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

年報
ANNUAL REPORT
2013

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. LU Linkui

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

AUTHORISED 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

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Minhang District, Shanghai, PRC.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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REGISTERED OFFICE

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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

Anglo Chinese Corporate Finance, Limited
40th Floor, Two Exchange Square,
8 Connaught Place,
Central, Hong Kong.

LEGAL ADVISERS TO HONG KONG LAW

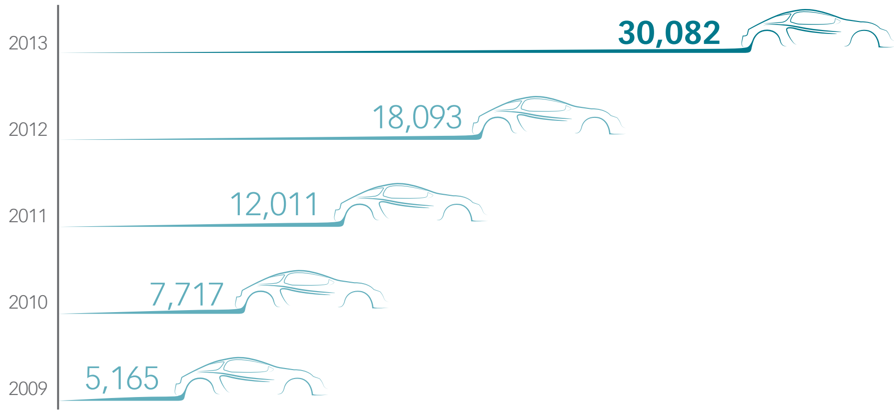
Cleary Gottlieb Steen & Hamilton (Hong Kong)
Hysan Place, 37th Floor,
500 Hennessy Road,
Causeway Bay, Hong Kong.

AUDITORS

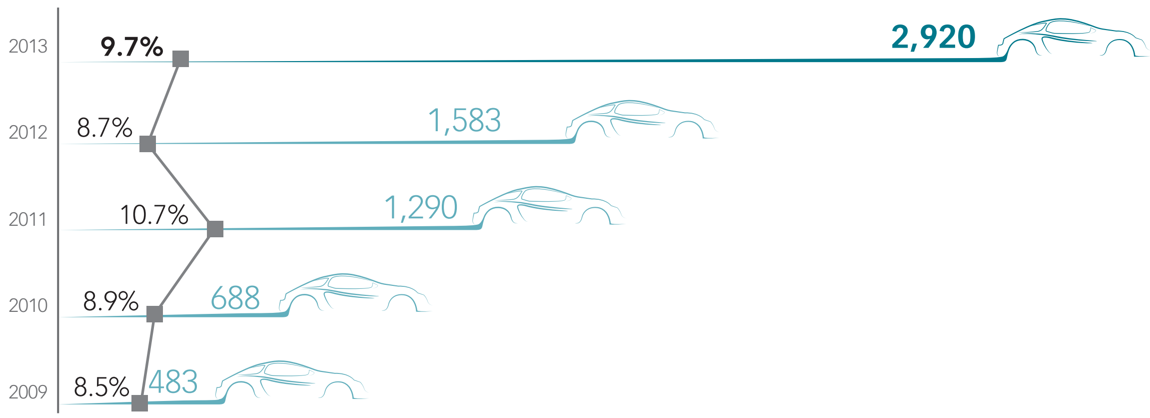
Ernst & Young
Certified Public Accountants
22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong.

FINANCIAL HIGHLIGHTS

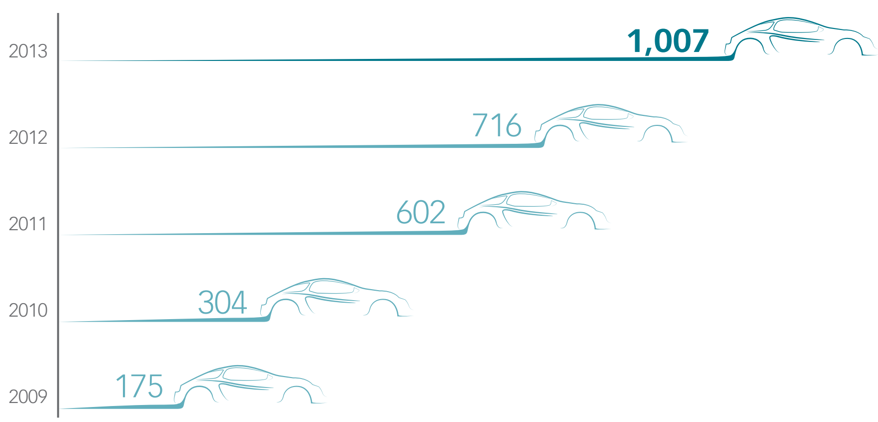
REVENUE
(RMB million)



