMC	**1**	–
Porsche	**1**	–
Ferrari/Maserati	**1**	–
Volvo	**1**	–
Mid-to-upper market brands	**11**	10
Automobile customization center	**2**	2
Certified collision damage assessment center	**1**	–
After-sales service center	**1**	1
Total	**75**	36

NCGA Acquisition

We have expanded our dealership network through selective acquisitions in 2012. We completed the NCGA Acquisition in December 2012, through which we added 20 luxury and ultra-luxury stores (including 14 BMW stores and four Land Rover & Jaguar stores). In terms of automobile brands, the NCGA Acquisition added one Porsche dealership and one Volvo dealership to our portfolio of luxury and ultra-luxury automobile brands. For the year ended December 31, 2012, the sales volume of the NCGA Group was 20,922 units and its revenue was RMB10,302.8 million, of which 90.9% was from the sales of automobile and 9.1% was from the after-sales service. 2012 was a challenging year for the NCGA Group and its profitability was substantially affected by its increasingly high costs of labor, financial costs and administrative expenses. Following on the completion of the NCGA Acquisition, the Group has commenced the restructuring of the NCGA Group to enhance its cost control, improve its operation efficiency and thus optimizing its revenue and profitability.

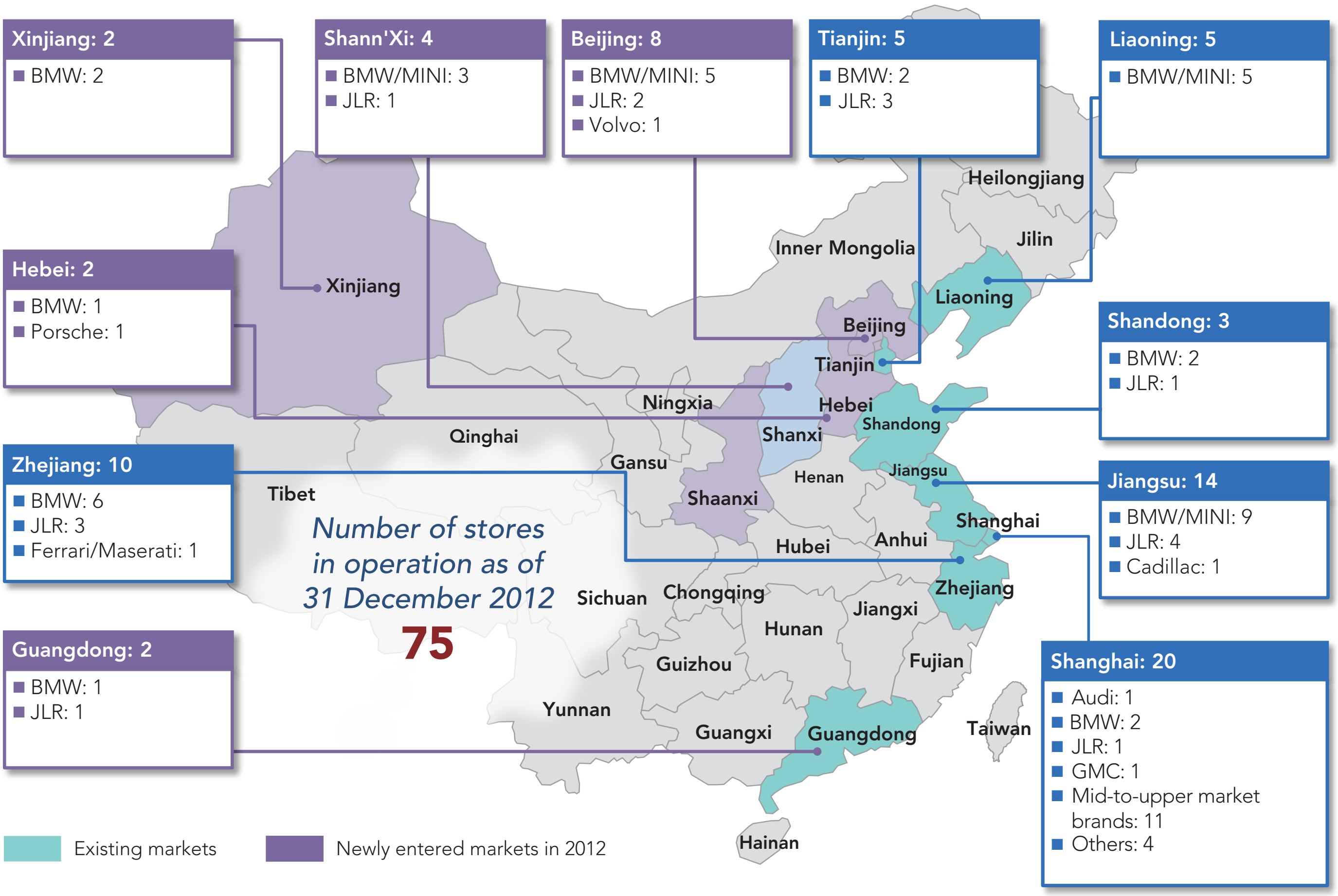
Expansion of geographical coverage and brand portfolio

During the year ended December 31, 2012, the geographic network of the Group has expanded by way of organic growth and also by acquisition. In terms of organic growth, we have expanded our geographic coverage by opening stores in Guangdong Province (Dongguan) and Shaanxi Province (Xi'an), all of which are new to the Group's geographical portfolio. Through the NCGA Acquisition, we further expanded our geographical presence in northeastern, northern and western China, including Beijing, Hebei Province, Liaoning Province, Shaanxi Province and Xinjiang Uyghur Autonomous Region. The substantial majority of our dealership stores are strategically located in populous and affluent coastal regions in China with rapidly growing local economies, such as Beijing, Shanghai, Tianjin, Jiangsu Province, Zhejiang Province, Shandong Province, Liaoning Province and Guangdong Province.

During the year ended December 31, 2012, we have continued in expanding and strengthening our brand portfolio. We established cooperative relationships with various top luxury brands in the world and successfully added five luxury and ultra-luxury brands into our portfolio in 2012, making a total of 11 luxury and ultra-luxury brands. The newly introduced brands include Ferrari, Maserati, Porsche, Volvo and GMC. Besides the new additions, our brand portfolio includes luxury brands such as BMW, MINI, Audi and Cadillac, ultra-luxury brands such as the Land Rover and Jaguar, as well as other popular mid-to-upper market brands, such as Buick, Toyota, Honda, Nissan, Volkswagen, Chevrolet and Hyundai.

Management Discussion and Analysis

The map below sets forth the geographic distribution of our dealership stores as of December 31, 2012.



Significant growth in sales of luxury and ultra-luxury brand automobiles

As a result of our focus on luxury and ultra-luxury brands as well as strategic location of our stores, we have recorded significant growth in automobile sales and after-sales business for the year ended December 31, 2012. Our revenue from sales of automobiles for the year ended December 31, 2012 was RMB16,797.7 million, representing a growth of approximately 49.2%. The sales of luxury and ultra-luxury automobiles contributed to 89.7% of our total automobile revenue for the year. In terms of sales volume, we sold 43,253 units of automobile in the year ended December 31, 2012, an increase of 13,754 units, or 46.6%, from 29,499 units of automobiles for the same period ended 2011. The sales volume of luxury and ultra-luxury automobiles contributed to 69.8% of our total sales volume for the year ended December 31, 2012 (2011: 60.8%). For the year ended December 31, 2012, we sold 30,175 units of luxury and ultra-luxury automobiles, representing an increase of 12,240 units, or 68.2%, from 17,935 units for the same period ended 2011.

	Year ended December 31			
	2012		2011	
Automobile sales volume	Volume (units)	Contribution (%)	Volume (units)	Contribution (%)
Luxury and ultra-luxury brands	**30,175**	**69.8**	17,935	60.8
Mid-to-upper market brands	**13,078**	**30.2**	11,564	39.2
Total Revenue	**43,253**	**100**	29,499	100

Enhanced after-sales services

The Group has always placed great emphasis on its after-sales service business as an important and stable income source for its future development. During the year ended December 31, 2012, the Group optimized and realized the revenue from same-store after-sales services by implementing advanced and efficient management systems, improving service quality, broadening the scope of services and improving the skills and efficiency of after-sales personnel. In addition, the Group has also established a diversified network of after-sales service structure, including showrooms, maintenance and repair centers and second-hand automobile centers, to supplement our 4S dealership stores. Further, our after-sales customer base has also augmented throughout the year as our stores mature and sale of new automobiles accumulate. As a result, we recorded a growth in revenue from our after-sales services. For the year ended December 31, 2012, the revenue from after-sales services reached RMB1,295.2 million, representing an increase of 71.3% as compared to that of 2011. The revenue from after-sales service for luxury and ultra-luxury brands was RMB1,060.8 million, representing an increase of 94.0% from RMB546.7 million from 2011, and contributed to 81.9% of the total after-sales revenue.

FINANCIAL REVIEW

Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of reporting period. However, 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. The significant accounting judgements and estimates are set out in note 3 to the financial statements.

	Year ended December 31	
	2012	2011
	RMB'000	RMB'000
Revenue	**18,092,903**	12,010,929
Cost of sales and services provided	**(16,510,006)**	(10,721,181)
Gross profit	**1,582,897**	1,289,748
Other income and gains, net	**379,389**	93,756
Selling and distribution expenses	**(461,187)**	(256,629)
Administrative expenses	**(260,614)**	(166,977)
Profit from operations	**1,240,485**	959,898
Finance costs	**(336,906)**	(128,397)
Share of profit of a jointly-controlled entity	**14,443**	5,372
Profit before tax	**918,022**	836,873
Tax	**(190,942)**	(221,041)
Profit for the year	**727,080**	615,832
Attributable to:		
Owners of the parent	**715,893**	601,905
Non-controlling interests	**11,187**	13,927
	727,080	615,832
Earnings per share attributable to ordinary equity holders of the parent		
Basic and diluted		
— For profit for the year (RMB)	**0.28**	0.27

Revenue

For the year ended December 31, 2012, our revenue was RMB18,092.9 million, representing a growth of approximately 50.6%. The increase was primarily due to an increase of RMB5,542.8 million, or 49.2%, in revenue from the automobile sales, particularly from the sales of luxury and ultra-luxury automobiles, compared to that of 2011.

The following table sets forth a breakdown of our revenue for the indicated period.

	Year ended December 31			
	2012		2011	
Revenue Source	**Revenue (RMB'000)**	**Contribution (%)**	Revenue (RMB'000)	Contribution (%)
Automobile Sales	**16,797,703**	**92.8**	11,254,946	93.7
Luxury and ultra-luxury brands	**15,067,605**	**89.7**	9,632,667	85.6
mid-to-upper market brands	**1,730,098**	**10.3**	1,622,279	14.4
After-sales Business	**1,295,200**	**7.2**	755,983	6.3
Total Revenue	**18,092,903**	**100**	12,010,929	100

Revenue from the sales of automobiles increased by 49.2% due to (1) the contribution to automobile sales from the New Dealership Stores, and (2) continued sales growth at our more mature stores.

Automobile sales generated a substantial portion of our revenue, accounting for 92.8% of our revenue for the year ended December 31, 2012. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 89.7% (2011: 85.6%) and 10.3% (2011: 14.4%) respectively, of our revenue from the sales of automobiles.

Revenue from our after-sales business increased by 71.3% from RMB756.0 million for the year ended December 31, 2011 to RMB1,295.2 million for the same period in 2012. Revenue from our after-sales business is driven primarily by the demand for maintenance and repair services and related sales of spare parts, which is in turn primarily affected by the continued market penetration of luxury and ultra-luxury automobile in the markets where we operate, cumulative number of automobiles sold by us in the past and the relative maturity of the stores in our network. The relative contribution of our after-sales business to our revenue increased from 6.3% in 2011 to 7.2% in 2012.

Cost of sales and services

For the year ended December 31, 2012, our cost of sales and services increased by 54.0%, from RMB10,721.2 million for the same period ended 2011 to RMB16,510.0 million. This increase is basically consistent with the growth in our sales throughout the year ended December 31, 2012.

The cost of sales and services attributable to our automobile sales business amounted to RMB15,832.9 million for the year ended December 31, 2012, an increase of RMB5,501.3 million, or 53.2%, from the same period in 2011. The cost of sales attributable to our after-sales business amounted to RMB677.1 million for the year ended December 31, 2012, an increase of RMB287.5 million, or 73.8% from the same period in 2011.

Management Discussion and Analysis

Gross profit and gross profit margin

Gross profit for the year ended December 31, 2012 was RMB1,582.9 million, an increase of RMB293.2 million or 22.7% from the same period in 2011. Gross profit from automobile sales increased by 4.5% from RMB923.3 million for the year ended December 31, 2011 to RMB964.8 million for the same period in 2012. Gross profit from after-sales business increased by 68.7% from RMB366.4 million for the year ended December 31, 2011 to RMB618.1 million for the same period in 2012. As of December 31, 2012, the contribution to gross profit from automobile sales and after-sales business accounted for 61.0% and 39.0% respectively of the total gross profit for the year.

Gross profit margin for the year ended December 31, 2012 was 8.7% (2011: 10.7%), of which the gross profit margin of automobile sales was 5.7% (2011: 8.2%) and of after-sales business was 47.7% (2011: 48.5%). The significant decrease in gross profit margin of automobile sales as compared to the previous year was due to a drop in sales prices of automobile caused by price competitions within the domestic market. The opening of new stores during the year ended December 31, 2012, which generally has less mature after-sales business and therefore operates at a relatively higher cost also led to the moderate decrease in gross profit margin of after-sales business.

Selling and distribution cost

For the year ended December 31, 2012, the Group's selling and distribution costs were RMB461.2 million, an increase of 79.7% as compared to last year. The increase is mainly due to the growth in our sales throughout the year ended December 31, 2012. In addition, we incurred significantly higher selling and distribution costs for launching, promotion and ramping up New Dealership Stores in particularly in the second half of 2012. Further, in light of the decrease in the gross profit margin the Group experienced in the first half of 2012, the Group also incurred more selling and distribution cost for promotion and marketing in the mature dealerships of the Group.

Administration expenses

Administration expense increased by 56.1% from RMB117.0 million for the year ended December 31, 2011 to RMB260.6 million for the same period in 2012. The increase was mainly due to (i) the three acquisitions, including the NCGA Acquisition, that took place in the second half of 2012 whereby the Group devoted various resources and manpower to consummate such acquisitions; and (ii) cost in restructuring and preparing for the consolidation of the NCGA Group into the Group since the signing of the sale and purchase agreement for the NCGA Acquisition. As the NCGA Group consisted a considerable number of dealerships as well as its operational scale, this led to a significant increase in administration expenses as compared to 2011.

Finance costs

The Group's finance cost increased by 162.4% from RMB128.4 million for the year ended December 31, 2011 to RMB336.9 million for the same period in 2012. The increase was mainly due to (i) the additional bank loans the Group incurred to finance the NCGA Acquisition; and (ii) additional bank loans for working capital to finance operation of New Dealership Stores.

Other income and gains, net

Other income and gains, net, increased by 304.5% from RMB93.8 million for the year ended December 31, 2011 to RMB379.4 million for the same period in 2012, primarily due to an increase in the service fee income, commission income and a provisional gain on bargain purchase arising from the NCGA Acquisition. Our commission income increased due to the provision of additional services, such as automobile financing agency services, licences registration agent services and etc.. Further, our commission income has also increased due to an increase in the amounts of automobile insurance policies sold through our dealership stores.

Profit from operations

As a result of the foregoing, our profit from operations for the year ended December 31, 2012, which included a provisional gain on bargain purchase arising from the NCGA Acquisition of approximately RMB111.8 million, increased by 29.2% from RMB959.9 million to RMB1,240.5 million, from the same period in 2011.

Profit for the year

As a result of the cumulative effect of the foregoing, our profit for the year ended December 31, 2012, which included a provisional gain on bargain purchase arising from the NCGA Acquisition of approximately RMB111.8 million, increased by 18.1% from RMB615.8 million to RMB727.1 million, from the same period in 2011.

Capital expenditure

Our capital expenditures primarily comprised of expenditures on property, plant and equipment, land use rights and intangible assets. During the year ended December 31, 2012, our total capital expenditure was RMB1,325.3 million.

Net current assets and liabilities

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated below:

	Year ended December 31	
	2012	2011
	RMB'000	RMB'000
Current assets		
Inventories	**2,174,650**	1,284,159
Trade and bills receivables	**1,352,173**	125,504
Prepayments, deposits and other receivables	**3,307,556**	2,022,874
Amounts due from related parties	**42,969**	37,835
Pledged bank deposits	**2,614,531**	399,416
Cash in transit	**88,166**	13,383
Cash and cash equivalents	**2,668,169**	2,884,038
Total current assets	**12,248,214**	6,767,209
Current liabilities		
Bank loans and other borrowings	**5,757,810**	2,341,021
Trade and bills payables	**4,414,598**	1,174,914
Other payables and accruals	**878,275**	346,494
Amounts due to related parties	**1,353**	626,680
Income tax payable	**168,437**	199,131
Total current liabilities	**11,220,473**	4,688,240
Net Current Assets	**1,027,741**	2,078,969

As at December 31, 2012, we had net current assets of RMB1,027.7 million, representing a decrease of RMB1,051.3 million from our net current assets of RMB2,079.0 million as at December 31, 2011. This change was primarily due to the payment of the consideration for the NCGA Acquisition and offset by the inclusion of the acquired assets upon consolidation as a result of the NCGA Acquisition.

Liquidity and financial resources

As at December 31, 2012, we had cash and cash equivalents which amounted to RMB2,668.2 million, representing a decrease of 7.5% from RMB2,884.0 million in the year ended December 31, 2011.

Our primary uses of cash are to pay for purchases of new automobiles, spare parts and automobile accessories, to establish new dealership stores and to fund our working capital and normal operating expenses. We finance our liquidity requirements through a combination of short-term bank loans and other borrowings and cash flows generated from our operating activities.

Bank loans and other borrowings

As at December 31, 2012, the Group's available and unutilized banking facilities amounted to approximately RMB4,732.0 million.

Our bank loans and other borrowings as at December 31, 2012 were RMB6,537.6 million, an increase of RMB4,166.8 million from RMB2,370.8 million as at December 31, 2011. The increase was due to (i) our capital expenditures on new stores and increased working capital requirements due to our new stores and increased sales at our other stores; and (ii) increase in borrowings of approximately RMB1,333.1 million for the NCGA Acquisition.

Particulars of bank loans and other borrowings of the Company and the Group as at December 31, 2012 are set out in note 27 to the consolidated financial statements.

Taking into account our existing cash and cash equivalents, anticipated cash flow from our operating activities, available bank loans and other borrowings, we believe that our liquidity requirements will be satisfied.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from capital markets from time to time. For the year ended December 31, 2012, our net cash generated from operating activities, net cash used in investing activities, and net cash generated from financing activities was RMB79.3 million (2011: RMB332.8 million of net cash used in operating activities), RMB1,983.5 million (2011: RMB693.1 million), and RMB1,687.3 million (2011: RMB3,536.3 million) respectively.

Foreign exchange risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB. The Group's assets and liabilities denominated in US$ and HK$ were mainly held by certain subsidiaries incorporated outside Mainland China who had US$ or HK$ as their functional currencies. The Group did not have material foreign currency transactions in Mainland China during the year. The Group has minimal exposure of foreign currency risk.

Inventory analysis

Our inventories primarily consists of new automobiles, spare parts and accessories. Each of our dealership stores individually manages their orders for new automobiles and after-sales products. We coordinate and aggregate orders for automobile accessories and other automobile-related products across our dealership network.

Our inventories increased by 69.3% from RMB1,284.2 million as of December 31, 2011 to RMB2,174.7 million as of December 31, 2012, primarily due to (i) the addition of dealership stores which commenced operation during the year ended December 31, 2012, and (ii) the inclusion of the acquired inventories upon consolidation as a result of the NCGA Acquisition.

Our average inventory turnover days in the year ended December 31, 2012 increased to 38.2 days from 34.4 days in 2011, primarily due to the New Dealership Stores as inventory turnover at these newly established stores took longer compared to our more mature stores.

Gearing ratio

Our gearing ratio (defined as net debt divided by equity attributable to owners of the Company plus net debt) for the year ended December 31, 2012 was 71.1% (2011: 35.1%). The relatively higher gearing ratio, as compared to the previous year, was due to the additional bank loans the Group incurred to finance the NCGA Acquisition.

Contingent liabilities

As at December 31, 2012, the Company's contingent liabilities not provided for in the financial statements were RMB223.9 million (2011: nil) which were guarantees given to banks in connection with facilities granted to third parties.

Pledge of the Group's assets

Our Group has pledged our group assets, shares in certain subsidiaries and letter of credits as securities for bank and other loan and banking facilities which were used to finance daily business operation and acquisitions. As at December 31, 2012, the pledged group assets amounted to approximately RMB4,304.5 million (2011: RMB1,538.2 million); the pledged letter of credits with aggregate credit amount of approximately RMB1,410.0 million (2011: Nil) and pledged entire share capital in NCGA Holdings Limited, Suzhou Baoxin Automobile Sales & Services Co., Ltd. and Shanghai Baoxin Automobile Sales & Services Co., Ltd. (2011: None).

Human resources

As at December 31, 2012, the Group had approximately 6,051 employees including 2011 employees from NCGA Group (2011: 2,685). Total staff costs for the year ended December 31, 2012, excluding Directors' remuneration, were approximately RMB173.2 million (2011: RMB106.6 million).

The Group values recruiting and training quality personnel. We implement remuneration policies, bonus and long-term incentive schemes with reference to the performance of the Group and individual employees. The Group also provides benefits such as insurance, medical and retirement funds to employees to sustain competitiveness of the Group.

OUTLOOK

Looking forward, we expect China's economy continue to grow together with the wealth of its population. As wealth redistributes and evens out among the Chinese population, given the currently low market penetration rate of the luxury and ultra-luxury passenger vehicle sector, we are confident that demand for luxury and ultra-luxury passenger vehicles will continue to boom in the coming years.

Our Group will continue to focus on luxury and ultra-luxury brands and strengthen our leading position in key luxury and ultra-luxury brands. We will continue to seek opportunities to expand through further organic expansion and selective acquisitions in existing and new areas and to diversify our portfolio of luxury and ultra-luxury automobile brands. On the other hand, for the successful acquisitions that we have completed, we shall continue on integrating the acquired companies into the Group's operation, and restructuring and refining its operations with a view to optimize revenue and profitability of these companies.

With our extensive experience and skill in operating luxury and ultra-luxury automobile dealership, we have established very strong relationships with leading automobile manufacturers, including BMW and Land Rover & Jaguar. Going forward, we will not only strengthen our existing relationship with the luxury and ultra-luxury auto manufacturers, but also broaden our cooperation networks.

While developing our main business, the Group will continue to develop our businesses of automobile financing, automobile leasing and second hand automobile market, which we believe further promotes the growth of the luxury and ultra-luxury automobile market.

For the collaterally booming after-sales services market, we will continue to increase our after-sales service capacity, expand our service scope, and improve operational efficiency to increase overall after-sales revenue as well as revenue per store and profitability. We also aim to establish more authorized after-sales service centers for luxury and ultra-luxury brands particularly in tier 1 and 2 cities in China in order to meet the increasing service demand and to capture such market share.

From internal operation perspective, we will continue to implement stringent inventory management and cost control policies, improve capital structure and efficiency, and strengthen the training program and management of our employees. We believe that our well-established relationship with the automobile manufacturers, superior industry experience and operational capabilities, and customer-oriented services expertise will continue to enable us to strengthen our market position as a leading luxury 4S dealership group in China.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of the Company has committed to achieving high corporate governance standards to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles set out in the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

In the opinion of the Directors, throughout the year ended December 31, 2012 ("the year"), the Company has complied with all the code provisions and, where appropriate, adopted the recommended best practices set out in the CG Code (applicable to financial report covering a period after April 1, 2012) and former CG Code, i.e. the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, from January 1, 2012 until its amendment and replacement by the CG Code on April 1, 2012, save and except for code provisions A.2.1 and A.6.7.

Under the code provision A.2.1, the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Our chairman, Mr. Yang Aihua, is responsible for the operation and management of the Board, whilst our president, Mr. Yang Hansong, is responsible for the business operations of the Company. The Board considers that the responsibilities of the chairman and president respectively are clear and distinctive and therefore written terms thereof are not necessary.

Under the code provision A.6.7, non-executive directors and independent non-executive directors should attend the general meetings of the Company and develop a balanced understanding of the views of shareholders. However, the non-executive Director, Mr. Zhang Yang and two independent non-executive Directors, Mr. Diao Jianshen and Mr. Wang Keyi were unable to attend the annual general meeting of the Company held on June 12, 2012 due to other business engagements.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended December 31, 2012.

The Board has also adopted the Model Code as guidelines for its employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the securities of the Company. No incident of non-compliance of the Model Code by the employees was noted by the Company.

BOARD OF DIRECTORS

Role of the Board

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors take decisions objectively in the interests of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Matters specifically reserved for the Board include the approval of financial statements, dividend policy, significant changes in accounting policies, material contracts, selection of directors, changes to appointments such as company secretary and external auditor, remuneration policy for Directors and senior management, terms of reference of Board committees, as well as major corporate policies such as the code of conduct and whistle-blowing policy.

The Board has delegated certain functions to the respective committees, the details of which are set out below.

Composition

Currently, there are nine members in our Board consisting of five executive Directors (55.56%), a non-executive Director (11.11%) and three independent non-executive Directors (33.33%). The biographical details of the Directors are set out on pages 33 to 35 of this annual report. In addition, a list containing names of Directors and their role and function is published on the websites of the Company and the Stock Exchange.

Board of Directors

Executive Directors	Non-executive Director	Independent non-executive Directors
Mr. Yang Aihua *(Chairman)*	Mr. Zhang Yang	Mr. Diao Jianshen
Mr. Yang Hansong *(President)*		Mr. Wang Keyi
Mr. Yang Zehua *(Vice President)*		Mr. Chan Wan Tsun Adrian Alan
Ms. Hua Xiuzhen		
Mr. Zhao Hongliang *(Vice President)*		

Mr. Yang Aihua, Mr. Yang Hansong and Mr. Yang Zehua are brothers. Save as disclosed above, there are no family or other material relationships among members of the Board.

Chairman and President

The positions of chairman and president are held by Mr. Yang Aihua and Mr. Yang Hansong respectively. The chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The president focuses on the Group's business development and daily management and operations generally. The positions of the chairman of the Board and the president are held by separate individuals with a view to maintaining an effective segregation of duties in respect of the management of the Board and the day-to-day management of the Group's business.

Independent Non-executive Directors

During the year ended December 31, 2012, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board, one of whom possesses appropriate professional qualifications, accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing on December 14, 2011 unless terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election. Each of the non-executive Director and the independent non-executive Directors has signed an appointment letter with the Company for a term of one year with effect from their respective dates of appointment.

In accordance with the Company's articles of association, all Directors (including non-executive Directors) are required to retire by rotation at least once every three years and seek for re-election at the annual general meeting. At each annual general meeting, one-third of the current directors shall retire from office. Any new directors appointed either to fill a casual vacancy, or as an addition to the Board during the year by the Board following the recommendation of the Nomination Committee, are subject to re-election by shareholders of the Company at the following general meeting after their appointment.

All of the Directors have decided to submit themselves for re-election at the forthcoming annual general meeting of the Company scheduled to be held on June 20, 2013 notwithstanding that the Company's articles of association requires merely one-third of them to be subject to annual re-election. The Nomination Committee has confirmed that the Company will support their re-election.

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are also published on the websites of the Company and the Stock Exchange. To ensure that they correspond with the CG Code, the terms of reference of the Audit Committee and Remuneration Committee were amended on March 14, 2012.

The Board committees are provided with sufficient resources to discharge their duties and are able to seek independent professional advice where appropriate and upon request. Details of these Board committees, including their compositions, major responsibilities and functions, and work performed during the year ended December 31, 2012 are set out below.

Corporate Governance Report

Audit Committee

The Audit Committee consists of the following members during the year:

Independent non-executive Director
Mr. Diao Jianshen *(Chairman)*
Mr. Wang Keyi
Mr. Chan Wan Tsun Adrian Alan

The primary functions of the Audit Committee include (i) assisting the Board in reviewing financial information and the reporting process; (ii) implementing internal control procedures and risk management system, (iii) planning audits and maintaining a good relationship with the Company's external auditors, and (iv) organizing a system to enable employees of the Company to raise, in confidence, any concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year, the Audit Committee met twice to:

- review the consolidated financial statements, annual and interim reports before submission to the Board for approval; and

- review any significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, as well as any connected transactions of the Group.

The Audit Committee also met with the external auditors twice without the presence of the executive Directors.

Remuneration Committee

The Remuneration Committee consists of the following members during the year:

Independent non-executive Director
Mr. Diao Jianshen *(appointed as chairman on March 14, 2012)*
Mr. Wang Keyi

Executive Director
Mr. Yang Hansong *(resigned as chairman on March 14, 2012)*

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Company's remuneration policy is to ensure that the remuneration offered to employees, including executive Directors and senior management, provides the packages needed to attract, retain and motivate them to run the Company successfully. The remuneration policy for non-executive Directors, mainly comprising directors' fees, is subject to annual assessment with reference to the market standard. Individual Directors and senior management are not involved in deciding their own remuneration.

During the year, the Remuneration Committee met once to:

- assess the performance of the executive Directors and senior management;
- review the remuneration policy and structure of the Company and the remuneration packages of executive Directors and senior management; and
- make recommendations to the Board on their remuneration and other related matters.

During the review, no Director took part in any discussion about his own remuneration.

Nomination Committee

The Nomination Committee consists of the following members during the year:

Independent non-executive Director
Mr. Mr. Wang Keyi *(appointed as chairman on March 14, 2012)*
Mr. Diao Jianshen

Executive Director
Mr. Yang Hansong *(resigned as chairman on March 14, 2012)*

The primary functions of the Nomination Committee include (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually; (ii) making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (iii) developing and formulating relevant procedures for the nomination and appointment of Directors; (iv) making recommendations to the Board on the appointment or re-appointment of directors; (v) planning the succession of directors; and (vi) assessing the independence of independent non-executive Directors.

During the year ended December 31, 2012, the Nomination Committee met once to:

- review the structure, size and composition of the Board;
- access the independence of the independent non-executive Directors;
- review the policy for nomination of Directors;
- consider the qualifications of the retiring Directors standing for election at the annual general meeting;
- review the contribution required from a Director to perform his/her responsibilities and whether he/she has spent sufficient time performing them; and
- review the training and continuous professional development of the Directors.

Board Meetings

The Board meets regularly to review financial and operating performance of the Company and to discuss future strategies. Four Board meetings were held in 2012. At the Board meetings, the Board reviewed significant matters including the Company's annual and half-year financial statements, annual budget, proposals for a final dividend, annual and interim reports and a major transaction, the details of which are set out in the announcements of the Company dated November 28, 2012 in which detailed information of such transaction were presented to the Board. The Directors participated in the Board meetings in person or through electronic means.

Draft agendas of each meeting are normally made available to Directors in advance. Notice and draft agendas of regular Board meetings are served to all Directors at least 14 days before the meeting, to enable them to include other matters in the agenda. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors updated of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

Where necessary, senior management would attend regular Board meetings and other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

All the Directors have access to advice and services of the joint company secretary, who is responsible for ensuring that Board procedures and applicable regulations under the Company's articles of association or otherwise are complied with. Each Director is entitled, if necessary, to seek independent professional advice at the Company's expense. Appropriate insurance cover on Directors' and officers' liabilities in respect of legal actions against them arising from corporate activities has also been arranged by the Company.

All minutes are kept by the Company and are open for inspection by any Director during normal office hours with reasonable advance notice. Matters considered and decisions reached at Board and Committee meetings are recorded with sufficient detail in the minutes. Draft and final versions of minutes of Board meetings will be sent to all Directors for their comments and recorded within a reasonable time after the relevant meeting is held.

The Company's articles of association contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Attendance Record of Directors and Committee Members

The attendance record of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended December 31, 2012 is set out in the table below:

	Number of meetings attended/held in 2012				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	2012 Annual General Meeting
Executive Directors					
Mr. Yang Aihua	4/4	N/A	N/A	N/A	1/1
Mr. Yang Hansong	4/4	N/A	1/1	1/1	1/1
Mr. Yang Zehua	4/4	N/A	N/A	N/A	1/1
Ms. Hua Xiuzhen	4/4	N/A	N/A	N/A	0/1
Mr. Zhao Hongliang	4/4	N/A	N/A	N/A	0/1
Non-executive Director					
Mr. Zhang Yang	4/4	N/A	N/A	N/A	0/1
Independent non-executive Directors					
Mr. Diao Jianshen	4/4	2/2	1/1	1/1	0/1
Mr. Wang Keyi	4/4	2/2	1/1	1/1	0/1
Mr. Chan Wan Tsun Adrian Alan	4/4	2/2	N/A	N/A	1/1

The chairman also met the non-executive Director and independent non-executive Directors once during the year without the presence of the executive Directors.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as Directors of the Company and of the conduct, business activities and development of the Company.

Each newly appointed Director has received comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments in which the Group conducts its business to the Directors.

The Directors are committed to complying with Code Provision A.6.5 of the CG Code which came into effect on April 1, 2012 on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received during the year ended December 31, 2012 to the Company.

A summary of the Directors' participation in internal and other external training for the period from January 1, 2012 to December 31, 2012 is as follows:

	Attending briefing/seminars	Reading materials/ regulatory updates/ management monthly updates
Executive Directors		
Mr. Yang Aihua *(Chairman)*	✓	✓
Mr. Yang Hansong *(President)*	✓	✓
Mr. Yang Zehua *(Vice President)*	✓	✓
Ms. Hua Xiuzhen	✓	✓
Mr. Zhao Hongliang *(Vice President)*	✓	✓
Non-executive Director		
Mr. Zhang Yang	–	✓
Independent non-executive Directors		
Mr. Diao Jianshen	✓	✓
Mr. Wang Keyi	✓	✓
Mr. Chan Wan Tsun Adrian Alan	✓	✓

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed (i) the Company's corporate governance policies and practices; (ii) the training and continuous professional development of Directors and senior management; (iii) the Company's policies and practices on compliance with legal and regulatory requirements; (iv) the code of conduct applicable to the employees and Directors; and (v) the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules and the overriding principle that inside information should be announced immediately if it is the subject of a decision; and that the Company's affairs be conducted with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. The Company has been working on developing its own disclosure policy aiming at preventing selective disclosure of material, non-public information and providing broad, non-exclusive distribution of material information to the public.

The Board will continue to review and improve the corporate governance practices and standards of the Company to ensure that their business and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended December 31, 2012.

With the assistance of the finance department of the Group, the Directors have ensured that the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors have also ensured that the financial statements of the Group are published in a timely manner in accordance with the applicable laws and regulations.

The management of the Company has provided to the Board all explanation and information necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are submitted to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Directors has prepared the financial statements on a going concern basis.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditors' Report on pages 43 to 127 of this annual report.

AUDITOR'S REMUNERATION

The remuneration paid to the Group's external auditors, Ernst & Young for the year ended December 31, 2012 is set out below:

Services provided	Fees (RMB'000)
Audit services	4,000
Non-audit services	–
Total	4,000

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for ensuring that a sound and effective system of internal control and risk management is maintained within the Group, and also for reviewing the system's operational adequacy and effectiveness through the Audit Committee.

The internal control and risk management system, which includes a defined management structure with specified limits of authority and control responsibilities, is designed to (i) facilitate effective and efficient operations; (ii) ensure reliability of financial reporting and compliance with applicable laws and regulations; (iii) identify and manage potential risks and (iv) safeguard the assets of the Group.

The internal auditor reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During its annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programs and budgets.

To supplement the above, employees can report any misconduct, impropriety or fraud cases within the Group to the Audit Committee without the fear of recrimination.

Based on the results of evaluations and representations made by the management, the internal auditor and external auditors during the year ended December 31, 2012, the Audit Committee is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business objectives; and that an appropriate system of internal control and risk management has been in place during the year and up to the date of approval of this annual report.

COMPANY SECRETARY

Mr. Chen Changdong and Ms. Pau Lai Mei are the joint company secretaries of the Company ("Joint Company Secretaries"). Mr. Chen is the chief financial officer of the Company and has day-to-day knowledge of the Company's affairs. Mr. Chen reports to the chairman and is responsible for advising the Board on governance matters. Ms. Pau of Tricor Services Limited, an external service provider, has been engaged by the Company as its joint company secretary. The primary contact person at the Company is Mr. Chen Changdong.

According to Rule 3.29 of the Listing Rules, the Joint Company Secretaries have confirmed that they have taken no less than 15 hours of professional training to update their skills and knowledge for the year ended December 31, 2012. The biographical details of Mr. Chen and Ms. Pau are set out on pages 35 and 36 of this annual report respectively.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on the remuneration of senior management of the Group. Details of the remuneration of each Director for the year ended December 31, 2012 are set out in note 9 to the financial statements of this annual report.