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 its subsidiaries (the "Group", "our Group", "we" or "us"), I am pleased to present the annual results report of the Group for the year of 2013.

2013 was, again, a landmark year of the Group for company development and growth. We have further solidified our leading position in the luxury & ultra-luxury dealership market in China, significantly grew after-sales services, made key development in building extended services such as used-car business, auto financing and auto insurance. During the year ended December 31, 2013 ("Relevant Period"), the Group recorded a revenue of RMB30,081.7 million, representing an increase of 66.3% as compared with that of RMB18,092.9 million in 2012, and a profit attributable to owners of the parent amounted to RMB1,006.8 million, representing an increase of 41.9% as compared with that of RMB709.7 million in 2012.

CHAIRMAN'S STATEMENT

During the Relevant Period, we have further deepened our relationship with the key luxury brands we operate, especially with BMW, Jaguar & Land Rover and Ferrari/Maserati, through network expansion, sales growth as well as cooperation in the brand marketing, customer service and extended services. We entered into a strategic cooperation intention agreement with Volvo and formed strong partnership with the manufacturer. We also received first authorization from Infiniti. As at December 31, 2013, our sales network, with both established and under construction, reached 91 stores, including 75 luxury and ultra-luxury brand dealership stores. During the Relevant Period, total sales volume of the Group increased by 61.5% to 69,852 units from the previous year, and revenue from the new car sales increased by 63.0% to RMB27,378.2 million.

As the luxury and ultra-luxury automobile markets continue to experience a high rate of growth and an increase in penetration rate, demand for high-quality after-sales has also been rising. Our Group has always put great emphasis on the after-sales business and has trained and nurtured a large team of highly experienced and skillful technicians. During the Relevant Period, the Group further improved same-store profitability as well as operational efficiency of after-sales services by conducting more tailor marketing events, implementing effective management systems, improving service quality, broadening the scope of services and expanding after-sales capacity for mature stores that were facing a capacity bottleneck. Revenue of after-sales of the Group reached RMB2,703.5 million, representing a growth rate of 108.7% from the previous year, driven by strong organic growth as well as acquisition and integration of NCGA. Comparing with new car sales, after-sales business is less cyclical and more resistant to the change of macro economy. The after-sales business also has a higher and more stable gross profit margin, and requires less funding support. As revenue and gross profit contribution from after-sales business continue to rise in the Group's total revenue and gross profit, we expect the Group's total gross profit margin continues to expand and becomes more stable and predicable.

As the automobile market in China further develops and becomes more mature, automobile ownership continues to increase, and more young people and middle-income class customers purchase automobiles, we foresee great market potential in pre-owned car market, auto financing and auto insurance business. During the Relevant Period, the Group made key strategic movements and laid out foundation for future expansion in the extended service businesses. In September 2013, the Group established an insurance agency company and set up insurance agency branch offices in the regions covered by dealership network across China. In addition, the Group formed strategic partnership with three leading Chinese insurance companies, effectively increased automobile repair service demand. The Group obtained approval from the Ministry of Commerce of the PRC and established finance lease company, which will be used as a platform for the rapid development of the automobile financing services business. For the year ended December 31, 2013, commission income of the Group, which mainly consisted of commissions from automobile insurance, automobile financing and pre-owned automobile business, reached RMB231.5 million, representing an increase of 141.4% from the year ended December 31, 2012.

Another great achievement for the Group in 2013 was the successful integration of NCGA business. We have fully integrated NCGA in all respects of business and operation, effectively reduced the operating, administration and financial expenses, maintained stable growth, and made the business profitable.

CHAIRMAN'S STATEMENT

During the Relevant Period, the Group has continued with the effort to enhance management and operational quality, especially in the aspects of customer service management, capital management, IT system, inventory management, and HR management.

Looking into the future, we are confident that China's automobile market will develop into a more sophisticated market. There will be challenges, but there are also tremendous opportunities and growth potential in this market. We will remain focused on the automobile business, continue to refine management and operational capability, improve customer service, and adapt to and grow along with the Chinese automobile market.

Last but not least, I would like to express my sincere appreciation to the outstanding efforts of our employees who have contributed to our Group's prosperity. On behalf of the Board of Directors, I would also like to thank the management team for their dedication and hard work, who have contributed and will continue to contribute to the Group's success in the years to come.

Yours sincerely,
Yang Aihua
Chairman

Hong Kong, March 31, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the year under review, China's automobile market experienced solid growth, driven by a steady macro-economic expansion, the accelerating urbanization and continued growth of disposable personal income in China. According to the statistics and analysis from the China Association of Automobile Manufacturers (CAAM), the automobile production and sales volumes in 2013 were 22.1 million units and 22.0 million units respectively, representing a year-on-year growth of 14.8% and 13.9%, which were higher than the market estimates at the beginning of the year. The production and sales volumes in 2013 were at an all-time high. According to the statistics of the CAAM, the sales volume of passenger vehicles in 2013 was nearly 18 million units, a record high representing a year-on-year growth of 15.7%. Within this category, the sales volume of basic passenger vehicles (sedans) reached 12.0 million units, which represented a year-on-year growth of 11.8%.

MANAGEMENT DISCUSSION AND ANALYSIS

As the central government advocated frugality and cracked down on corruption since the beginning of 2013, the luxury automobile market was cooled down in the first quarter. However, as the luxury automobile manufacturers developed and introduced additional new entry-level models to adapt to the Chinese consumer market and the strong demand for automobile replacement and upgrade, the luxury automobile market maintained a steady growth in 2013. The sales of which was about 1.456 million units, representing an annual growth rate of 22%[1], which exceeded market expectation at the beginning of the year. In 2013, BMW reached its highest sales record in the Chinese mainland market, with a total of 391,000 units of BMW and MINI delivered to customers, which represented a year-on-year increase of 19.7%, thereby making China the largest market of the BMW Group in the world. Sales of Audi also reached record-high in the Chinese market, with sales volume in the mainland and Hong Kong reaching 492,000 units, representing an increase of 21.2% year on year, thereby further strengthening its leading position. Furthermore, as a result of the introduction of new models and the significant improvement of brand awareness among consumers, Jaguar & Land Rover continued to gain market share in the luxury automobile market, with sales volume of 95,000 units in the Chinese market, representing a year-on-year growth of 30%. Volvo is another luxury brand that is quickly expanding its footprint and gaining market share in China, with annual sales volume increasing by 45.6% to 61,000 units. It ranked 6th by total sales volume in the luxury automobile market.

Over the past decade, the automobile ownership in China's large and medium cities has grown rapidly. According to data of the Traffic Management Bureau of the Ministry of Public Security, as of the end of 2013, the automobile ownership in China has reached 137 million units, or 5.7 times the total units in 2003. By 2013, the automobile ownership in each of 31 cities in China has exceeded one million, and the automobile ownership in each of eight cities such as Beijing, Tianjin and Chengdu exceeded two million units. Nevertheless, the automobile ownership per thousand people in China was 89 units, which is still relatively low compared with the world average of 146 units per one thousand people.

Regarding luxury automobile market, the major customers group of luxury automobiles has shifted from ultra-high net worth class in the past to middle and upper classes. With purchase restrictions policy implemented in more major cities, more and more consumers prefer luxury brand automobile with better quality. On the other hand, in light of the increasing localization rate, luxury automobile manufacturers will introduce more local entry and mid-level luxury automobiles into the Chinese market and the competition is extended to the mid-end market.

Furthermore, as the luxury automobile market's penetration rate continued to rise, there has been an increasing demand for high quality after-sales service. Compared with the mid-to-lower-end brands, luxury automobile customers have higher demands over service quality and lower price sensitivity. Luxury brand stores also have a higher after-sales customer retention rate than the mid-to-lower end brands. Therefore, the automobile dealerships who mainly operate luxury automobile brands usually have more stable profits from after-sales service and enjoy higher margins.