For the year ended December 31, 2012, the aggregate emoluments payable to members of senior management was within the following bands:

By Band	Number of Individuals
Nil to HK$1,000,000	5

SHAREHOLDERS' RIGHTS

To safeguard shareholder's interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors.

Except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Procedure for Convening an Extraordinary General Meeting by Shareholders

Pursuant to the Company's articles of association, any one or more shareholders holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings may require an extraordinary general meeting by a written requisition to the Board or the Company Secretary either via personal delivery or mail (For the attention of the Board of Directors/Company Secretary, at Units 1803–04, 18/F, Bank of America Tower, 12 Harbour Road, Hong Kong) or via email (info@klbaoxin.com). The Board shall, within 21 days from the date of deposit of the requisition, duly convene a general meeting to be held within another 21 days.

Procedure for Putting Forward Proposals at General Meetings

Any shareholder who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration either via personal delivery, mail (For the attention of the Board of Directors/Company Secretary, at Units 1803–04, 18/F, Bank of America Tower, 12 Harbour Road, Hong Kong) or via email (info@klbaoxin.com).

The Board may, in its sole discretion, consider if such proposals are appropriate and shall put forward such proposals to the shareholders for approval at the next annual general meeting, or at an extraordinary general meeting to be convened by the Board, as appropriate.

Procedure for Putting Forward Enquiries to the Board

Shareholders are, at any time, welcome to send their enquires or requests to the Board via personal delivery or mail to Units 1803–04, 18/F, Bank of America Tower, 12 Harbour Road, Hong Kong (For the attention of Shareholder Communication) or by email at info@klbaoxin.com.

Note: The Company will not normally deal with verbal or anonymous enquiries.

For the avoidance of doubt, shareholder(s) must deposit/send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company's aforesaid address, and provide his/her/their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

The Shareholders Communication Policy and Procedures for Shareholders to Propose a Person for Election as Director are available on the website of the Company.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for maintaining good investor relations and enhancing investors' understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and extraordinary general meetings. The chairman of the Board, non-executive Director, independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at general meetings to meet shareholders and answer their enquiries.

In addition, to promote effective communication, the Company maintains a website at www.klbaoxin.com, where up-to-date information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2012, the Company has not made any changes to its articles of association. An up-to-date version of the Company's article of association is available on both the websites of the Stock Exchange and the Company.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. YANG Aihua (楊愛華), aged 51, is an executive Director and chairman of the Group. Mr. Yang has substantial experience in the automobile dealership industry. Mr. Yang founded the Group and has been chairman of the Group since 1999. Prior to that, he was the chairman of Shanghai Baoxin Automobile Sales & Services Co., Ltd. from 2004 to 2007. From 1999 to 2004, he was chairman of Shanghai Kailong Automobile Trading Co., Ltd. Prior to joining the Company, he was a general manager at 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1999. From 1988 to 1995, Mr. Yang had assumed various positions in Shanghai Jinling Trading Company, a state-owned company. Mr. Yang obtained an EMBA degree from Dalian University of Technology in 2006. Mr. Yang was appointed as an executive Director of the Company on November 22, 2011. Mr. Yang Aihua is the brother of Mr. Yang Hansong and Mr. Yang Zehua.

Mr. YANG Hansong (楊漢松), aged 50, is an executive Director and the president of the Group. He is currently also the director of NCGA Holdings Limited. Mr. Yang has substantial experience in the automobile dealership industry. He has been appointed in 2008 as a director and president of the Group. From 2004 to 2008, he was an executive director of Suzhou Baoxin Automobile Sales & Services Co., Ltd. and from 2002 to 2004 he was the general manager of Shanghai Taipingyang Jinsha Automobile Sales & Services Co., Ltd. From 1999 to 2002, he was appointed as vice chairman of Shanghai Kailong Automobile Trading Co., Ltd. Prior to joining the Group, he worked as a deputy general manager at 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1999. Mr. Yang Hansong graduated with a bachelor's degree in history at the Jiangxi Normal University in 1983. He obtained an EMBA degree from Dalian University of Technology in 2006. He is currently completing a PhD degree in management studies at Dalian University of Technology. Mr. Yang Hansong was appointed as an executive Director of the Company on November 22, 2011. Mr. Yang Hansong is the brother of Mr. Yang Aihua and Mr. Yang Zehua.

Mr. YANG Zehua (楊澤華), aged 41, is an executive Director and a vice president of the Group. Mr. Yang has substantial experience in the automobile dealership industry. He joined Shanghai Kailong Automobile Trading Co., Ltd. in 1999 as deputy general manager until 2002. Mr. Yang Zehua was appointed general manager of Shanghai Xinlong Automobile Sales & Service Co., Ltd. from 2002 to 2008. He became the general manager of Shanghai Baoxin Automobile Sales & Services Co., Ltd. from 2008 to 2009. Since 2010, he has served as a vice president of the Group. Prior to joining the Group, he worked as a sales manager at 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1999. He has obtained an EMBA degree from Dalian University of Technology in 2006. Mr. Yang Zehua was appointed as an executive Director of the Company on November 22, 2011. Mr. Yang Zehua is the brother of Mr. Yang Aihua and Mr. Yang Hansong.

Ms. HUA Xiuzhen (華秀珍), aged 60, is an executive Director and the chief supervisor of the treasury department. Ms. Hua has worked in our Group for over 13 years. She joined the Group in 1999 as finance manager of Shanghai Kailong Automobile Trading Co., Ltd. until 2004. She has been appointed as the chief supervisor of the treasury department in 2004. Prior to joining the Group, Ms. Hua worked in 國泰機電設備公司 (Guotai Engineering Equipment Company Limited) in its finance department from 1990 to 1999. Ms. Hua was appointed as an executive Director of the Company on November 22, 2011.

Directors and Senior Management

Mr. ZHAO Hongliang (趙宏良), aged 46, is an executive Director and vice president of the Group. Mr. Zhao has substantial experience in the automobile dealership industry. He joined Shanghai Kailong Automobile Trading Co., Ltd. in 1999 as deputy general manager until 2001. Mr. Zhao was appointed general manager of Shanghai Kailong Automobile Services Co., Ltd. from 2002 to 2006. Mr. Zhao was general manager of Suzhou Baoxin Automobile Sales & Services Co., Ltd. from 2006 to 2008. Mr. Zhao was appointed vice president of the Group in 2008 and has since maintained that role. Prior to joining the Group, he was the deputy general manager of 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1998. He obtained an MBA degree from the University of Management and Technology (long distance teaching service) in 2005. Mr. Zhao was appointed as an executive Director of the Company on November 22, 2011.

Non-executive Director

Mr. ZHANG Yang (張揚), aged 36, is a non-executive Director of the Group. Mr. Zhang has been the chief executive officer of Huakong (Tianjin) Industry Investment Fund (Limited Partnership) since 2008. He has been the president of Tsinghua Holdings Capital Investment Management Company Limited since 2006. He has been assistant to the president of Tsinghua Holdings Company Limited since 2005. Mr. Zhang is an associate researcher at the 中國社會科學院金融研究所 (Institute of Banking and Finance of the Chinese Academy of Social Sciences). Mr. Zhang was a director of 遼寧路橋建設總公司 (Liaoning Bridge Construction Company Limited) from 2006 to 2008. He graduated with a bachelor's degree in economics from Nankai University in 1998. Mr. Zhang obtained his PhD degree in economics from the Chinese Academy of Social Sciences in 2006. Mr. Zhang was appointed as a non-executive Director of the Company on November 22, 2011.

Independent non-executive Directors

Mr. DIAO Jianshen (刁建申), aged 59, is an independent non-executive Director of the Group. Mr. Diao has been a vice president of the China Automobile Dealers Association since 2008. He was a director and executive deputy general manager of 華星新世界汽車服務有限公司 (Huaxing New World Auto Service Company Limited) from 2002 to 2008. From 1998 to 2002, he was a general manager of 中國汽車貿易華北公司 (China Automobile Trading (North China) Corporation). He graduated from 中共北京市委黨校 (CPC Beijing Municipal Party School) with a major in economic management in 1988 and from the Chinese Academy of Social Sciences with a major in business economics in 1998. Mr. Diao was appointed as an independent non-executive Director of the Company on November 22, 2011.

Mr. WANG Keyi (汪克夷), aged 68, is an independent non-executive Director of the Group. Since 1982, Mr. Wang has been a lecturer and professor at Dalian University of Technology. From 1992 to 1996, Mr. Wang was an assistant to the principal of Dalian University of Technology and was responsible for business management affairs. Mr. Wang has also acted as an independent director of 瓦房店軸承股份有限公司 (Wa Fang Dian Zhou Cheng Stock Company Limited) (Stock Code: 200706), a company whose shares are listed on the Shenzhen Stock Exchange, since 2009. He was also an independent director of 遼寧紅陽能源投資股份有限公司 (Liaoning Hongyang Energy Resource Invest Co., Ltd.) (Stock Code: 600758), a company whose shares are listed on the Shanghai Stock Exchange, from 2005 to 2011. Mr. Wang graduated with an undergraduate degree in automotive control from the Dalian University of Technology in 1966. He obtained a Master's degree in systems engineering from Dalian University of Technology in 1982 and then a PhD degree in systems engineering from the same university in 1988. Mr. Wang was appointed as an independent non-executive Director of the Company on November 22, 2011.

Mr. CHAN Wan Tsun Adrian Alan (陳弘俊), aged 34, is an independent non-executive Director of the Group. Mr. Chan has been the chief financial officer of Enviro Energy International Holdings Limited (stock code: 1102), a company whose shares are listed on the Stock Exchange, since 2009. He has over ten years of experience in corporate finance. He was an associate director of UOB Asia (Hong Kong) Limited from 2005 to 2009, mainly responsible for the execution of financial advisory, initial public offering, merger and acquisitions, privatisation and other equity capital market transactions in the Greater China Region and Southeast Asia. He has also previously worked for the equity capital markets department of DBS Asia Capital Limited from 2002 to 2005, the corporate finance department of DBS Vickers Securities (formerly known as Vickers Ballas Holdings Limited) from 2000 to 2001, and as auditor for a top-tier international accounting firm. Mr. Chan graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree in Accounting and Finance in 2000. He is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants, respectively. Mr. Chan was appointed as an independent non-executive Director of the Company on November 22, 2011.

SENIOR MANAGEMENT

Our senior management team, in addition to the Directors listed above, is as follows:

Ms. LIU Tao (劉濤), aged 46, is a vice president of the Group. Ms. Liu has substantial experience in the automobile dealership industry. She joined Shanghai Kailong Automobile Trading Co., Ltd. in 1999 as a general manager until 2004. Ms. Liu was appointed general manager of Shanghai Baoxin Automobile Sales & Services Co., Ltd. from 2004 to 2007. Since 2008, she has served as a vice president of the Group. Prior to joining the Group, Ms. Liu was the head of the quality management department of 吉林省吉林市糧食局江北國家糧食儲備庫 (Jiangbei Government Grains Reserve of the Jilin Grains Bureau) from 1988 to 1999. She graduated with a bachelor's degree in economics from Jilin University in 1992. Ms. Liu also holds an MBA degree in business management from the China Europe International Business School obtained in 2008.

Mr. ZHU Jieling (朱結嶺), aged 44, is a vice president of the Group. Mr. Zhu has substantial experience in automobile dealership industry. He joined the Group in 2000 as deputy general manager of Shanghai Kailong Automobile Trading Co., Ltd. until 2004 and has been appointed as a vice president of the Group since 2004. Prior to joining the Group, he worked as deputy head of 廣州天河進口汽車修理廠 (Guangzhou Tianhe Import Automobile Repair Factory) from 1995 to 1999. He was also a trainer at 廣州豐田汽車維修中心 (Guangzhou Toyota Automobile Repair Center) from 1989 to 1995. Mr. Zhu is currently pursuing an EMBA degree from Dalian University of Technology.

Mr. CHEN Changdong (陳長東), aged 51, is the chief financial officer of the Group. Mr. Chen has more than 25 years of experience in finance. He first joined the Group in 2002 as the financial manager of Shanghai Kailong Automobile Trading Co., Ltd. until 2004. From 2004, he was appointed as the chief financial officer of the Group. Prior to joining the Group in 2002, he worked at Alstom Shanghai Instrument Transformers Company Limited, a Sino-French joint venture, from 2001 to 2002. From 1981 to 2000, Mr. Chen worked at 上海電器集團股份有限公司 (Shanghai Electric Group Company Limited) (Stock Code: 02727), a company whose shares are listed on the Hong Kong Stock Exchange, where he assumed various positions such as the head of the finance bureau, the deputy financial manager and chief accountant of one of its subsidiaries. Mr. Chen is an accountant recognised by the Ministry of Finance of the PRC and obtained a diploma from East China Normal University majoring in economic management in 1991.

Ms. ZHOU Qizhu (周其珠), aged 57, is the chief supervisor of the audit department of the Group. Ms. Zhou has substantial experience in audit and finance. She joined the Group in 2004 as chief supervisor of the audit department and has since maintained that role. Prior to joining the Group, she held various positions in 上海愛建股份有限公司 (Shanghai Aijian Corporation) (Stock Code: 600643) from 1993 to 2003, a company listed on the Shanghai Stock Exchange. Ms. Zhou is an accountant, economist and a registered tax accountant in China. Ms. Zhou graduated from the Open University of China with a major in accounting in 2004.

Mr. SHI Changchun (時長春), aged 41, is the chief operating officer of the Group. Mr. Shi has more than 13 years of experience in the automobile service industry. He first joined the Group in 2011 as chief operating officer. Prior to joining the Group, he was a deputy general manager of 力天集團有限公司 (Liten Group Company Limited) from 2009 to 2010. Mr. Shi was the general manager of 上海世貿汽車貿易有限公司 (Shanghai Shimao Automobile Trade Co., Ltd.) from 2005 to 2009. From 2003 to 2004, he was a manager of the components department for 聯合開利（上海）空調有限公司 (United Carrier (Shanghai) Air Conditioning Co., Ltd.). From 2001 to 2003, Mr. Shi worked at 福伊特驅動技術（上海）有限公司 (Voith Turbo Power Transmission (Shanghai) Co., Ltd.) as a national sales manager. Prior to that, Mr. Shi worked at 華晨汽車銷售有限公司 (Brilliance Automobile Sales Company Limited) from 1999 to 2001 as an after-sales manager. From 1995 to 1999, he was a technician of motor brigade of the transportation department of 寶山鋼鐵股份有限公司 (Baoshan Iron & Steel Co., Ltd.). Mr. Shi graduated with an undergraduate degree in automotive engineering from Tsinghua University in 1995 and obtained a MBA degree from Fudan University in 2001.

JOINT COMPANY SECRETARIES

Mr. CHEN Changdong (陳長東), please refer to "Directors and Senior Management — Senior Management" for a description of his biography.

Ms. PAU Lai Mei (鮑麗薇), aged 53, is the joint company secretary of the Company and was appointed on November 23, 2011. Ms. Pau has been with the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services, since 2004. Her current position is director-corporate services. Ms. Pau is a Chartered Secretary and a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also the company secretary of Goodbaby International Holdings Limited (Stock Code: 1086), the securities of which are listed on the Hong Kong Stock Exchange. She has more than 25 years of working experience in the field of corporate secretarial services.

Report of the Directors

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2012 (the "financial statements").

PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated in the Cayman Islands. Its principal place of business in Hong Kong is situated at Units 1803–4, 18/F, Bank of America Tower, 12 Harcourt Road, Hong Kong, and have been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on November 16, 2011 under the same address.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 45 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended December 31, 2012 are set out in the consolidated statement of comprehensive income on page 46 of this annual report.

FINANCIAL STATEMENTS

The profits of the Group for the year ended December 31, 2012 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 43 to 127 of this annual report.

A summary of the results for the year and of the assets and liabilities of the Group as at December 31, 2012 and for the last five financial years are set out on page 128 of this annual report.

RESERVES

As at December 31, 2012, distributable reserves of the Company amounted to RMB2,379.6 million (2011: RMB2,147.1 million), of which RMB207.3 million (2011: Nil) has been proposed as a final dividend for the year. Details of movements in reserves of the Company during the year are set out in note 34 to the financial statements.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.10 per ordinary share for the year ended December 31, 2012 (the "**2012 Final Dividend**") (2011: nil). The proposed dividend payment is subject to shareholder approval. If approved by shareholders, the 2012 Final Dividend is expected to be paid on or about July 11, 2013 to shareholders whose names shall appear on the register of members of the Company on July 4, 2013.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, June 20, 2013. Notice of the annual general meeting will be published and issued to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the annual general meeting

The register of members of the Company will be closed from June 18, 2013 to June 20, 2013, both dates inclusive during which time no transfer of shares will be registered. To qualify for attending and voting at the annual general meeting, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on June 17, 2013 for registration of the relevant transfer.

(b) For determining the entitlement to the 2012 Final Dividend

The register of members of the Company will be closed from July 2, 2013 to July 4, 2013, both dates inclusive, for the purpose of ascertaining the shareholders' entitlement to the 2012 Final Dividend, during which period no transfer of shares of the Company will be registered. In order to qualify for the 2012 Final Dividend, all duly stamped share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 pm on June 28, 2013.

PROPERTY AND EQUIPMENT

Details of movements in property and equipment during the year ended December 31, 2012 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 33 to the financial statements.

CONTINUING CONNECTED TRANSACTION

Save and except the two lease agreements between the Group and Shanghai Kailong Automobiles Sales Co., Ltd, a company controlled by a Director of the Company, as disclosed in the Company's prospectus dated December 2, 2011 (the "**Prospectus**"), which are both connected transactions falling under Listing Rule 14A.33, all related-party transactions set out in note 42 to the financial statements did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. The above two lease agreements are exempt from the relevant reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

CHARITABLE CONTRIBUTIONS

During the year ended December 31, 2012, the Group made charitable contributions totalling RMB2.3 million (2011: RMB1.0 million).

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

During the year ended December 31, 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

APPLICATION OF IPO PROCEEDS

The Company's shares were listed on the Stock Exchange on December 14, 2011. The net proceeds from the Company's listing were approximately RMB2,167.7 million after deduction of related expenses. All of the net proceeds were utilized in the matter consistent with that mentioned in the Prospectus under the section headed "Future Plans and Use of Proceeds".

DIRECTORS

The Directors during the financial year and up to the date of this annual report were:

Executive Directors
Mr. YANG Aihua
Mr. YANG Hansong
Mr. YANG Zehua
Ms. HUA Xiuzhen
Mr. ZHAO Hongliang

Non-executive Director
Mr. ZHANG Yang

Independent Non-executive Director
Mr. DIAO Jianshen
Mr. WANG Keyi
Mr. CHAN Wan Tsun Adrian Alan

In accordance with articles 16.18 of the Company's articles of association, all Directors will retire at the forthcoming annual general meeting and, being eligible, offers themselves for re-election thereat.