1 Luxury brand automobiles market includes Audi, BMW & Mini, Mercedes-Benz, Jaguar & Land Rover, Lexus, Volvo, Cadillac, Porsche, Infiniti, Ferrari/Maserati, Lamborghini, Bentley and Rolls-Royce.

MANAGEMENT DISCUSSION AND ANALYSIS

As China's automobile industry continues to develop and mature as a whole, the automobile ownership and the demand for replacement keep rising, and the pre-owned automobile market also shows the trend of rapid development. According to the statistics of China Automobile Dealers Association, China's pre-owned automobile trading volume reached 5.2 million units in 2013, only as 23.7% of total new automobiles sold in 2013. In addition, there were only 3.1 million units of sedans among the traded pre-owned automobiles, up 12.4% year on year, accounting for only 58.0% of the total trading volume of pre-owned automobiles. Compared with Europe, U.S. and other mature markets, China's pre-owned automobile market is still at its early stage and has tremendous development potential.

BUSINESS OVERVIEW

Continued strengthening of strategic cooperation with luxury and ultra-luxury brands and consolidation of our leading position in the dealership market

As a leading luxury 4S dealership group in China, we continued to refine our industry positioning and further strengthened our strategic cooperation with a number of world-leading luxury and ultra-luxury automobile manufacturers in 2013. For the year ended December 31, 2013, the Group recorded a sales volume of 37,785 units of BMW & MINI automobiles, accounting for 9.7% of BMW Group's total sales volume in China. The Group's total sales volume of Jaguar & Land Rover automobiles reached 12,164 units in 2013, accounting for 12.8% of Jaguar & Land Rover's sales volume in China. In addition to increased automobile sales, we have also developed a strong partnership with and gained great support from BMW, Jaguar & Land Rover and other luxury brands in the areas of network development, after-sales business, pre-owned automobile business, auto financing and staff training. Furthermore, a number of BMW, Jaguar & Land Rover and luxury brand stores operated by us received various honorary awards in areas such as sales and after-sales result and customer service.

We further strengthened our relationship with Ferrari/Maserati in 2013 and increased our network of Ferrari/ Maserati dealerships from one showroom to five dealerships, including four 3S dealerships with after-sales service and one showroom.

In October 2013, we entered into a strategic cooperation intention agreement with Volvo, pursuant to which we have become one of the strategic partners for Volvo in China. The cooperation agreement provides us with the advantages to form a comprehensive development strategy and plan for Volvo from network development to product sourcing and extended service businesses. As of December 31, 2013, Baoxin has obtained preliminary approval for various 4S stores and after-sales centres in numerous provinces such as Beijing, Tianjin, Shanghai, Jiangsu province and Zhejiang province from Volvo.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2013, Baoxin also received its first authorization from Infiniti to build 4S dealerships in Tianjin, Shanghai and Hebei province. With a strong management team, outstanding marketing strategy and attractive product pipeline, Infiniti experienced 54% growth in sales volume in 2013, becoming one of the fastest growing luxury brands in China.

As of December 31, 2013, we owned dealership authorizations for a total of 19 brands, including ultra-luxury brands such as Ferrari, Maserati, Porsche, Jaguar & Land Rover, luxury brands such as BMW, MINI, Audi, Volvo, Infiniti, Cadillac and GMC as well as mid-to-upper brands such as Volkswagen, Buick, Toyota, Honda, Nissan, Chevrolet and Hyundai.

Optimizing the existing dealership network

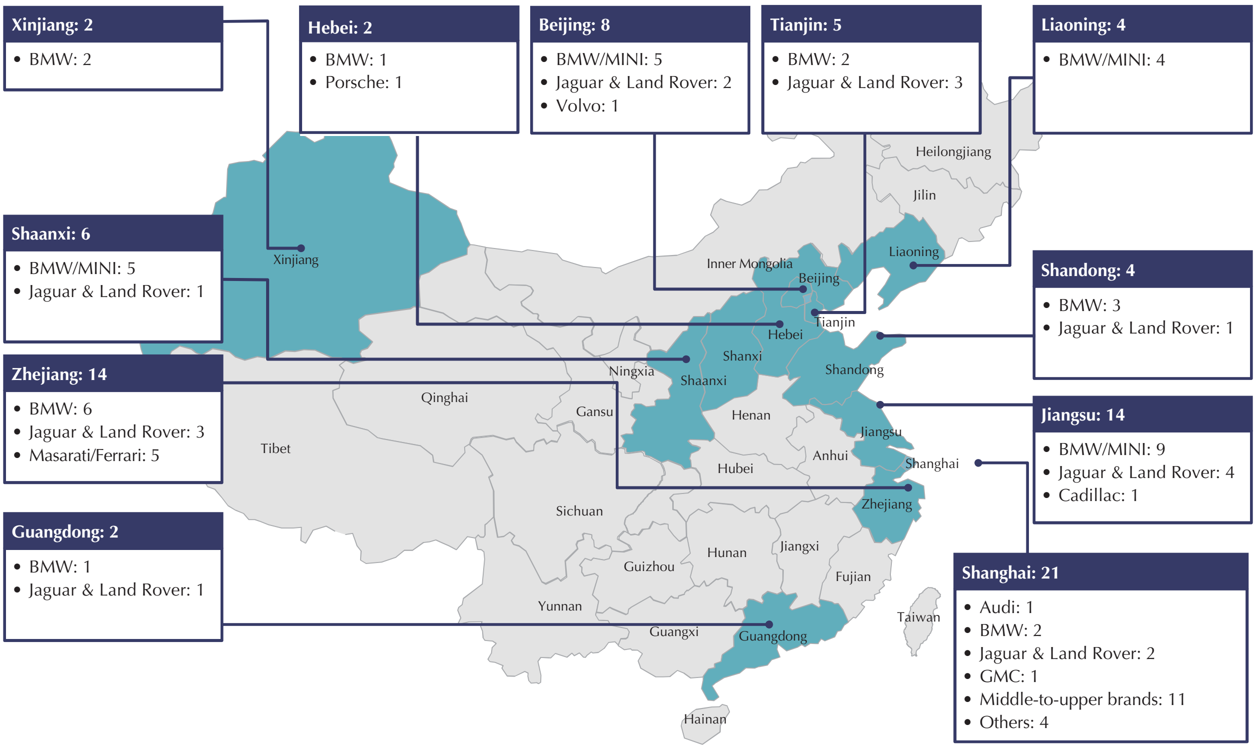
For the year ended December 31, 2013, the Group further developed and optimized the dealership network through opening new stores and upgrading existing dealerships. We built eight new stores during 2013, including two Ferrari/Maserati dual-brands dealerships, two Maserati single-brand stores, two BMW 4S dealerships, one Jaguar & Land Rover 4S stores and one BMW after-sales service center. In addition, we have upgraded one BMW showroom and one Jaguar & Land Rover showroom to 4S dealerships. In addition, as of December 31, 2013, we have 9 luxury and ultra-luxury brand 4S dealership stores under construction, including BMW, Jaguar & Land Rover, Audi, Porsche, Maserati and Infiniti stores. We have also expanded the after-sales capacity for the BMW and Audi 4S dealership stores in Shanghai and Xi'an, which had previously experienced capacity constraint. We have undergone a series of restructuring of NCGA Holdings Limited and its subsidiaries (the "**NCGA Group**") since we acquired the NCGA Group in 2012 (the "**NCGA Acquisition**"). Throughout 2013, there has been significant increase in revenue and profitability from the NCGA Group. Furthermore, to optimize our network quality and profitability, we decided to divest one BMW 4S store located in northeast China due to its poor performance.

As of December 31, 2013, our sales network, both established and under construction, expanded to 91 stores, consisting of 75 luxury and ultra-luxury brand dealership stores and 11 mid-to-upper brand dealership stores, 2 automobile customization centers, 1 certified collision damage assessment center and 2 after-sales service centers. Furthermore, the Group received various authorizations for luxury and ultra-luxury automobiles such as Volvo, Jaguar & Land Rover, Infiniti and Audi in 2013 and will build up these dealerships in the coming 2–3 years.

Location is one of the critical factors to the performance and profitability of automobile dealership. The Group has always maintained a prudent and practical approach in the selection of dealership location. Most of our stores are located in populous and affluent regions in China, such as Beijing, Tianjin, Shanghai, Jiangsu, Zhejiang, Shandong, Liaoning, Hebei and Guangdong. We will also continue to strengthen our network in the central and western regions (such as Shaanxi and Xinjiang Autonomous Region). As of December 31, 2013, the Group's dealership network has covered eight provinces, three municipalities and 28 cities.