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or its subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year ended December 31, 2012.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed that none of the Directors has any interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At December 31, 2012, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Number of Shares or underlying Shares[4]	Approximate percentage of shareholding interest
Mr. Yang Aihua[1]	Beneficial owner	1,819,200,000 (L)	71.14%
Mr. Yang Hansong[2]	Beneficial owner	1,552,780,000 (L)	60.72%
Mr. Yang Zehua[3]	Beneficial owner	1,819,200,000 (L)	71.14%

Notes:

(1) Mr. Yang Aihua is one of the beneficiaries of the Family Trust and the Yang Trust and is deemed to be interested in the shares held by Baoxin Investment Management Ltd. ("Baoxin Investment") and Auspicious Splendid Global Investment Limited ("Auspicious Splendid").

(2) Mr. Yang Hansong is one of the beneficiaries of the Family Trust and is deemed to be interested in the shares held by Baoxin Investment.

(3) Mr. Yang Zehua is one of the beneficiaries of the Family Trust and the Yang Trust and is deemed to be interested in the shares held by Baoxin Investment and Auspicious Splendid.

(4) The letter "L" denotes the person's long position in such shares.

Saved as disclosed above, as at December 31, 2012 none of the Directors and their respective associates had any interests and 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) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

As at the date of this annual report, no option has been granted or agreed to be granted under the Share Option Scheme.

A summary of the terms of the share option scheme is set out in the Prospectus.

RETIREMENT BENEFIT SCHEME

As stipulated by the PRC state regulations, the subsidiaries of Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 11% to 22% (2011: 10% to 22%) of the year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

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

None of the retirement schemes have provisions for the forfeiture of contributions made to the scheme. Contributions to these plans are expensed as incurred. The Group's contributions to the retirement benefit schemes charged to the consolidated income statement for the year ended December 31, 2012 was RMB16.0 million (2011: RMB9.3 million).

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 7% to 10% (2011: 7% to 10%) of the salaries and wages of the employees, which is administered by the Public Accumulation Funds Administration Center. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

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

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at December 31, 2012, the interests or short positions of substantial shareholders, other than the Directors or the chief executives of the Company whose interests and short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, had 5% or more interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Name	Capacity/Nature of interest	Number of Shares[3]	Approximate percentage of shareholding interest
Baoxin Investment Management Ltd[1]	Beneficial interest	1,552,780,000 (L)	60.72%
Brock Nominees Limited	Interest in controlled Corporation	1,552,780,000 (L)	60.72%
Credit Suisse Trust Limited[1]	Trustee	1,552,780,000 (L)	60.72%
Sunny Sky Limited[1]	Interest in controlled Corporation	1,552,780,000 (L)	60.72%
Tenby Nominees Limited	Interest in controlled Corporation	1,552,780,000 (L)	60.72%
Auspicious Splendid Global Investments Limited	Beneficial interest	266,420,000 (L)	10.42%
Ms. Yang Chu Yu[2]	Trustee	266,420,000 (L)	10.42%

Notes:

(1) Sunny Sky Limited is deemed to be interested in the Shares as the legal owner of the entire issued share capital of Baoxin Investment. Sunny Sky Limited is controlled by Credit Suisse Trust Limited which is the trustee of the Family Trust.

(2) Ms. Yang Chu Yu is deemed to be interested in the Shares as the legal owner of the entire issued share capital of Auspicious Splendid as the trustee pursuant to the trust deed in respect of the Yang Trust dated July 12, 2011.

(3) The letter "L" denotes the person's long position in such shares.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares or underlying shares representing 5% or more of the issued share capital of the Company as at December 31, 2012.

MAJOR CUSTOMERS AND SUPPLIERS

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year under review, and sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year, no major customer segment information is presented in accordance with HKFRS 8 Operating Segments.

The aggregate purchase attributable to the Group's five largest suppliers accounted for approximately 94.8% (2011: 92.7%) and the largest supplier accounted for approximately 32.4% (2011: 41.4%) of the Group's total purchases for the year ended December 31, 2012.

At no time during the year ended December 31, 2012 have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended December 31, 2012 and up to the date of this annual report, the Company has maintained the prescribed public float as required by the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws in Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

Our external auditors, Ernst & Young, will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
YANG Aihua
Chairman

Hong Kong, March 27, 2013

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of Baoxin Auto Group Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

We have audited the consolidated financial statements of Baoxin Auto Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 43 to 127, which comprise the consolidated and company statements of financial position as at December 31, 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

27 March 2013

Consolidated Income Statement

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	5(a)	**18,092,903**	12,010,929
Cost of sales and services provided	6(b)	**(16,510,006)**	(10,721,181)
Gross profit		**1,582,897**	1,289,748
Other income and gains, net	5(b)	**379,389**	93,756
Selling and distribution expenses		**(461,187)**	(256,629)
Administrative expenses		**(260,614)**	(166,977)
Profit from operations		**1,240,485**	959,898
Finance costs	7	**(336,906)**	(128,397)
Share of profit of a jointly-controlled entity	18(b)	**14,443**	5,372
Profit before tax	6	**918,022**	836,873
Tax	8(a)	**(190,942)**	(221,041)
Profit for the year		**727,080**	615,832
Attributable to:			
Owners of the parent	11	**715,893**	601,905
Non-controlling interests		**11,187**	13,927
		727,080	615,832
Earnings per share attributable to ordinary equity holders of the parent	13		
Basic and diluted			
— For profit for the year (RMB)		**0.28**	0.27

Details of the dividends payable and proposed for the year are disclosed in Note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
PROFIT FOR THE YEAR		**727,080**	615,832
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**1,024**	(10,737)
OTHER COMPREHENSIVE (INCOME)/LOSS FOR THE YEAR, NET OF TAX		**1,024**	(10,737)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**728,104**	605,095
Attributable to:			
Owners of the parent	11	**716,917**	591,168
Non-controlling interests		**11,187**	13,927
		728,104	605,095

Consolidated Statement of Financial Position

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,720,264**	798,995
Land use rights	15	**283,420**	174,624
Intangible assets	16	**984,575**	2,219
Prepayments	17	**163,627**	16,042
Goodwill	18	**75,674**	–
Investment in a jointly-controlled entity	19	**27,689**	13,246
Available-for-sale investment	20	**17,035**	–
Deferred tax assets	32(a)	**55,486**	8,065
Total non-current assets		**4,327,770**	1,013,191
CURRENT ASSETS			
Inventories	21	**2,174,650**	1,284,159
Trade and bills receivables	22	**1,352,173**	125,504
Prepayments, deposits and other receivables	23	**3,307,556**	2,022,874
Amounts due from related parties	42(b)(i)	**42,969**	37,835
Pledged bank deposits	24	**2,614,531**	399,416
Cash in transit	25	**88,166**	13,383
Cash and cash equivalents	26	**2,668,169**	2,884,038
Total current assets		**12,248,214**	6,767,209
CURRENT LIABILITIES			
Bank loans and other borrowings	27	**5,757,810**	2,341,021
Trade and bills payables	28	**4,414,598**	1,174,914
Other payables and accruals	29	**878,275**	346,494
Amounts due to related parties	42(b)(ii)	**1,353**	626,680
Income tax payable		**168,437**	199,131
Total current liabilities		**11,220,473**	4,688,240
NET CURRENT ASSETS		**1,027,741**	2,078,969
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,355,511**	3,092,160
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	27	**779,789**	29,800
Bonds	30	**365,566**	–
Deferred tax liabilities	32(b)	**269,311**	8,535
Total non-current liabilities		**1,414,666**	38,335
NET ASSETS		**3,940,845**	3,053,825

Consolidated Statement of Financial Position

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**20,836**	20,604
Reserves	34	**3,651,678**	2,997,149
Proposed final dividend	12	**207,321**	–
		3,879,835	3,017,753
Non-controlling interests		**61,010**	36,072
Total equity		**3,940,845**	3,053,825

Mr. Yang Hansong
Director

Mr. Zhao Hongliang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

	Attributable to owners of the parent									
	Share capital RMB'000 Note 33	Share premium* RMB'000 Note 33	Statutory reserve* RMB'000 Note 34(i)	Merger reserve* RMB'000 Note 34(ii)	Exchange fluctuation reserve* RMB'000 Note 34(iii)	Retained profits* RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	**–**	**–**	**80,827**	**750,900**	**–**	**633,846**	**–**	**1,465,573**	**72,665**	**1,538,238**
Profit for the year	–	–	–	–	–	601,905	–	601,905	13,927	615,832
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	(10,737)	–	–	(10,737)	–	(10,737)
Total comprehensive income for the year	–	–	–	–	(10,737)	601,905	–	591,168	13,927	605,095
Acquisition of equity interests by the Group from the then equity holders	–	–	–	(291,851)	–	–	–	(291,851)	–	(291,851)
Contribution by the then equity holders	–	–	–	40,000	–	–	–	40,000	–	40,000
Non-controlling interests arising from establishing new subsidiaries	–	–	–	–	–	–	–	–	4,700	4,700
Deemed distribution to equity holders of the Company pursuant to the Reorganisation (Note 35)	–	–	(274)	(7,794)	–	–	–	(8,068)	–	(8,068)
Dividends paid to the then equity holders	–	–	–	–	–	(434,922)	–	(434,922)	–	(434,922)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(17,035)	(17,035)
Acquisition of non-controlling interests by the Group	–	–	–	(511,815)	–	–	–	(511,815)	(38,185)	(550,000)
Issue of shares	20,604	2,147,064	–	–	–	–	–	2,167,668	–	2,167,668
Transfer from retained profits	–	–	71,394	–	–	(71,394)	–	–	–	–
At 31 December 2011 and 1 January 2012	**20,604**	**2,147,064**	**151,947**	**(20,560)**	**(10,737)**	**729,435**	**–**	**3,017,753**	**36,072**	**3,053,825**
Profit for the year	–	–	–	–	–	715,893	–	715,893	11,187	727,080
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	1,024	–	–	1,024	–	1,024
Total comprehensive income for the year	–	–	–	–	1,024	715,893	–	716,917	11,187	728,104
Non-controlling interests arising from business combination	–	–	–	–	–	–	–	–	9,393	9,393
Non-controlling interests arising from establishing new subsidiaries	–	–	–	–	–	–	–	–	5,300	5,300
Acquisition of non-controlling interests by the Group	–	–	–	(1,484)	–	–	–	(1,484)	(942)	(2,426)
Issue of shares	232	146,417	–	–	–	–	–	146,649	–	146,649
Proposed final 2012 dividend (Note 12)	–	(121,224)	–	–	–	(86,097)	207,321	–	–	–
Transfer from retained profits	–	–	35,544	–	–	(35,544)	–	–	–	–
At 31 December 2012	**20,836**	**2,172,257**	**187,491**	**(22,044)**	**(9,713)**	**1,323,687**	**207,321**	**3,879,835**	**61,010**	**3,940,845**

* These reserve accounts comprise the consolidated reserves of RMB3,651,678,000 (2011: RMB2,997,149,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	**2012 RMB'000**	2011 RMB'000
Operating activities			
Profit before tax		**918,022**	836,873
Adjustments for:			
Share of profit of a jointly-controlled entity		**(14,443)**	(5,372)
Depreciation of property, plant and equipment	14	**121,902**	62,816
Amortisation of land use rights	15	**1,854**	3,088
Amortisation of intangible assets	16	**4,059**	238
Interest income	5	**(34,035)**	(5,809)
Net loss/(gain) on disposal of items of property, plant and equipment	5	**4,326**	(2,304)
Finance costs	7	**336,906**	128,397
Provisional gain on bargain purchase	6	**(111,822)**	–
		1,226,769	1,017,927
Increase in pledged bank deposits		**(707,215)**	(123,267)
(Increase)/decrease in cash in transit		**(41,073)**	331
Increase in trade and bills receivables		**(1,128,643)**	(83,007)
Increase in prepayments, deposits and other receivables		**(341,534)**	(1,149,630)
Decrease/(increase) in inventories		**253,918**	(546,206)
Increase in trade and bills payables		**1,004,342**	585,462
Increase in other payables and accruals		**26,728**	133,563
Cash generated from/(used) in operations		**293,292**	(164,827)
Tax paid		**(213,988)**	(168,022)
Net cash flows generated from/(used) in operating activities		**79,304**	(332,849)
Investing activities			
Purchase of items of property, plant and equipment		**(1,334,465)**	(312,181)
Proceeds from disposal of items of property, plant and equipment		**82,686**	27,973
Purchase of land use rights		**–**	(116,479)
Purchase of intangible assets		**(3,024)**	(2,457)
Advance to related parties		**(5,000)**	(3,935)
Prepayments for potential acquisitions		**(30,000)**	–
Acquisition of equity interests by the Group from the then equity holders		**–**	(291,851)
Acquisition of subsidiaries net of cash received		**(727,733)**	–
Interest received		**34,035**	5,809
Net cash flows used in investing activities		**(1,983,501)**	(693,121)

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Financing activities			
Acquisition of non-controlling interests		**(552,426)**	–
Net proceeds from issue of new shares in connection with the IPO		**–**	2,167,668
Proceeds from bank loans and other borrowings		**9,042,625**	3,247,967
Repayment of bank loans and other borrowings		**(6,391,644)**	(1,534,485)
Deemed distribution to equity holders of the Company pursuant to the Reorganisation		**–**	(10,891)
Contributions from the then equity holders		**–**	40,000
Contributions from non-controlling shareholders		**5,300**	4,700
Dividends paid to the then equity holders		**(49,823)**	(400,300)
Advances from the Controlling Shareholder, net		**–**	158,190
Repayment of advances from the Controlling Shareholder, net		**(26,857)**	–
Interest paid		**(339,884)**	(136,580)
Net cash flows generated from financing activities		**1,687,291**	3,536,269
Net (decrease)/increase in cash and cash equivalents		**(216,906)**	2,510,299
Cash and cash equivalents at the beginning of year		**2,884,038**	384,476
Effect of foreign exchange rate changes, net		**1,037**	(10,737)
Cash and cash equivalents at the end of year	26	**2,668,169**	2,884,038

Statement of Financial Position

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary	45	**1,266,818**	–
Total non-current assets		**1,266,818**	–
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**2,319**	–
Amount due from subsidiaries	42	**2,557,940**	14,187
Cash and cash equivalents	26	**254,956**	2,174,195
Total current assets		**2,815,215**	2,188,382
CURRENT LIABILITIES			
Bank loans	27	**668,728**	–
Other payables and accruals	29	**3,871**	23,787
Amount due to a subsidiary	42	**7,824**	7,822
Total current liabilities		**680,423**	31,609
NET CURRENT ASSETS		**2,134,792**	2,156,773
NON-CURRENT LIABILITIES			
Bank loans	27	**649,789**	–
Bonds	30	**365,566**	–
Total non-current liabilities		**1,015,355**	–
NET ASSETS		**2,386,255**	2,156,773
EQUITY			
Share capital	33	**20,836**	20,604
Reserves	34	**2,158,098**	2,136,169
Proposed final dividend	12	**207,321**	–
Total equity		**2,386,255**	2,156,773

Mr. Yang Hansong
Director

Mr. Zhao Hongliang
Director

Notes to Financial Statements

31 December 2012

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 14 December 2011.

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

In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is Baoxin Investment Management Ltd., which was incorporated in the British Virgin Islands ("BVI").

2.1 BASIS OF PRESENTATION

Basis of presentation for the consolidated financial statements for the year ended 31 December 2011

Through a group reorganisation (the "Reorganisation") as set out in the section headed "Our History and Reorganisation" in the Prospectus dated December 2, 2011 for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on August 4, 2011.

The consolidated financial statements of the Group have been prepared and presented based on the principles 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 ("HKICPA"), as if the Reorganisation had been completed as at the beginning of the year ended 31 December 2010 because the Company's acquisition of the companies now comprising the Group should be regarded as a business combination under common control as the Company and the companies now comprising the Group were under common control of Mr. Yang Aihua (the "Controlling Shareholder") both before and after the completion of the Reorganisation. Except for Shanghai Kailong Automobiles Sales Co., Ltd. ("Shanghai Kailong"), the Group's consolidated financial statements include the financial statements of the companies now comprising the Group, as if the group structure resulting from the Reorganisation had been in existence throughout the years, or since their respective dates of incorporation, whichever is a shorter period.

Shanghai Kailong has been invested and fully controlled by the Controlling Shareholder since its incorporation. As set out in the section headed "Our History and Reorganisation" in the Prospectus, in June 2011, as a part of the Reorganisation, Shanghai Minhang Kailong Automobiles Sales Co., Ltd. ("Minhang Automobiles") was established to acquire the entire business of sale and service of motor vehicles together with certain operating assets and liabilities from Shanghai Kailong on 30 June 2011. After the business acquisition, Shanghai Kailong ceased its business of sale and service of motor vehicles. The accounts of Shanghai Kailong up to the business acquisition date, i.e., June 30, 2011, have been included in the Group's financial statements since it was wholly owned by the Controlling Shareholder.

Notes to Financial Statements

31 December 2012

2.1 BASIS OF PRESENTATION *(Continued)*

Basis of presentation for the consolidated financial statements for the year ended 31 December 2012

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 HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investment which has been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2012 and the accounts of Shanghai Kailong up to the business acquisition date on 30 June, 2011, as described above. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. As explained above, the acquisition of subsidiaries under common control has been accounted for using merger accounting. The acquisition of all other subsidiaries was accounted for using the purchase method of accounting.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. No amount is recognised in respect of goodwill or the excess of the acquirer's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

For acquisition of subsidiaries not under common control, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

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.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these 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 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Notes to Financial Statements

31 December 2012

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

Notes to Financial Statements

31 December 2012

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to HKFRSs 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 and 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 measured 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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 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.

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 goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement 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 income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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 estimated useful lives and residual values of property, plant and equipment are as follows:

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

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

An item of property, plant and equipment including 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 income statement 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 buildings, plant and machinery under construction or pending installation, which are stated at cost less any impairment losses, and are 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.

Notes to Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 agreements	40 years
Customer relationship	15 years
Club memberships	29 years

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land and buildings lease payment 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 income statement so as to provide a constant periodic rate of charge over the lease terms.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 of 40 to 50 years using the straight-line method.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial investments, or as derivatives designated as hedging loans and receivables, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, 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:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Financial assets at fair value through profit or loss (Continued)

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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 method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. 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 other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Available-for-sale financial investments

Available-for-sale financial 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 income statement 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 income statement in other expenses. 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 income statement 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 and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

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 income statement.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group firstly assesses individually whether objective evidence of impairment exists 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.