MANAGEMENT DISCUSSION AND ANALYSIS

The map below sets forth the geographic distribution of our dealership stores as at December 31, 2013.



MANAGEMENT DISCUSSION AND ANALYSIS

Sales of luxury and ultra-luxury brand automobiles continue to grow rapidly

Benefiting from the stable growth of our luxury and ultra-luxury dealerships and the successful integration of the NCGA Group, we have recorded a significant growth in automobile sales for the year ended December 31, 2013. Our revenue from sales of automobiles for the year ended December 31, 2013 was RMB27,378.2 million, representing a growth of approximately 63.0%. The sales of luxury and ultra-luxury automobiles amounted to RMB25,455.6 million, representing a growth of approximately 68.9%. This contributed to 93.0% of our total automobile revenue for the year, 3.3 percentage points higher than that in 2012.

In terms of sales volume, we sold 69,852 units of automobiles in the year ended December 31, 2013, representing an increase of 26,599 units, or 61.5%, from 43,253 units for the same period ended December 31, 2012. For the year ended December 31, 2013, we sold 55,411 units of luxury and ultra-luxury automobiles, representing an increase of 25,236 units, or 83.6%, from 30,175 units for the same period ended December 31, 2012, and accounted for 79.3% of our total automobile sales volume, 9.5 percentage points higher than in 2012.

	Year ended December 31,			
	2013		2012	
Automobile sales volume	Volume (units)	Contribution (%)	Volume (units)	Contribution (%)
Luxury and ultra-luxury brands	55,411	79.3	30,175	69.8
Mid-to-upper market brands	14,441	20.7	13,078	30.2
Total	69,852	100.0	43,253	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Focusing more on the fast developing after-sales market and extended automobile services

Amid the rapid increase of the penetration rate of luxury and ultra-luxury automobiles, demand for high-quality after-sales services keeps rising accordingly. In 2013, we have been focusing even more on after-sales services as well as the extended automobile services such as automobile insurance, automobile financing, pre-owned automobiles, automobile accessories and decoration.

Benefiting from the Group's rapid expansion of dealership network in recent years, the successful acquisition of the NCGA Group, and the maturity of the dealership network, the after-sales service business is entering a period of rapid development. The Group has improved same-store profitability as well as operational efficiency of after-sales services by implementing effective management systems, improving service quality, broadening the scope of services and improving the skills and efficiency of after-sales personnel. During the year, the Group exerted a greater effort in retaining customers by organizing promotion events with a focus on its customers from new car sales, VIP, and migrated customer, and promoted warranty extension service, effectively enhanced the automobile ownerships and increased the customer flow. In addition, through forming strategic cooperation with leading insurance companies, the Group successfully increased the number of accident repair cars recommended by insurance companies. In addition, we effectively improved the after-sale capacity value with lower cost through upgrading the showrooms into 4S dealerships and expanding the after-sales capacity for the stores with longer history and experiencing capacity constraint. For the year ended December 31, 2013, the revenue from after-sales services reached RMB2,703.5 million, representing a significant increase of 108.7% as compared to the same period of 2012. The revenue from after-sales service for luxury and ultra-luxury automobiles was RMB2,464.1 million, representing an increase of 132.3% as compared to the same period of 2012.

In line with the continuous development of China's automobile market, extended automobile services relating to automobile sales and after-sales, such as automobile financing, automobile insurance and pre-owned automobiles trading are growing rapidly. As a result, commission income received from these businesses also experienced a significant growth. For the year ended December 31, 2013, commission income of the Group, which mainly consisted of commissions from automobile insurance, automobile financing and pre-owned automobile business, reached RMB231.5 million, representing an increase of 141.4% from the year ended December 31, 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2013, the Group went through organization restructuring and formally set up automobile insurance division, automobile finance division, pre-owned automobile division and automobile decorations division at the group level, and hired senior industry experts to lead and manage each division. Meanwhile, each dealership has also designated personnel or department for automobile insurance, automobile financing, pre-owned automobile and automobile decorations. The Group's headquarter is responsible for strategic planning, forming strategic partnership and liaising with external institutions, operational supervision and human resource management in recruiting of key managing personnel at store level.

In September 2013, the Group established an insurance agency company and set up insurance agency branch offices in the regions covered by dealership network across China. Greater supervision of automobile insurance business not only increased initial insurance rate for each store's new automobile selling, but also increased the insurance renewal rate. In addition, the Group formed strategic partnership with three leading Chinese insurance companies, effectively increased automobile repair service demand from the insurance companies and grew the customer base.

In 2013, the Group obtained approval from the Ministry of Commerce of the PRC and established a finance lease company, which will be used as a platform for the rapid development of the automobile financing services business. The Group has also hired a professional team in automobile financial leasing business to lead the business.

In 2013, the Group established a pre-owned automobile trading website platform based on the existing pre-owned automobile business and realized automobile trading through online bidding. The replacement and update demand from our large customer base as well as retirement of test driving cars have provided quality pre-owned automobile sources to the Group. Meanwhile, the Group's dealerships offer quality certification and extended warranty services for pre-owned automobiles so as to enhance the customer confidence in the products and establish a good reputation and credibility among customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Successfully integrate NCGA Group and significantly improve operation efficiency and profitability

During the year ended December 31, 2013, we successfully completed the comprehensive integration of NCGA Group and significantly improved the operational efficiency and profitability of NCGA Group.

We have fully integrated NCGA in respect of sales, after-sales, extended services (including automobile finance, insurance, pre-owned automobile business and automobile decoration), marketing and promotion, customer service and quality control, finance, human resources, training and other aspects and all businesses and departments are operated, supervised and managed by the Group.

To successfully reduce the costs while ensuring a stable growth of the business is the biggest challenge facing the Group after the NCGA Acquisition. We effectively reduce the operating, administration and financial expenses after carefully analyzing and collating the cost structure and expenditure items. We canceled a number of outsourcing businesses, cleared idle leased assets, strictly controlled marketing and administrative expenses and made reasonable adjustment on the efficiency of human resources and the payroll system.

After a year of integration, the new automobile sales volume, after-sales service and extended services of NCGA Group have realized a steady growth, and the cost has been effectively reduced with significant increase in profitability.

Continue to enhance management and operational quality

Inventories management

In response to the increased volatilities in the market, the Group further enhanced its efforts to manage inventories, closely monitored inventories level and aging structure and disposed aging vehicles through marketing activities. The Group also adjusted marketing strategy in line with market conditions and inventories level, and used inventories level as one of the performance evaluation criteria for managing personnel.

Capital management

In 2013, as impacted by macro policies, financing cost increased significantly in China and many small- and middle-size enterprises and private enterprises experienced difficulties in obtaining funding. Over the last year, the Group closely monitored and forecasted future funding cost movement to strictly control overall liabilities level. The Group also actively adjusted liabilities structure, reasonably allocated bank credit facilities and improved internal capital control system to enhance capital utilization. In September 2013, the Group successfully entered into a syndicated loan of US$170 million in Hong Kong and cooperated with Standard Chartered Bank to launch the first two-way trade in RMB capital pool business in Shanghai Free Trade Zone.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Significant Accounting Judgments 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.

	2013 RMB'000	2012 RMB'000
REVENUE	30,081,687	18,092,903
Cost of sales and services provided	(27,161,294)	(16,510,006)
Gross profit	2,920,393	1,582,897
Other income and gains, net	468,872	373,793
Selling and distribution costs	(946,815)	(461,187)
Administrative expenses	(538,713)	(261,411)
Profit from operations	1,903,737	1,234,092
Finance costs	(544,601)	(336,906)
Share of profits of a joint venture	10,544	14,443
Profit before tax	1,369,680	911,629
Income tax expense	(355,345)	(190,743)
Profit for the year	1,014,335	720,886
Attributable to:		
Owners of the parent	1,006,805	709,699
Non-controlling interests	7,530	11,187
	1,014,335	720,886
Earnings per share attributable to ordinary equity holders of the parent		
Basic and diluted — For profit for the year (RMB)	0.39	0.28

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the year ended December 31, 2013, our revenue was RMB30,081.7 million, representing a growth of approximately 66.3%. The increase was primarily due to an increase of RMB10,580.5 million, or 63.0%, in revenue from the automobile sales, in particular from the sales of luxury and ultra-luxury automobiles, as compared to the same period in 2012.