If there is objective evidence that an impairment loss has been incurred, 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 (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). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. 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 income statement.

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.

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31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

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 income statement, is removed from other comprehensive income and recognised in the income statement.

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. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is to be 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 income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

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, bonds, amounts due to related parties, and bank loans and other borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement *(Continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans, borrowings and bonds

After initial recognition, interest-bearing loans, borrowings and bonds are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement 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 income statement.

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 income statement.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other option pricing models.

Inventories

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

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 statements 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.

Income tax

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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 recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 income statement 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 income statement by way of a reduced depreciation charge.

Revenue recognition

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

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

(b) from the rendering of services, 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 to the net carrying amount of the financial asset; and

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

Vendor rebate

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

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

Employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government.

These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 6.72% has been applied to the expenditure on the individual assets.

Dividends

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

Foreign currencies

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 income statement.

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

The functional currencies of the Company and certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period, and their income statements 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 income statement.

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.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets as at 31 December 2012 was RMB55,486,000 (2011: RMB8,065,000). More details are given in Note 32(a).

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 discussed 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. The carrying amount of goodwill at 31 December 2012 was RMB75,674,000 (2011: Nil). Further details are given in Note 18.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. 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 intangible assets

The intangible assets are depreciated on a straight-line basis by taking into account the 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 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 non-current assets other than deferred tax assets were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

	2012 **RMB'000**	2011 RMB'000
Revenue from the sale of motor vehicles	**16,797,703**	11,254,946
Others	**1,295,200**	755,983
	18,092,903	12,010,929

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

(b) Other income and gains, net:

	2012 RMB'000	2011 RMB'000
Group		
Commission income	**95,907**	60,627
Advertisement support received from motor vehicle manufacturers	**19,827**	7,647
Rental income	**978**	1,525
Government grants	**19,973**	5,813
Interest income	**34,035**	5,809
Service fee income	**90,000**	–
Net (loss)/gain on disposal of items of property, plant and equipment	**(4,326)**	2,304
Provisional gain on bargain purchase (Note 36) *	**111,822**	–
Others	**11,173**	10,031
Total	**379,389**	93,756

* The Group acquired NCGA Holdings Limited and its subsidiaries (together, the "NCGA Group") during the year ended December 31, 2012. The Group engaged an independent appraiser to assist with the identification and determination of fair values to be assigned to NCGA Group's assets and liabilities. However, the appraisal was not finalized and hence, the initial accounting for the business combination of the NCGA Group is incomplete by the date that the board of directors to approve these financial statements. Therefore, the following amounts recognized in the Group's 2012 annual financial statements in relation to the acquisition of NCGA Group were on a provisional basis:

	Amount (RMB'000)
Intangible assets	941,041
Land Use Rights	112,407
Property, plant and equipment	746,680
Deferred tax liabilities	245,705
Provisional gain on bargain purchase	111,822

6. PROFIT BEFORE TAX

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

	2012 RMB'000	2011 RMB'000
(a) Employee benefit expense (including directors' and chief executive's remuneration (Note 9)):		
Wages and salaries	**125,274**	80,782
Other welfare	**57,706**	30,118
	182,980	110,900
(b) Cost of sales and services:		
Cost of sales of motor vehicles	**15,832,888**	10,331,571
Others	**677,118**	389,610
	16,510,006	10,721,181

	Notes	2012 RMB'000	2011 RMB'000
(c) Other items:			
Depreciation of items of property, plant and equipment	14	**121,902**	62,816
Amortisation of land use rights	15	**1,854**	3,088
Amortisation of intangible assets	16	**4,059**	238
Advertisement and business promotion expenses		**101,290**	55,226
Auditors' remuneration		**4,000**	4,000
Bank charges		**15,751**	17,585
Foreign exchange differences, net		**1,166**	24
Lease expenses		**76,309**	39,203
Logistics and petroleum expenses		**58,716**	26,700
Office expenses		**12,969**	10,257
Provisional gain on bargain purchase*		**(111,822)**	–

* Provisional gain on bargain purchase is included in "Other income and gains, net" in the consolidated income statement.

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7. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Group		
Interest expense on bank borrowings wholly repayable within five years	**329,734**	134,297
Interest expense on other borrowings	**17,935**	2,283
Less: Interest capitalised	**(10,763)**	(8,183)
	336,906	128,397

8. TAX

(a) Tax in the consolidated income statement represents:

	2012 RMB'000	2011 RMB'000
Current:		
Mainland China corporate income tax	**167,981**	214,636
Deferred tax (Note 32)	**22,961**	6,405
Total tax charge for the year	**190,942**	221,041

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

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

The subsidiary incorporated in Hong Kong is subject to an income tax at the rate of 16.5% (2011: 16.5%) during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rate is 25% (2011: 25%).

8. TAX *(Continued)*

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

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

	2012 RMB'000	2011 RMB'000
Profit before tax	**918,022**	836,873
Tax at applicable tax rate (25%)	**229,506**	209,218
Lower tax rates enacted by local authority	**(24,694)**	–
Income not subject to tax	**(30,847)**	–
Tax losses not recognised	**5,445**	–
Tax effect of non-deductible expenses	**15,143**	13,166
Profit attributable to a jointly-controlled entity	**(3,611)**	(1,343)
Tax charge	**190,942**	221,041

The share of tax attributable to a jointly-controlled entity amounting to RMB4,814,000 (2011: RMB1,791,000) is included in "Share of profit of a jointly-controlled entity" in the consolidated income statement.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December 2012				
	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution retirement schemes RMB'000	Total RMB'000
Independent non-executive directors					
— Diao Jianshen	211	–	–	–	211
— Wang Keyi	211	–	–	–	211
— Chan Wan Tsun Adrian Alan	211	–	–	–	211
Executive directors					
— Yang Aihua	–	2,800	–	69	2,869
— Yang Hansong[(1)]	–	1,800	–	69	1,869
— Yang Zehua	–	1,600	–	69	1,669
— Zhao Hongliang	–	1,500	–	69	1,569
— Hua Xiuzhen	–	1,200	–	–	1,200
Non-executive director					
— Zhang Yang	–	–	–	–	–
	633	8,900	–	276	9,809

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9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

	Year ended 31 December 2011				
	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution retirement schemes RMB'000	Total RMB'000
Independent non-executive directors					
— Diao Jianshen	–	–	–	–	–
— Wang Keyi	–	–	–	–	–
— Chan Wan Tsun Adrian Alan	–	–	–	–	–
Executive directors					
— Yang Aihua	–	1,440	–	62	1,502
— Yang Hansong [(1)]	–	720	–	62	782
— Yang Zehua	–	660	–	62	722
— Zhao Hongliang	–	660	–	62	722
— Hua Xiuzhen	–	540	–	–	540
Non-executive director					
— Zhang Yang	–	–	–	–	–
	–	4,020	–	248	4,268

(1) Yang Hansong is also the president and the chief executive of the Group and his remuneration disclosed above include those for service rendered by him as chief executive.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

No emoluments were paid to the non-executive directors of the Company during the year (2011: Nil).

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included five directors (2011: five), details of whose remuneration are detailed in Note 9 above.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 includes a profit of RMB86,084,000 (2011: RMB13,000) which has been dealt with the financial statements of the Company (Note 34).

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12. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Proposed final — HK$0.10 (2011: Nil) (approximately RMB0.08) per ordinary share	**207,321**	–

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

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

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of shares in issue during the year.

	2012 RMB'000	2011 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**715,893**	601,905

	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year	**2,528,818,064**	2,216,211,836

The weighted average number of shares used to calculate the basic earnings per share for the year of 2011 includes: (1) 2,200,000,000 ordinary shares, issued by the way of capitalization on 23 November 2011, and deemed to have been issued throughout the year and (2) the weighted average of 328,740,000 shares issued in connection with the Company's IPO as defined in the Prospectus.

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 2,528,818,064 (2011: 2,216,211,836) in issue during the year.

Earnings per share	2012 RMB	2011 RMB
Basic	**0.28**	0.27

No adjustment has been made to the basic earnings per share amounts presented in 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during 2012 and 2011.

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14. PROPERTY, PLANT AND EQUIPMENT

	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 2012	579,774	79,731	60,244	39,583	122,668	134,719	1,016,719
Additions	359,715	9,596	21,723	20,841	213,259	697,160	1,322,294
Acquisition of subsidiaries (Note 36)	514,780	50,803	76,487	85,337	223,147	35,502	986,056
Transfers	401,758	1,049	–	22	81,338	(484,167)	–
Disposals	(24,361)	(4,201)	(888)	(5,071)	(99,782)	–	(134,303)
At 31 December 2012	1,831,666	136,978	157,566	140,712	540,630	383,214	3,190,766
Accumulated depreciation:							
At 1 January 2012	125,122	18,771	19,222	18,504	36,103	–	217,722
Depreciation provided during the year	50,232	10,954	9,287	6,849	44,580	–	121,902
Acquisition of subsidiaries (Note 36)	60,053	13,979	28,613	33,352	42,172	–	178,169
Disposals	(23,124)	(3,470)	(427)	(629)	(19,641)	–	(47,291)
At 31 December 2012	212,283	40,234	56,695	58,076	103,214	–	470,502
Net book value:							
At 31 December 2012	1,619,383	96,744	100,871	82,636	437,416	383,214	2,720,264
Cost:							
At 1 January 2011	459,967	35,161	43,266	25,752	73,548	51,983	689,677
Additions	76,803	37,746	2,296	8,563	52,129	189,486	367,023
Transfers	52,844	8,328	16,454	5,660	23,214	(106,500)	–
Disposals	(9,840)	(1,504)	(1,772)	(392)	(26,223)	–	(39,731)
Deemed distribution to equity holders of the Company	–	–	–	–	–	(250)	(250)
At 31 December 2011	579,774	79,731	60,244	39,583	122,668	134,719	1,016,719
Accumulated depreciation:							
At 1 January 2011	102,873	11,911	15,698	13,419	25,069	–	168,970
Depreciation provided during the year	25,881	7,788	4,212	5,430	19,505	–	62,816
Disposals	(3,632)	(928)	(687)	(345)	(8,470)	–	(14,062)
At 31 December 2011	125,122	18,771	19,223	18,504	36,104	–	217,724
Net book value:							
At 31 December 2011	454,652	60,960	41,021	21,079	86,564	134,719	798,995

As at 31 December 2012, the application for the property ownership certificates for certain buildings with a net book value of approximately RMB1,505,962,000 (2011: RMB431,000,000) was still in progress.

Certain of the Group's buildings with an aggregate net book value of approximately RMB48,671,000 (2011: RMB23,206,000) as at 31 December 2012 were pledged as security for the Group's bank borrowings (Note 27(a)).

15. LAND USE RIGHTS

	2012 RMB'000	2011 RMB'000
Cost:		
At the beginning of the year	**179,045**	338,924
Additions	**–**	116,479
Acquisition of subsidiaries (Note 36)	**121,291**	–
Deemed distribution to equity holders of the Company	**–**	(276,358)
At the end of the year	**300,336**	179,045
Accumulated amortisation:		
At the beginning of the year	**4,421**	10,986
Charge for the year	**1,854**	3,088
Amortisation capitalised	**1,757**	2,177
Acquisition of subsidiaries (Note 36)	**8,884**	–
Deemed distribution to equity holders of the Company	**–**	(11,830)
At the end of the year	**16,916**	4,421
Net book value:		
At the end of the year	**283,420**	174,624

As at 31 December 2012, the application for the land use right certificates for a certain land with a net book value of approximately RMB22,837,000 (2011: Nil) was still in progress.

The lease prepayments of the Group represent the costs of the Group's land use rights in respect of land located in Mainland China and are held under medium-term lease..

Certain of the Group's land use rights with an aggregate net book value of approximately RMB141,012,000 (2011: RMB58,626,000) as at 31 December 2012 were pledged as security for the Group's bank loans and other borrowings (Note 27 (a)).

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16. INTANGIBLE ASSETS

	Software RMB'000	Dealership relationship RMB'000	Customer relationship RMB'000	Favourable contract RMB'000	Club membership RMB'000	Total RMB'000
Cost:						
At 1 January 2012	2,457	–	–	–	–	2,457
Additions	570	–	–	–	2,454	3,024
Acquisition of subsidiaries (Note 36)	13,372	676,850	297,900	–	–	988,122
At 31 December 2012	16,399	676,850	297,900	–	2,454	993,603
Accumulated amortisation:						
At 1 January 2012	238	–	–	–	–	238
Charge for the year	570	1,446	2,029	–	14	4,059
Acquisition of subsidiaries (Note 36)	4,731	–	–	–	–	4,731
At 31 December 2012	5,539	1,446	2,029	–	14	9,028
Net book value:						
At 31 December 2012	10,860	675,404	295,871	–	2,440	984,575

	Software RMB'000	Dealership relationship RMB'000	Customer relationship RMB'000	Favourable contract RMB'000	Club membership RMB'000	Total RMB'000
Cost:						
At 1 January 2011	–	–	–	–	–	–
Additions	2,457	–	–	–	–	2,457
At 31 December 2011	2,457	–	–	–	–	2,457
Accumulated amortisation:						
At 1 January 2011	–	–	–	–	–	–
Charge for the year	238	–	–	–	–	238
At 31 December 2011	238	–	–	–	–	238
Net book value:						
At 31 December 2011	2,219	–	–	–	–	2,219

The Group's principal identifiable intangible assets represent dealership agreements in Mainland China with various vehicle manufacturers and customer relationships acquired from third parties. The dealership agreements do not include a specified contract period or termination arrangement. The customer relationships are amortised over 15 years and the dealership agreements are amortised over 40 years, which are management's best estimation of their useful lives.

17. PREPAYMENTS

	31 December 2012 RMB'000	31 December 2011 RMB'000
Prepaid lease for buildings and land use rights	**49,854**	16,042
Prepayments for land use rights	**44,315**	–
Prepayments for potential acquisitions	**30,000**	–
Long term deposits	**39,458**	–
	163,627	16,042

18. GOODWILL

	2012 RMB'000
Cost:	
At the beginning of the year	–
Acquisition of subsidiaries (Note 36)	**75,674**
At the end of the year	**75,674**

Impairment testing of goodwill

In opinion of the Company's directors, the goodwill comprises the fair value of expected business synergies arising from acquisitions, which is not separately recognised.

Goodwill acquired through business combinations has been allocated to the cash-generating units of Shanghai Chenlong Auto Sales Co., Ltd. and Rui'an Baolong Auto Sales and Services Co., Ltd. for impairment testing.

The recoverable amount of each cash-generating unit has 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 unit beyond the five-year period from the end of the reporting period is 3% for all years. The pre-tax discount rate applied to the cash flow projections beyond the one-year period is 22.67%.

Key assumptions used in the value in use calculation

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

Sale and service of motor vehicles revenue — the base used to determine the future earnings of 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 unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the cash generating unit to materially exceed the recoverable amount.

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19. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	31 December 2012 RMB'000	31 December 2011 RMB'000
Share of net assets	**27,689**	13,246

沈陽信寶行汽車銷售服務有限公司(Shenyang Xinbaohang Automobile Sales & Services Co., Ltd., "Shenyang Xinbaohang") is a jointly-controlled entity of the Group and is considered to be a related party of the Group.

(a) Particulars of a jointly-controlled entity

Jointly-controlled entity	Place and date of incorporation/ registration	Registered and paid-in capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Shenyang Xinbaohang	Shenyang, the PRC, 2009	RMB10,000,000	50%	50%	50%	Sale and service of motor vehicles

(b) The following table illustrates the summarised financial information of the Group's jointly-controlled entity shared by the Group:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Share of the jointly-controlled entity's assets and liabilities:		
Non-current assets	**23,872**	22,515
Current assets	**206,151**	140,297
Current liabilities	**(202,334)**	(149,566)
Net assets	**27,689**	13,246

Share of the jointly-controlled entity's results:

	2012 RMB'000	2011 RMB'000
Revenue	**489,456**	316,691
Expenses	**(470,199)**	(309,528)
Tax	**(4,814)**	(1,791)
Profit for the year	**14,443**	5,372

The Group's amount due from the jointly-controlled entity is disclosed in Note 42 in the financial statements.

20. AVAILABLE-FOR-SALE INVESTMENT

	31 December 2012 RMB'000	31 December 2011 RMB'000
Unlisted equity investment, at cost	**17,035**	–

The Company acquired NCGA Holdings Limited ("NCGA Group") on 1 December 2012 (Note 36). NCGA Group held 26% ownership interest of Qingdao Motors (H.K.) Limited and agreed not to exercise its 26% voting power. The investment was classified as an available-for-sale investment accordingly.

The available-for-sale investment was stated at cost less impairment because the investment does not have a quoted market price in an active market and the Directors are of the opinion that the fair value cannot be measured reliably. The Group does not have intention to dispose of it in the near future.

21. INVENTORIES

	31 December 2012 RMB'000	31 December 2011 RMB'000
Motor vehicles	**1,944,504**	1,191,087
Spare parts and accessories	**230,146**	93,072
	2,174,650	1,284,159

Certain of the Group's inventories with an aggregate carrying amount of RMB298,746,000 (2011: RMB390,007,000) as at 31 December 2012 were pledged as security for the Group's bank loans and other borrowings (Note 27(a)).

Certain of the Group's inventories with an aggregate carrying amount of RMB1,201,571,000 (2011: RMB666,898,000) as at 31 December 2012 were pledged as security for the Group's bills payable.

There were no inventories carried at fair value less costs to sell.

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22. TRADE AND BILLS RECEIVABLES

	31 December 2012 RMB'000	31 December 2011 RMB'000
Trade receivables	**504,286**	125,504
Bills receivable	**847,887**	–
	1,352,173	125,504

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. The Group's trade receivables relate to a large number of diversified customers. The concentration of credit risk is analysed in Note 44. Trade and bills receivables are non-interest-bearing.

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

	31 December 2012 RMB'000	31 December 2011 RMB'000
Within 3 months	**1,321,068**	120,231
More than 3 months but less than 1 year	**27,429**	4,201
Over 1 year	**3,676**	1,072
	1,352,173	125,504

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

	31 December 2012 RMB'000	31 December 2011 RMB'000
Neither past due nor impaired	**1,348,497**	124,432
Over one year past due	**3,676**	1,072
	1,352,173	125,504

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

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2012 RMB'000	31 December 2011 RMB'000
Group		
Prepayments to suppliers	**1,664,537**	1,625,636
Prepayments for purchase of items of plant, property and equipment	**5,605**	9,520
Rebate receivables	**1,454,447**	303,781
VAT recoverable(i)	**134,902**	29,044
Staff loans	**12,262**	32,754
Prepaid interest expense	**8,774**	3,877
Others	**27,029**	18,262
	3,307,556	2,022,874
Company		
Others	**2,319**	–

Note:

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

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

24. PLEDGED BANK DEPOSITS

	31 December 2012 RMB'000	31 December 2011 RMB'000
Deposits pledged with banks as collateral against		
— letters of credit granted by the banks	**110,000**	–
— bills facilities granted by the banks	**2,504,531**	399,416
	2,614,531	399,416

Pledged bank deposits, which are all denominated in RMB at the end of the reporting period, earn interest at interest rates stipulated by respective finance institutions.

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25. CASH IN TRANSIT

	31 December 2012 RMB'000	31 December 2011 RMB'000
Cash in transit	**88,166**	13,383

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

26. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	31 December 2012 RMB'000	31 December 2011 RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Cash and bank balances	**2,663,017**	808,646	**254,956**	98,803
Short term deposits	**5,152**	2,075,392	**–**	2,075,392
Cash and cash equivalents	**2,668,169**	2,884,038	**254,956**	2,174,195

At the end of the reporting period, the cash and bank balances and short term deposits of the Group denominated in Renminbi ("RMB") amounted to RMB2,197,828,000 (2011: RMB709,744,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods ranging from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and term deposits 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.

27. BANK LOANS AND OTHER BORROWINGS

Group

		31 December 2012		
		Effective interest rate (%)	Original maturity	RMB'000
Current				
Bank overdrafts				
— secured	(a)	6.7-7.0	on demand	99,875
Bank loans				
— secured	(a)	6.4	on demand	228,743
— secured	(a)	Libor*+2%	2013	439,985
— secured	(a)	5.4-8.5	2013	1,509,352
— guaranteed	(b)	7.2-7.5	2013	30,000
— unsecured		5.9-8.2	2013	3,244,785
Other borrowings				
— secured	(a)	8.1-9.8	2013	130,224
— unsecured		8.5-9.1	2013	57,046
Current portion of long term bank loans				
— secured	(a)	7.0	2013	17,800
				5,757,810
Non-Current				
Bank loans				
— secured	(a)	Libor*+6.1%	2015	649,789
— secured	(a)	6.9-7.0	2014-2015	110,000
— unsecured		7.4	2014	20,000
				779,789
				6,537,599

Notes to Financial Statements

31 December 2012

27. BANK LOANS AND OTHER BORROWINGS *(Continued)*

		31 December 2011 Effective interest rate (%)	Original maturity	RMB'000
Current				
Bank loans				
— secured	(a)	6.1-9.2	2012	934,855
— guaranteed	(c)	6.1-7.9	2012	32,750
— unsecured		5.8-11.8	2012	1,253,816
Other borrowings				
— secured	(a)	8.1-9.2	2012	71,361
— unsecured		7.6-8.1	2012	43,239
Current portion of long term bank loans				
— secured	(a)	6.7	2012	5,000
				2,341,021
Non-current				
Bank loans				
— secured	(a)	6.7-7.0	2013-2014	29,800
				29,800
				2,370,821

Company

		31 December 2012 Effective interest rate (%)	**Original maturity**	**RMB'000**
Current				
Bank loans				
— secured	(a)	**6.4**	**on demand**	**228,743**
— secured	(a)	**Libor*+2%**	**2013**	**439,985**
				668,728
Non-current				
Bank loans				
— secured	(a)	**Libor*+6.1%**	**2015**	**649,789**
				1,318,517

27. BANK LOANS AND OTHER BORROWINGS *(Continued)*

Company *(Continued)*

The Company had no bank loans and other borrowings as at 31 December 2011.

* London Inter-Bank Offered Rate

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

(i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB141,012,000 (2011: RMB58,626,000) as at 31 December 2012;

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB48,671,000 (2011: RMB23,206,000) as at 31 December 2012;

(iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB298,746,000 (2011: RMB390,007,000) as at 31 December 2012;

(iv) mortgages over the Group's letters of credit, which had an aggregate credit amount of approximately RMB1,410,000,000 (2011: Nil) as at 31 December 2012. The letters of credit were secured by the pledge of cash of RMB110,000,000, the pledge of the entire shares in Suzhou Baoxin Automobile Sales & Services Co., Ltd. and Shanghai Baoxin Automobile Sales & Services Co., Ltd., the pledge of the Group's land use rights situated in Mainland China which had an aggregate carrying value of approximately RMB65,107,000 and were also included in note (i) above and the pledge of the Group's buildings which had an aggregate carrying value of approximately RMB43,960,000 and were also included in note (ii) above; and

(v) mortgages over the entire shares in NCGA Holding Limited, Suzhou Baoxin Automobile Sales & Services Co., Ltd. and Shanghai Baoxin Automobile Sales & Services Co., Ltd. as at 31 December 2012 (2011: Nil).

(b) Certain of the Group's bank loans which amounted to RMB30,000,000 (2011: Nil) were guaranteed by a certain third party as at 31 December 2012; and

(c) None of the Group's bank loans was guaranteed by the Controlling Shareholder as at 31 December 2012 (2011: RMB32,750,000).

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28. TRADE AND BILLS PAYABLES

	31 December 2012 RMB'000	31 December 2011 RMB'000
Trade payables	**107,834**	32,961
Bills payable	**4,306,764**	1,141,953
Trade and bills payables	**4,414,598**	1,174,914

An aged analysis of the trade and bills payables as at the end of the reporting period is as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Within 3 months	**4,117,606**	1,167,616
3 to 6 months	**291,068**	4,534
6 to 12 months	**1,671**	–
Over 12 months	**4,253**	2,764
	4,414,598	1,174,914

The trade and bills payables are non-interest-bearing. The trade payables are non-interest-bearing and are normally settled on 60-day terms.

29. OTHER PAYABLES AND ACCRUALS

	31 December 2012 RMB'000	31 December 2011 RMB'000
Group		
Advances from customers	**555,435**	163,030
Advances and deposits from distributors	**9,301**	–
Taxes payable (other than income tax)	**127,412**	74,456
Payables for purchase of items of property, plant and equipment	**26,652**	55,124
Payables for listing expenses	**–**	23,787
Payables for purchase of equity interests from third parties	**37,807**	–
Lease payables	**20,189**	8,720
Interest payables	**12,682**	–
Staff payroll and welfare payables	**20,639**	6,484
Others	**68,158**	14,893
	878,275	346,494
Company		
Taxes payable (other than income tax)	**3,871**	–
Payables for listing expenses	**–**	23,787
	3,871	23,787

30. BONDS

	Group and Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000
Non-current	**365,566**	–

At initial recognition, the bonds in their original currency are as follows:

	USD'000
Face value of the bonds	58,160

The movements in the carrying amount of the bonds during the year are as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
At the beginning of the year	**–**	–
Issuance of the bonds	**365,566**	–
At the end of the year	**365,566**	–

On 31 December 2012, the Company issued bonds maturing on 30 December 2017, with an aggregate principal amount of USD58,160,000 (approximately RMB365,566,000) at a fixed interest rate of 5.65% per annum. The bonds are unsecured. Interest of the bonds is payable annually in arrears on 30 December ("Interest Payment Date") in each year commencing from 31 December 2012.

Interest expense on the bonds is calculated using the effective interest rate method by applying the effective interest rate of 5.65%.

All accrued and unpaid interest payable with respect to the bonds shall be added automatically on the Interest Payment Date to the then outstanding principal amount of such bonds and, following such increase in principal amount, such bonds shall bear interest at the same interest rate on such increased principal amount from and after the Interest Payment Date.

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31. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the People's Republic of China (the "PRC") state regulations, the subsidiaries of Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 11% to 22% (2011: 10% to 22%) of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

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

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 7% to 12% (2011: 7% to 10%) of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

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

32. DEFERRED TAX

(a) Deferred tax assets

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

	Losses available for offsetting against future taxable profits RMB'000	Accrued payroll and other accruals RMB'000	Deferred rental expenses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011	3,327	1,833	1,389	–	6,549
Deferred tax recognised in the consolidated income statement during the year (Note 8(a))	878	(375)	132	1,495	2,130
Deemed distribution to equity holders of the Company pursuant to the Reorganisation (Note 35)	(614)	–	–	–	(614)
At 31 December 2011 and 1 January 2012	3,591	1,458	1,521	1,495	8,065
Deferred tax arising from acquisition of subsidiaries (Note 36)	50,887	9,984	152	7,973	68,996
Deferred tax recognised in the consolidated income statement during the year (Note 8(a))	(17,794)	2,009	398	(6,188)	(21,575)
At 31 December 2012	36,684	13,451	2,071	3,280	55,486

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32. DEFERRED TAX *(Continued)*

(b) Deferred tax liabilities

	Capitalisation of costs in relation to construction in progress RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2011	–	–	–
Deferred tax recognised in the consolidated income statement during the year (Note 8(a))	8,535	–	8,535
At 31 December 2011 and 1 January 2012	8,535	–	8,535
Deferred tax arising from acquisition of subsidiaries (Note 36)	–	259,390	259,390
Deferred tax recognised in the consolidated income statement during the year (Note 8(a))	2,330	(944)	1,386
At 31 December 2012	10,865	258,446	269,311

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. Under the Arrangement between the Mainland of China and the Hong Kong Special Administrative 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%. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 are exempted from the withholding tax.

The Company's subsidiaries in the mainland China are directly or indirectly held by the Company's intermediate holding companies, Kailong Investments Management Limited and Yan Jun Auto Co., Limited, Hong Kong tax residents. In the opinion of the directors, it is not probable that the Company's subsidiaries established in Mainland China will, in the foreseeable future, distribute earnings with an aggregated amount of temporary differences of approximately RMB1,622,565,000 (2011: RMB729,637,000) associated with the investments in these subsidiaries for which deferred tax liabilities have not been recognised as at 31 December 2012 (2011: Nil).

33. SHARE CAPITAL

Shares	2012
Authorised:	
Ordinary shares	**5,000,000,000 shares of HK$0.01 each**
Issued and fully paid:	
Ordinary shares	**2,557,311,429 shares of HK$0.01 each**
Equivalent to RMB'000	**20,836**

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

On the date of incorporation, 1 ordinary share of US$0.1 was allotted and issued by the Company to its then shareholder. On 28 September 2010, 499,999 ordinary shares of US$49,999.9 was allotted and issued to its then shareholders. On 12 July 2011, 500,000 ordinary shares of US$50,000 were allotted and issued to its then shareholders. On 25 November 2011, the 1,000,000 shares of a par value of US$0.1 each, were repurchased and cancelled by the Company.

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares HK$'000	Share premium HK$'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000
Allotment and issue of shares on 25 November 2011 (note (a))	100,000,000	1,000	(1,000)	815	(815)
Capitalisation issue on 14 December 2011 (note (b))	2,100,000,000	21,000	(21,000)	17,111	(17,111)
Issue of new shares on 14 December 2011 (note (c))	328,740,000	3,287	2,791,003	2,678	2,274,109
Share issue expenses	–	–	(133,921)	–	(109,119)
As at 31 December 2011 and 1 January 2012	2,528,740,000	25,287	2,635,082	20,604	2,147,064
Issue of new shares on 31 December 2012 (note (d))	28,571,492	286	180,572	232	146,417
As at 31 December 2012	2,557,311,492	25,573	2,815,654	20,836	2,293,481

Notes to Financial Statements

31 December 2012

33. SHARE CAPITAL *(Continued)*

Notes:

(a) Pursuant to the resolution of the board of directors of the Company on 23 November 2011, 100,000,000 ordinary shares of HK$0.01 each were allotted and issued and to be converted as fully paid at par, by way of capitalisation of the sum of HK$1,000,000 (equivalent to approximately RMB814,800) standing to the credit of the share premium account.

(b) Pursuant to the resolution of the board of directors of the Company on 23 November 2011, 2,100,000,000 ordinary shares of HK$0.01 each were allotted and issued and to be converted as fully paid at par, by way of capitalisation of the sum of HK$21,000,000 (equivalent to approximately RMB17,110,800) standing to the credit of the share premium account.

(c) On 14 December 2011, in connection with the Company's IPO as defined in the Prospectus, 328,740,000 new ordinary shares of the Company of HK$0.01 each were issued at a price of HK$8.5 per share with gross proceeds of HK$2,794,290,000 (equivalent to approximately RMB2,276,787,000).

(d) On 31 December 2012, in connection with the Company's acquisition over the entire shares of NCGA Holding Limited, 28,571,492 new ordinary shares of the Company of HK$0.01 each were issued as a part of the purchase consideration (Note 36(c)).

34. RESERVES

Group

(i) Statutory reserve

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

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company and the excess of the consideration over the carrying amount of the non-controlling interests acquired. 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 and/or businesses 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 distribution to equity holders of the Company, acquisition of equity interests in subsidiaries from the Controlling Shareholder for business combination under common control and the excess of the consideration over the carrying amount of the non-controlling interests acquired.

(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.

34. RESERVES *(Continued)*

Company

	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2011				
Allotment and issue of shares and capitalisation issue	(17,926)	–	–	(17,926)
Issue of shares for initial public offering	2,164,990	–	–	2,164,990
Total comprehensive income for the year	–	(10,908)	13	(10,895)
As at 31 December 2011 and 1 January 2012	2,147,064	(10,908)	13	2,136,169
Allotment and issue of shares	146,417	–	–	146,417
Total comprehensive income for the year	–	(3,251)	86,084	82,833
Proposed final dividend	(121,224)	–	(86,097)	(207,321)
As at 31 December 2012	2,172,257	(14,159)	–	2,158,098

35. EFFECT ON DEEMED DISTRIBUTION TO THE EQUITY HOLDER OF THE COMPANY ON 30 JUNE 2011

As mentioned in Note 2.1, Shanghai Kailong transferred its entire business of sale and service of motor vehicles together with certain operating assets and liabilities to Minhang Automobiles on 30 June 2011. The accounts of Shanghai Kailong have been included in the financial statements of the Group up to the business acquisition date of 30 June 2011.

Notes to Financial Statements

31 December 2012

35. EFFECT ON DEEMED DISTRIBUTION TO THE EQUITY HOLDER OF THE COMPANY ON 30 JUNE 2011 *(Continued)*

On 30 June 2011, except those operating assets and liabilities which have been transferred to Minhang Automobiles, the assets and liabilities of Shanghai Kailong summarised below were accounted for as distribution to equity holders of the Company. An analysis of the assets and liabilities and the cash outflow of the distribution is as follows:

	30 June 2011 RMB'000
NON-CURRENT ASSETS	
Property, plant and equipment	250
Land use rights	264,528
Deferred tax assets	614
Total non-current assets	265,392
CURRENT ASSETS	
Trade receivables	350
Deposits and other receivables	21,092
Amounts due from the Controlling Shareholder	6,313
Cash in transit	308
Cash and cash equivalents	10,891
Total current assets	38,954

	30 June 2011 RMB'000
CURRENT LIABILITIES	
Trade and bills payables	193
Other payables and accruals	2,860
Amounts due to the Controlling Shareholder	143,303
Income tax payable	196
Total current liabilities	146,552
NON-CURRENT LIABILITIES	
Bank loans and other borrowings	150,000
Total non-current liabilities	150,000
NET ASSETS	7,794

36. BUSINESS ACQUISITION

(a) As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 100% of the equity interests of Shanghai Chenlong Auto Sales Co., Ltd. (上海晨隆汽車銷售有限公司, "Shanghai Chenlong"), which is engaged in the motor vehicle sales and service business in Mainland China, from two third parties on 8 October 2012 at a total consideration of RMB12,597,000. The purchase consideration for the acquisition was in the form of cash, and has not been paid as at 31 December 2012.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Notes	Recognised fair values on acquisition RMB'000
Property, plant and equipment	14	23,905
Intangible assets	15	2,150
Inventories		22,267
Trade receivables		3,142
Prepayments, deposits and other receivables		10,183
Pledged bank deposits		11,471
Cash and cash equivalents		3,812
Trade and bills payables		(31,154)
Other payables and accruals		(33,766)
Deferred tax liabilities	32(b)	(2,416)
Total identifiable net assets		9,594
Goodwill on acquisition	18	3,003
Total purchase consideration		12,597

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

	RMB'000
Cash consideration paid	–
Cash and cash equivalents acquired	3,812
Net cash inflow	3,812

Since the acquisition, the acquired business contributed RMB35,955,000 to the Group's revenue and a loss of RMB2,434,000 to the consolidated profit for the year ended 31 December 2012.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB18,208,855,000 and RMB721,725,000, respectively.

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36. BUSINESS ACQUISITION *(Continued)*

(b) As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 90% of the equity interests of Rui'an Baolong Auto Sales and Services Co., Ltd. (瑞安市寶隆汽車銷售服務有限公司, "Rui'an Baolong"), which is engaged in the motor vehicle sales and service business in Mainland China, from two third parties on 8 October 2012 at a total consideration of RMB157,210,000. The purchase consideration for the acquisition was in the form of cash, with RMB132,000,000 paid during the year.

The Group has elected to measure the non-controlling interest in Rui'an Baolong at the non-controlling interest's proportionate share of Rui'an Baolong's identifiable net assets.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Notes	**Recognised fair values on acquisition** RMB'000
Property, plant and equipment	14	37,302
Intangible assets	16	40,200
Deferred tax assets	32(a)	657
Inventories		136,203
Trade receivables		5,344
Prepayments, deposits and other receivables		61,077
Pledged bank deposits		70,954
Cash in transit		1,293
Cash and cash equivalents		8,476
Banks loans and other borrowings		(123,339)
Trade and bills payables		(124,501)
Other payables and accruals		(8,465)
Deferred tax liabilities	32(b)	(11,269)
Total identifiable net assets		93,932
Non-controlling interests		(9,393)
Goodwill on acquisition	18	72,671
Total purchase consideration		157,210

An analysis of the cash flows in respect of the acquisition of Rui'an Baolong is as follows:

	RMB'000
Cash consideration paid	(132,000)
Cash and cash equivalents acquired	8,476
Net cash outflow	(123,524)

36. BUSINESS ACQUISITION *(Continued)*

(b) *(Continued)*

Since the acquisition, the acquired business contributed RMB250,560,000 to the Group's revenue and RMB24,045,000 to the consolidated profit for the year ended 31 December 2012.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB18,669,793,000 and RMB728,692,000, respectively.

(c) As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 100% of the equity interests of NCGA Holdings Limited and its subsidiaries (the "NCGA Group"), which are engaged in the motor vehicle sales and service business in Mainland China, from third parties in December 2012 at a total consideration of RMB1,266,818,000. The purchase consideration consisted of cash, which was fully paid during the year, bonds, which were all issued during the year, and new ordinary shares, which were issued during the year.

Company name	Acquired equity interests %
NCGA Holdings Limited	100%
Yan Jun Auto Co., Limited	100%
Xi'an Gin Wi BMW Auto Service Co., Ltd.	100%
McLarty Consulting Hong Kong Limited	100%
Gin Wi Enterprises Group (HK) Limited	100%
Beijing Yanbao Auto Leasing Co., Ltd.	100%
Beijing Chen De Bao Auto Sales Co., Ltd.	100%
Beijing Yan De Bao Auto Sales Co., Ltd.	100%
Beijing Yanbao Auto Service Co., Ltd.	100%
Beijing Dong Bao Jin Long Economy & Trade Development Co., Ltd.	100%
Urumqi Yanbao Auto Sales & Service Co., Ltd.	100%
Dalian Yanbao Auto Co., Ltd.	100%
Dalian Yan De Bao Auto Sales Co., Ltd.	100%
Beijing YanYingJie Auto Sales & Service Co., Ltd.	100%
Tianjin YanYingJie Auto Sales & Service Co., Ltd.	100%
Shanxi Gin Wa Auto Trade Co., Ltd.	100%
Beijing YanHao Auto Sales & Service Co., Ltd.	100%
YanJun (China) Investment Co., Ltd.	100%
Beijing ZunYu Advertise Co., Ltd.	100%
Langfang Yanbao Auto Sales & Service Co., Ltd.	100%
Karamai Xindebao Economy &Trade Development Co., Ltd.	100%
Karamai Yanbao Auto Sales & Service Co., Ltd.	100%
Urumqi Zhong You Hang Rong De Bao Trade Co., Ltd.	100%
Urumqi Zhong You Hang Xin De Bao Trade Development Co., Ltd.	100%
Yingkou Yanbao Auto Co., Ltd.	100%
Yingkou Yan De Bao Auto Sales & Service Co., Ltd.	100%
Dalian Chen De Bao Auto Sales Co., Ltd.	100%

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36. BUSINESS ACQUISITION *(Continued)*

(c) *(Continued)*

Company name	Acquired equity interests %
Beijing YanPengJie Auto Sales & Service Co., Ltd.	100%
Tianjin YanShunJie Investment Co., Ltd.	100%
Tianjin YanPengJie Auto Sales & Service Co., Ltd.	100%
Beijing Yanshenghao Auto Sales & Service Co., Ltd.	100%
Tangshan Yinhua Auto Sales & Service Co., Ltd.	100%
Tangshan Yanshida Auto Sales & Service Co., Ltd.	100%
Beijing YanYingJie&YanShunJie Auto Sales & Service Co., Ltd.	100%
Baoji Yan De Bao Auto Sales & Service Co., Ltd.	100%
Qingdao Motors (H.K.) Limited	26%

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Notes	Recognised fair values on acquisition RMB'000
Property, plant and equipment*	14	746,680
Land use rights*	15	112,407
Intangible assets*	16	941,041
Prepayments		115,139
Available-for-sale investment		17,049
Deferred tax assets	32(a)	68,339
Inventories		985,939
Trade receivables		89,540
Prepayments, deposits and other receivables		873,351
Pledged bank deposits		1,425,475
Cash in transit		32,417
Cash and cash equivalents		146,582
Bank loans and other borrowings		(1,392,458)
Trade and bills payables		(2,079,687)
Other payables and accruals		(440,802)
Amounts due to related parties		(1,354)
Income tax payable		(15,313)
Deferred tax liabilities*	32(b)	(245,705)
Total identifiable net assets		1,378,640
Provisional gain on bargain purchase recognised in other income and gains in the consolidated income statement		(111,822)
Total purchase consideration		1,266,818

36. BUSINESS ACQUISITION *(Continued)*

(c) *(Continued)*

Purchase consideration	RMB'000
Cash consideration	754,603
Shares issued, at fair value#	146,649
Bonds	365,566
Total consideration	1,266,818

* The Group engaged an independent appraiser to assist with the identification and determination of fair values to be assigned to NCGA Group's assets and liabilities. However, the appraisal was not finalized and hence the initial accounting for the business combination of the NCGA Group was incomplete by the date that the board of directors approved these financial statements. Therefore, these amounts recognized in the Group's 2012 annual financial statements in relation to the acquisition of NCGA Group were on a provisional basis.

The Group issued 28,571,492 ordinary shares as a part of the consideration. The fair value of the shares is the published price of the shares of the Group, which was HK$6.33 each. The fair value of the consideration given is therefore RMB146,649,000.

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

	RMB'000
Cash consideration paid	(754,603)
Cash and cash equivalents acquired	146,582
Net cash outflow	(608,021)

Since the acquisition, the acquired business contributed RMB1,132,201,000 to the Group's revenue and RMB114,133,000 to the consolidated profit for the year ended 31 December 2012.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB28,524,431,000 and RMB426,222,000, respectively.

37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the year, the Company acquired 100% equity interest of NCGA Group. The consideration consisted of the issuance of 28,571,492 shares and USD58,160,000 bonds by the Company (note 36(c)).

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38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

	Loans and receivables	
	At 31 December 2012 RMB'000	At 31 December 2011 RMB'000
Available-for-sale investment	**17,035**	–
Trade and bills receivables	**1,352,173**	125,504
Financial assets included in prepayments, deposits and other receivables	**1,510,738**	358,674
Amounts due from related parties	**42,969**	37,835
Pledged bank deposits	**2,614,531**	399,416
Cash in transit	**88,166**	13,383
Cash and cash equivalents	**2,668,169**	2,884,038
	8,293,781	3,818,850

Financial liabilities

	Financial liabilities at amortised cost	
	At 31 December 2012 RMB'000	At 31 December 2011 RMB'000
Trade and bills payables	**4,414,598**	1,174,914
Financial liabilities included in other payables and accruals	**174,789**	100,688
Amounts due to related parties	**1,353**	626,680
Bank loans and other borrowings	**6,537,599**	2,370,821
Bonds	**365,566**	–
	11,493,905	4,273,103

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

Financial assets

	Loans and receivables	
	At 31 December 2012 RMB'000	At 31 December 2011 RMB'000
Amounts due from subsidiaries	**2,557,940**	14,187
Cash and cash equivalents	**254,956**	2,174,195
	2,812,896	2,188,382

Financial liabilities

	Financial liabilities at amortised cost	
	At 31 December 2012 RMB'000	At 31 December 2011 RMB'000
Financial liabilities included in other payables and accruals	**3,871**	23,787
Amount due to a subsidiary	**7,824**	7,822
Bank loans	**1,318,517**	–
Bonds	**365,566**	–
	1,695,778	31,609

39. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Guarantees given to banks in connection with facilities granted to third parties	**223,900**	–

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40. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Contracted, but not provided for land use rights and buildings	**137,500**	40,724
Authorised, but not contracted for land use rights and buildings	**735,000**	582,791
	872,500	623,515

(b) Operating lease commitments

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

	At 31 December 2012			At 31 December 2011		
	Properties RMB'000	**Land RMB'000**	**Vehicles RMB'000**	Properties RMB'000	Land RMB'000	Vehicles RMB'000
Within 1 year	**79,297**	**55,757**	**455**	16,855	25,313	2,509
After 1 year but within 5 years	**227,915**	**169,398**	**–**	54,713	90,611	–
After 5 years	**285,040**	**586,756**	**–**	80,423	156,768	–
	592,252	**811,911**	**455**	151,991	272,692	2,509

The Group is the lessee in respect of a number of properties, land and vehicles held under operating leases.

41. PLEDGE OF ASSETS

Details of the Group's assets pledged for its bank loans and other borrowings and bills payable are disclosed in Note 14, Note 15, Note 21 and Note 24 to the consolidated financial statements.

42. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. Yang Aihua is the Controlling Shareholder of the Group and is also considered to be a related party of the Group.

Shanghai Bentai Investment Management Co., Ltd. ("Bentai Investment"), Huakong (Tianjin) Innovation Fund and Huakong (Tianjin) Industry Investment Fund are the then equity holders of the Group and are also considered to be related parties of the Group.

42. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(a) Transactions with related parties

(i) None of the Group's bank loans was guaranteed by the Controlling Shareholder as at 31 December 2012 (2011: RMB32,750,000).

(ii) On 28 June 2011, Suzhou Baoxin Automobile Sales & Services Co., Ltd. ("Suzhou Baoxin") entered into an equity transfer agreement with Huakong (Tianjin) Innovation Fund and Huakong (Tianjin) Industry Investment Fund, pursuant to which Huakong (Tianjin) Innovation Fund and Huakong (Tianjin) Industry Investment Fund agreed to sell and Suzhou Baoxin agreed to purchase the 3% of the equity interest in Shanghai Baoxin Automobile Sales & Services Co., Ltd. at a consideration of RMB550,000,000 provided that any one of the following three conditions is fulfilled: (i) the Global Offering has been completed; (ii) the shareholders (apart from the Tsinghua Industry Investment Fund I, L.P., Tsinghua Industry Investment Fund II, L.P. and Innovation Capital, L.P.) of the Company have disposed of an aggregate of 40% or more of their shares in the Company; or (iii) Mr. Yang Aihua has ceased to be a controlling shareholder.

Pursuant to above terms of the equity transfer agreement, the 3% non-controlling interest was derecognised as if it were acquired on 28 June 2011. The consideration of RMB550,000,000 recorded as amounts due to Huakong (Tianjin) Innovation Fund and Huakong (Tianjin) Industry Investment Fund of RMB330,000,000 and RMB220,000,000, respectively, was paid in 2012.

Pursuant to above terms of the equity transfer agreement, the Group paid RMB6,000,000 and RMB4,000,000, as interest expenses for late repayments, to Huakong (Tianjin) Innovation Fund and Huakong (Tianjin) Industry Investment Fund, respectively, in 2012 (2011: Nil).

(iii) Shanghai Zhongchuang Automobile Sales Co., Ltd. and Shanghai Minhang Kailong Automobile Sales Co., Ltd. entered into lease agreements with Shanghai Kailong, as landlord, pursuant to which each of these subsidiaries leases from Shanghai Kailong the premises currently used by them. The rental expenses of Shanghai Zhongchuang Automobile Sales Co., Ltd. and Shanghai Minhang Kailong Automobile Sales Co., Ltd. were RMB800,000 and RMB400,000, respectively, in 2012 (2011: RMB400,000 and RMB300,000).

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42. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) Balances with related parties

The Group had the following significant balances with its related parties during the year:

(i) Amounts due from related parties:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Non-trade related:		
The Controlling Shareholder		
— Mr. Yang Aihua	**134**	–
A jointly-controlled entity		
— Shenyang Xinbaohang	**42,835**	37,835
	42,969	37,835

(ii) Amounts due to related parties:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Non-trade related:		
The Controlling Shareholder		
— Mr. Yang Aihua	**–**	26,857
Available-for-sale investment		
— Qingdao Motors (H.K.) Limited	**1,353**	–
The then equity holders		
— Huakong (Tianjin) Innovation Fund	**–**	359,892
— Huakong (Tianjin) Industry Investment Fund	**–**	239,928
— Bentai Investment	**–**	3
	1,353	626,680

As at 31 December 2012, balances with related parties were unsecured and non-interest-bearing and had no fixed repayment terms.

42. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

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

	31 December 2012 RMB'000	31 December 2011 RMB'000
Short term employee benefits	**12,950**	6,120
Post-employee benefits	**552**	393
Total compensation paid to key management personnel	**13,502**	6,513

Further details of directors' and chief executive's emoluments are included in Note 9 to the consolidated financial statements.

43. FAIR VALUE

The carrying amounts of the Group's and the Company's financial instruments approximate to their fair values.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, other interest-bearing loans, bonds 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 and other payables, which arise directly from its operations.

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

Interest rate risk

The Group has no significant interest-bearing assets other than pledged bank deposits (Note 24) and cash and cash equivalents (Note 26).

The Group's interest rate risk arises from its bank loans and other borrowings, details of which are set out in Note 27. Borrowings at variable rates expose the Group to the risk of changes in market interest rates.

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

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

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, 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 RMB'000	Increase/ (decrease) in profit before tax RMB'000
2012		
USD	**50**	**256**
USD	**(50)**	**(256)**

The Group had no floating rate borrowings as at 31 December 2011.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise pledged bank deposit, cash in transit, cash and cash equivalents, trade and bills receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty.

At the end of the reporting period, the Group had certain concentrations of credit risk of the Group's bills receivables, which were due from the Group's 11 customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 22 to the financial statements.

Liquidity risk

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

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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Group

As at 31 December 2012

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	328,618	1,107,684	4,550,278	904,319	–	6,890,899
Bonds	–	–	–	468,838	–	468,838
Trade and bills payables	107,834	4,090,432	216,332	–	–	4,414,598
Financial liabilities in other payables and accruals	174,789	–	–	–	–	174,789
Amounts due to related parties	1,353	–	–	–	–	1,353
	612,594	5,198,116	4,766,610	1,373,157	–	11,950,477

As at 31 December 2011

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	–	696,176	1,739,467	31,634	–	2,467,277
Trade and bills payables	3,694	1,144,818	26,402	–	–	1,174,914
Financial liabilities in other payables and accruals	100,688	–	–	–	–	100,688
Amounts due to related parties	626,680	–	–	–	–	626,680
	731,062	1,840,994	1,765,869	31,634	–	4,369,559

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

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Company

As at 31 December 2012

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Banks loans	228,743	16,622	490,153	759,360	–	1,494,878
Bonds	–	–	–	468,838	–	468,838
Financial liabilities in other payables and accruals	3,871	–	–	–	–	3,871
Amount due to a subsidiary	7,824	–	–	–	–	7,824
	240,438	16,622	490,153	1,228,198	–	1,975,411

As at 31 December 2011

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Other payables and accruals	23,787	–	–	–	–	23,787
Amount due to a subsidiary	7,822	–	–	–	–	7,822
	31,609	–	–	–	–	31,609

Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB. The Group's assets and liabilities denominated in US$ and HK$ were mainly held by certain subsidiaries incorporated outside Mainland China who had US$ or HK$ as their functional currencies. The Group did not have material foreign currency transactions in Mainland China during the year. The Group has minimal exposure of foreign currency risk.

Capital management

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

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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, trade, bills and other payables, accruals, amounts due to related parties and bonds less cash and cash equivalents. The gearing ratios as at the end of the reporting periods are as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Bank loans and other borrowings	**6,537,599**	2,370,821
Trade and bills payables	**4,414,598**	1,174,914
Other payables and accruals	**878,275**	346,494
Amounts due to related parties	**1,353**	626,680
Bonds	**365,566**	–
Less: Cash and cash equivalents	**(2,668,169)**	(2,884,038)
Net debt	**9,529,222**	1,634,871
Equity attributable to owners of the parent	**3,879,835**	3,017,753
Gearing ratio	**71.1%**	35.1%

45. INVESTMENTS IN SUBSIDIARIES

Company

	31 December 2012 RMB'000	31 December 2011 RMB'000
Unlisted shares, at cost	**1,266,818**	–

The amounts due from subsidiaries and amount due to a subsidiary included in the Company's current assets and current liabilities of RMB2,557,940,000 (2011: RMB14,187,000) and RMB7,824,000 (2011: RMB7,822,000), respectively, are unsecured and interest-free, and have no fixed repayment terms. The carrying amounts of these amounts due from subsidiaries and amount due to a subsidiary approximate to their fair values.

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45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

As at 31 December 2012, the Company had direct or indirect interests in the following subsidiaries:

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
Xiangsong Auto Company Limited	Tortola, British Virgin Islands, 2011	Registered capital of Nil	100%	–	Investment holding
開隆投資管理有限公司 (Kailong Investments Management Limited)	Hong Kong, the PRC 2010	Authorised capital of HK$10,000, issued capital of HK$1, paid-in capital of Nil	–	100%	Investment holding
上海寶信汽車銷售服務有限公司 (Shanghai Baoxin Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2004	Registered and paid-in capital of RMB214,650,000	–	100%	Sale and service of motor vehicles
上海開隆汽車貿易有限公司 (Shanghai Kailong Automobile Trading Co., Ltd.)	Shanghai, the PRC 1999	Registered and paid-in capital of RMB87,000,000	–	100%	Sale and service of motor vehicles
上海開隆汽車貿易虹橋有限公司 (Shanghai Kailong Automobile Trading Hongqiao Co., Ltd.)	Shanghai, the PRC 2004	Registered and paid-in capital of RMB6,000,000	–	100%	Sale of spare parts and accessories
上海太平洋虹橋汽車貿易有限公司 (Shanghai Pacific Hongqiao Automobile Trading Co., Ltd.)	Shanghai, the PRC 2003	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
上海開隆汽車服務有限公司 (Shanghai Kailong Automobile Services Co., Ltd.)	Shanghai, the PRC 2000	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
上海開隆豐田汽車銷售服務有限公司 (Shanghai Kailong Toyota Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2002	Registered and paid-in capital of RMB80,000,000	–	85%	Sale and service of motor vehicles
上海開隆汽車裝潢服務有限公司 (Shanghai Kailong Automobile Decoration Services Co., Ltd.)	Shanghai, the PRC 2003	Registered and paid-in capital of RMB500,000	–	100%	Sale of spare parts and accessories
上海徐匯寶信汽車服務有限公司 (Shanghai Xuhui Baoxin Automobile Services Co., Ltd.)	Shanghai, the PRC 2008	Registered and paid-in capital of RMB10,000,000	–	100%	Sale of spare parts and accessories
蘇州寶信汽車銷售服務有限公司 (Suzhou Baoxin Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2004	Registered and paid-in capital of RMB500,000,000	–	100%	Sale and service of motor vehicles
青島信寶行汽車銷售服務有限公司 (Qingdao Xinbaohang Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2008	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
天津寶信汽車銷售服務有限公司 (Tianjin Baoxin Automobile Sales & Services Co., Ltd.)	Tianjin, the PRC 2008	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles

45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
寧波寶信汽車銷售服務有限公司 (Ningbo Baoxin Automobile Sales & Services Co., Ltd.)	Ningbo, the PRC 2008	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
寧海寶信汽車銷售服務有限公司 (Ninghai Baoxin Automobile Sales & Services Co., Ltd.)	Ninghai, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
泰州信寶行汽車銷售服務有限公司 (Taizhou Xinbaohang Automobile Sales & Services Co., Ltd.)	Taizhou, the PRC 2010	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
北京信寶行置業有限公司 (Beijing Xinbaohang Real Estate Co., Ltd.)	Beijing, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	51%	Dormant
上海天華汽車銷售有限公司 (Shanghai Tianhua Automobile Sales Co., Ltd.)	Shanghai, the PRC 2002	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
杭州寶信汽車銷售服務有限公司 (Hangzhou Baoxin Automobile Sales & Services Co., Ltd.)	Hangzhou, the PRC 2008	Registered and paid-in capital of RMB10,000,000	–	90%	Sale and service of motor vehicles
常熟寶信汽車銷售服務有限公司 (Changshu Baoxin Automobile Sales & Services Co., Ltd.)	Changshu, the PRC 2006	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
上海太平洋金沙汽車銷售服務有限公司 (Shanghai Pacific Jinsha Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2002	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
上海太平洋申隆汽車銷售服務有限公司 (Shanghai Pacific Shenlong Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2005	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
上海徐匯開隆汽車銷售服務有限公司 (Shanghai Xuhui Kailong Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2006	Registered and paid-in capital of RMB12,000,000	–	85%	Sale and service of motor vehicles
上海信隆汽車銷售服務有限公司 (Shanghai Xinlong Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2002	Registered and paid-in capital of RMB10,000,000	–	85%	Sale and service of motor vehicles
上海亞歐汽車銷售服務有限公司 (Shanghai Ya'ou Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2004	Registered and paid-in capital of RMB10,000,000	–	85%	Sale and service of motor vehicles
上海中創汽車銷售有限公司 (Shanghai Zhongchuang Automobile Sales Co., Ltd.)	Shanghai, the PRC 2003	Registered and paid-in capital of RMB10,000,000	–	85%	Sale and service of motor vehicles

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45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
揚州信寶行汽車銷售服務有限公司 (Yangzhou Xinbaohang Automobile Sales & Services Co., Ltd.)	Yangzhou, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	70%	Sale and service of motor vehicles
揚州名凱汽車銷售服務有限公司 (Yangzhou Mingkai Automobile Sales & Services Co., Ltd.)	Yangzhou, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
上海閔行開隆汽車裝潢服務有限公司 (Shanghai Minhang Kailong Automobile Decoration Services Co., Ltd.)	Shanghai, the PRC 2010	Registered and paid-in capital of RMB500,000	–	85%	Sale of spare parts and accessories
上海徐匯開隆二手機動車經營有限公司 (Shanghai Xuhui Kailong Second-hand Motor Vehicle Trading Co., Ltd.)	Shanghai, the PRC 2010	Registered and paid-in capital of RMB100,000	–	100%	Dormant
江蘇滬隆投資實業有限公司 (Jiangsu Hulong Investment Co., Ltd.)	Yangzhou, the PRC 2010	Registered and paid-in capital of RMB20,000,000	–	100%	Property development
杭州寶信置業有限公司 (Hangzhou Baoxin Real Estate Co., Ltd.)	Hangzhou, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	90%	Property development
蘇州信寶行汽車銷售服務有限公司 (Suzhou Xinbaohang Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2010	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
富陽寶信汽車銷售服務有限公司 (Fuyang Baoxin Automobile Sales & Services Co., Ltd.)	Fuyang, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	90%	Sale and service of motor vehicles
青島寶隆汽車銷售服務有限公司 (Qingdao Baolong Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2011	Registered and paid-in capital of RMB5,000,000	–	100%	Sale of motor vehicles
上海真北寶信汽車銷售服務有限公司 (Shanghai Zhenbei Baoxin Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	100%	Dormant
丹東信寶行汽車銷售服務有限公司 (Dandong Xinbaohang Automobile Sales & Services Co., Ltd.)	Dandong, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	100%	Sales and service of motor vehicles
嘉興天華汽車銷售服務有限公司 (Jiaxing Tianhua Automobile Sales & Services Co., Ltd.)	Jiaxing, the PRC 2011	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
無錫天華汽車銷售服務有限公司 (Wuxi Tianhua Automobile Sales & Services Co., Ltd.)	Wuxi, the PRC 2011	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles

45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
寧波天華汽車銷售服務有限公司 (Ningbo Tianhua Automobile Sales & Services Co., Ltd.)	Ningbo, the PRC 2011	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
上海閔行開隆汽車銷售有限公司 (Shanghai Minhang Kailong Automobile Sales Co., Ltd.)	Shanghai, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
寧波寶鼎行汽車銷售服務有限公司 (Ningbo Baodinghang Automobile Sales & Services Co., Ltd.)	Ningbo, the PRC 2011	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
上海五角場開隆汽車貿易有限公司 (Shanghai Wujiaochang Kailong Automobile Trading Co., Ltd.)	Shanghai, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	70%	Dormant
瀋陽寶信行汽車有限公司 (Shenyang Baoxinhang Automobile Co., Ltd.)	Shenyang, the PRC 2011	Registered and paid-in capital of RMB3,000,000	–	100%	Dormant
天津衛寶行汽車銷售服務有限公司 (Tianjin Weibaohang Automobile Sales & Services Co., Ltd.)	Tianjin, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
淄博寶信汽車銷售服務有限公司 (Zibo Baoxin Automobile Sales & Services Co., Ltd.)	Zibo, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	75%	Sale and service of motor vehicles
揚州寶隆汽車銷售服務有限公司 (Yangzhou Baolong Automobile Co., Ltd.)	Yangzhou, the PRC 2011	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
天津申隆汽車銷售服務有限公司 (Tianjin Shenlong Automobile Sales & Services Co., Ltd.)	Tianjin, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	90%	Sale and service of motor vehicles
東莞寶信汽車銷售服務有限公司 (Dongguan Baoxin Auto Sales & Services Co., Ltd)	Dongguan, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
煙台寶信汽車銷售服務有限公司 (Yantai Baoxin Auto Sales & Services Co., Ltd.)	Yantai, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Dormant
上海普陀寶信汽車銷售服務有限公司 (Shanghai Putuo Baoxin Auto Sales and Services Co., Ltd.)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB3,000,000	–	100%	Dormant
瑞安市寶隆汽車銷售服務有限公司 (Rui'an Baolong Auto Sales and Services Co., Ltd)	Rui'an, the PRC 2012	Registered and paid-in capital of RMB43,800,000	–	90%	Sale and service of motor vehicles
上海寶信行汽車銷售服務有限公司 (Shanghai Baoxinhang Auto Sales and Services Co., Ltd.)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Dormant

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45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
常熟寶鼎汽車服務有限公司 (Changshu Baoding Automobile Services Co., Ltd.)	Changshu, the PRC 2012	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
無錫信寶行汽車銷售服務有限公司 (Wuxi Xinbaohang Auto Sales and Services Co., Ltd.)	Wuxi, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	90%	Dormant
上海晨隆汽車銷售有限公司 (Shanghai Chenlong Auto Sales Co., Ltd.)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
上海寶信同嘉汽車銷售有限公司 (Shanghai Baoxin Tongjia Auto Sales Co., Ltd)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
上海寶信實嘉汽車銷售有限公司 (Shanghai Baoxin Shijia Auto Sales Co., Ltd)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB300,000,000	–	100%	Sale and service of motor vehicles
揚州天華汽車銷售服務有限公司 (Yangzhou Tianhua Auto Sales and Services Co., Ltd.)	Yangzhou, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
陝西天華汽車銷售服務有限公司 (Shaanxi Tianhua Auto Sales and Services Co., Ltd.)	Shaanxi, the PRC 2012	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
深圳申隆汽車銷售服務有限公司 (Shenzhen Shenglong Auto Sales and Services Co., Ltd.)	Shenzhen, the PRC 2012	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
江陰天華汽車銷售有限公司 (Jiangyin Tianhua Auto Sales Co., Ltd.)	Jiangyin, the PRC 2012	Registered and paid-in capital of RMB5,000,000	–	70%	Sale of motor vehicles
寧波博駿汽車銷售服務有限公司 (Ningbo Bojun Auto Sales and Services Co., Ltd.)	Ningbo, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
寧波博駿甬城汽車銷售服務有限公司 (Ningbo Bojun Yongcheng Auto Sales and Services Co., Ltd.)	Ningbo, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Dormant
上海開隆金滬汽車技術服務有限公司 (Shanghai Kailong Jinhu Auto Technology Services Co., Ltd.)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB2,000,000	–	100%	Rendering of car repair and maintenance services
青島恒駿廣告有限公司 (Qingdao Hengjun Advertising Co., Ltd.)	Qingdao, the PRC 2012	Registered and paid-in capital of RMB1,000,000	–	100%	Advertising services
蘇州榮嘉廣告有限公司 (Suzhou Rongjia Advertising Co., Ltd.)	Suzhou, the PRC 2012	Registered and paid-in capital of RMB1,000,000	–	100%	Advertising services
上海信頤廣告有限公司 (Shanghai Xinyi Advertising Co., Ltd)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB1,000,000	–	100%	Advertising services

45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
上海鵬捷投資管理有限公司 (Shanghai Pengjie Investing Management Co., Ltd.)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB1,000,000	–	100%	Investment holding
蘇州寶鼎行汽車銷售服務有限公司 (Suzhou Baodinghang Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2012	Registered and paid-in capital of RMB5,000,000	–	100%	Dormant
NCGA Holdings Limited	Hong Kong, the PRC 2006	Registered and paid-in capital of US$93,181,961	–	100%	Investment holding
燕駿汽車有限公司 (Yan Jun Auto Co., Limited)	Hong Kong, the PRC 1993	Registered and paid-in capital of HK$59,900,000	–	100%	Investment holding
燕駿（中國）投資有限公司 (YanJun (China) Investment Co., Ltd.)	Beijing, the PRC 2011	Registered capital of US$30,000,000, paid-in capital of US$7,500,000	–	100%	Investment holding and consulting service
Mclarty Consulting Hong Kong Limited	Hong Kong, the PRC 2010	Registered and paid-in capital of HK$100	–	100%	Consulting services
北京燕寶汽車服務有限公司 (Beijing Yanbao Auto Service Co., Ltd.)	Beijing, the PRC 1995	Registered and paid-in capital of RMB89,350,000	–	100%	Rendering of car repair and maintenance services
北京東寶金龍經貿發展有限公司 (Beijing Dong Bao Jin Long Economy & Trade Development Co., Ltd.)	Beijing, the PRC 2002	Registered and paid-in capital of RMB80,600,000	–	100%	Sale of motor vehicles
陝西金花汽車貿易有限責任公司 (Shanxi Gin Wa Auto Trade Co., Ltd.)	Xi'an, the PRC 2001	Registered and paid-in capital of RMB52,000,000	–	100%	Sale of motor vehicles
大連燕寶汽車有限公司 (Dalian Yanbao Auto Co., Ltd.)	Dalian, the PRC 1995	Registered and paid-in capital of US$7,920,000	–	100%	Rendering of motor vehicles maintenance services
北京燕德寶汽車銷售有限公司 (Beijing Yan De Bao Auto Sales Co., Ltd.)	Beijing, the PRC 2002	Registered and paid-in capital of RMB44,250,000	–	100%	Sale of motor vehicles
北京燕豪汽車銷售服務有限公司 (Beijing YanHao Auto Sales & Service Co., Ltd.)	Beijing, the PRC 2010	Registered capital of RMB44,130,000, paid-in capital of RMB43,922,120	–	100%	Sale of motor vehicles
北京燕英捷汽車銷售服務有限公司 (Beijing YanYingJie Auto Sales & Service Co., Ltd.)	Beijing, the PRC 2010	Registered and paid-in capital of US$5,000,000	–	100%	Sale of motor vehicles
天津燕英捷汽車銷售服務有限公司 (Tianjin YanYingJie Auto Sales & Service Co., Ltd.)	Tianjin, the PRC 2010	Registered and paid-in capital of US$5,000,000	–	100%	Sale of motor vehicles

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45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
天津燕鵬捷汽車銷售服務有限公司 (Tianjin YanPengJie Auto Sales & Service Co., Ltd.)	Tianjin, the PRC 2011	Registered and paid-in capital of RMB500,000	–	100%	Rendering of motor vehicles repair and maintenance services
大連燕德寶汽車銷售有限公司 (Dalian Yan De Bao Auto Sales Co., Ltd.)	Dalian, the PRC 2002	Registered and paid-in capital of RMB36,000,000	–	100%	Sale of motor vehicles
烏魯木齊燕寶汽車銷售服務有限公司 (Urumqi Yanbao Auto Sales & Service Co., Ltd.)	Urumqi, the PRC 2005	Registered and paid-in capital of RMB35,600,000	–	100%	Rendering of motor vehicles repair and maintenance services
西安金花寶馬汽車服務有限公司 (Xi'an Gin Wi BMW Auto Service Co., Ltd.)	Xi'an, the PRC 2001	Registered and paid-in capital of RMB26,000,000	–	100%	Rendering of motor vehicles repair and maintenance services
北京燕盛豪汽車銷售服務有限公司 (Beijing Yanshenghao Auto Sales & Service Co., Ltd.)	Beijing, the PRC 2011	Registered and paid-in capital of RMB25,000,000	–	100%	Rendering of motor vehicles repair and maintenance services
北京晨德寶汽車銷售有限公司 (Beijing Chen De Bao Auto Sales Co., Ltd.)	Beijing, the PRC 2003	Registered and paid-in capital of RMB60,912,900	–	100%	Sale of motor vehicles
營口燕德寶汽車銷售服務有限公司 (Yingkou Yan De Bao Auto Sales & Service Co., Ltd.)	Yingkou, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	100%	Sale of motor vehicles
北京燕寶汽車租賃有限公司 (Beijing Yanbao Auto Leasing Co., Ltd.)	Beijing, the PRC 1995	Registered and paid-in capital of US$1,000,000	–	100%	Leasing of motor vehicles
營口燕寶汽車有限公司 (Yingkou Yanbao Auto Co., Ltd.)	Yingkou, the PRC 2008	Registered and paid-in capital of RMB3,000,000	–	100%	Rendering of motor vehicles repair and maintenance services
大連晨德寶汽車銷售有限公司 (Dalian Chen De Bao Auto Sales Co., Ltd.)	Dalian, the PRC 2006	Registered and paid-in capital of RMB2,000,000	–	100%	Sale of motor vehicles
唐山燕時達汽車銷售服務有限公司 (Tangshan Yanshida Auto Sales & Service Co., Ltd.)	Tangshan, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	100%	Sale of motor vehicles
克拉瑪依燕寶汽車銷售服務有限公司 (Karamai Yanbao Auto Sales & Service Co., Ltd.)	Karamai, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	100%	Sale of motor vehicles
廊坊燕寶汽車銷售服務有限公司 (Langfang Yanbao Auto Sales & Service Co., Ltd.)	Langfang, the PRC 2011	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles

45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
北京燕英捷燕順捷汽車銷售服務有限公司 (Beijing YanYingJie & YanShunJie Auto Sales & Service Co., Ltd.)	Beijing, the PRC 1998	Registered and paid-in capital of RMB4,000,000	–	100%	Sale and service of motor vehicles
唐山銀華汽車銷售服務有限公司 (Tangshan Yinhua Auto Sales & Service Co., Ltd.)	Tangshan, the PRC 2010	Registered and paid-in capital of RMB11,000,000	–	100%	Dormant
克拉瑪依鑫德寶經貿發展有限公司 (Karamai Xindebao Economy & Trade Development Co., Ltd.)	Karamai, the PRC 2011	Registered and paid-in capital of RMB1,000,000	–	100%	Dormant
天津燕順捷投資有限公司 (Tianjin YanShunJie Investment Co., Ltd.)	Tianjin, the PRC 2011	Registered and paid-in capital of RMB32,000,000	–	100%	Dormant
北京燕鵬捷汽車銷售服務有限公司 (Beijing YanPengJie Auto Sales & Service Co., Ltd.)	Beijing, the PRC 2011	Registered and paid-in capital of RMB6,000,000	–	100%	Dormant
寶雞燕德寶汽車銷售服務有限公司 (Baoji Yan De Bao Auto Sales & Service Co., Ltd.)	Baoji, the PRC 2012	Registered and paid-in capital of RMB20,000,000	–	100%	Dormant
烏魯木齊中油航榮德寶貿易有限公司 (Urumqi Zhong You Hang Rong De Bao Trade Co., Ltd.)	Urumqi, the PRC 2011	Registered capital of RMB30,000,000, paid-in capital of RMB6,000,000	–	100%	Dormant
烏魯木齊中油航鑫德寶貿易發展有限公司 (Urumqi Zhong You Hang Xin De Bao Trade Development Co., Ltd.)	Urumqi, the PRC 2011	Registered capital of RMB30,000,000, paid-in capital of RMB6,000,000	–	100%	Dormant
北京尊馭廣告有限公司 (Beijing ZunYu Advertise Co., Ltd.)	Beijing, the PRC 2011	Registered and paid-in capital of RMB100,000	–	100%	Advertising services
金花企業集團（香港）有限公司 (Gin Wi Enterprises Group (HK) Limited)	Hong Kong, the PRC 1999	Registered and paid-in capital of HK$10,000	–	100%	Investment holding

As mentioned in Notes 2.1, the results of Shanghai Kailong up to the business acquisition date, i.e., 30 June 2011, have been included in the Group's financial statements since it was 100% owned by the Controlling Shareholder.

46. EVENTS AFTER THE REPORTING PERIOD

There is no significant subsequent event undertaken by the Company or by the Group after 31 December 2012.

47. APPROVAL OF THESE FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the board of directors on 27 March 2013.

Five-Year Financial Summary

	Year ended December 31,				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**18,092,903**	12,010,929	7,716,564	5,164,730	3,701,261
Cost of sales and services provided	**(16,510,006)**	(10,721,181)	(7,028,566)	(4,726,644)	(3,445,172)
Gross profit	**1,582,897**	1,289,748	687,998	438,086	256,089
Other income and gains, net	**379,389**	93,756	37,482	26,965	12,903
Selling and distribution expenses	**(461,187)**	(256,629)	(177,100)	(133,756)	(97,892)
Administrative expenses	**(260,614)**	(166,977)	(90,985)	(68,596)	(53,469)
Profit from operations	**1,240,485**	959,898	457,395	262,699	117,631
Finance costs	**(336,906)**	(128,397)	(48,378)	(26,033)	(39,671)
Share of profit/(loss) of a jointly-controlled entity	**14,443**	5,372	2,907	(33)	—
Profit before tax	**918,022**	836,873	411,924	236,633	77,960
Tax	**(190,942)**	(221,041)	(104,266)	(60,788)	(20,504)
Profit for the year	**727,080**	615,832	307,658	175,845	57,456
Attributable to:					
Owners of the parent	**715,893**	601,905	303,940	174,756	57,673
Non-controlling interests	**11,187**	13,927	3,718	1,089	(217)
	727,080	615,832	307,658	175,845	57,456
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**16,575,984**	7,780,400	3,257,695	1,830,477	1,172,813
TOTAL LIABILITIES	**(12,635,139)**	(4,726,575)	(1,719,457)	(1,264,523)	(726,256)
NON-CONTROLLING INTEREST	**(61,010)**	(36,072)	(72,665)	(3,720)	(2,631)
	3,879,835	3,017,753	1,465,573	562,234	443,926

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