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

	Year ended December 31,			
	2013		2012	
Revenue source	Revenue (RMB'000)	Contribution (%)	Revenue (RMB'000)	Contribution (%)
Automobile Sales	27,378,214	91.0	16,797,703	92.8
Luxury and ultra-luxury brands	25,455,559	84.6	15,067,605	83.3
Mid-to-upper market brands	1,922,655	6.4	1,730,098	9.5
After-sales Business	2,703,473	9.0	1,295,200	7.2
Luxury and ultra-luxury brands	2,464,083	8.2	1,060,805	5.9
Mid-to-upper market brands	239,390	0.8	234,395	1.3
Total revenue	30,081,687	100.0	18,092,903	100.0

Revenue from the sales of automobiles increased by 63.0% due to (1) the realization of revenue from the sales of automobiles from the dealership stores acquired through the NCGA Acquisition, and (2) continued sales growth at our more mature stores.

Automobile sales generated a substantial portion of our revenue, accounting for 91.0% of our total revenue for the year ended December 31, 2013. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 93.0% (2012: 89.7%) and 7.0% (2012: 10.3%), respectively, of our revenue from the sales of automobiles.

Revenue from our after-sales business increased by 108.7% from RMB1,295.2 million for the year ended December 31, 2012 to RMB2,703.5 million for the same period in 2013. The strong after-sales revenue growth was driven by (i) the realization of revenue from after-sales services at NCGA; (ii) the improvement in service quality and efficiency achieved through training quality personnel; (iii) the implementation of a membership scheme to attract and retain customers; and (iv) the expansion of after-sales area of stores which experienced capacity constraint to increase capacity and service. The relative contribution of our after-sales business to our revenue increased from 7.2% in 2012 to 9.0% in 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales and services

For the year ended December 31, 2013, our cost of sales and services increased by 64.5%, from RMB16,510.0 million for the same period in 2012 to RMB27,161.3 million. This increase was basically consistent with the growth in our sales throughout the year ended December 31, 2013.

The cost of sales and services attributable to our automobile sales business amounted to RMB25,743.2 million for the year ended December 31, 2013, representing an increase of RMB9,910.3 million, or 62.6%, from the same period in 2012. The cost of sales attributable to our after-sales business amounted to RMB1,418.1 million for the year ended December 31, 2013, representing an increase of RMB741.0 million, or 109.4% from the same period in 2012.

Gross profit and gross profit margin

Gross profit for the year ended December 31, 2013 was RMB2,920.4 million, representing an increase of RMB1,337.5 million or 84.5% from the same period in 2012. Gross profit from automobile sales increased by 69.5% from RMB964.8 million for the year ended December 31, 2012 to RMB1,635.0 million for the same period in 2013, of which RMB1,606.5 million were from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 108.0% from RMB618.1 million for the year ended December 31, 2012 to RMB1,285.4 million for the same period in 2013. Automobile sales and after-sales business contributed to 56.0% (2012: 61.0%) and 44.0% (2012: 39.0%), respectively, to the total gross profit for the year ended December 31, 2013.

Gross profit margin for the year ended December 31, 2013 was 9.7% (2012: 8.7%), of which the gross profit margin of automobile sales was 6.0% (2012: 5.7%) and of after-sales business was 47.5% (2012: 47.7%). The increase in gross profit margin from automobile sales was mainly due to (i) the increase in the proportion of sales of luxury and ultra-luxury automobiles, which had a higher gross profit margin; and (ii) brands such as Jaguar & Land Rover, Porsche and Maserati maintaining a high profit margin in 2013. For after-sales services, the slight decrease in the gross profit margin in 2013, despite the high gross profit margin in after-sales service, was due to the decrease in gross profit margin of mid-to-upper market brands. However, since this category only accounted for a small percentage of the total services, its effect on the total gross profit margin of after-sales services was minor. In the long run, the gross profit margin of after-sales services is expected to remain steady due to the stable growth in after-sales services, especially in luxury and ultra-luxury brands.

Other income and gains, net

Other income and gains, net, increased by 25.4% from RMB373.8 million for the year ended December 31, 2012 to RMB468.9 million for the same period in 2013, primarily due to a significant increase in the commission income. Our commission income increased mainly due to (i) the increase in insurance commission by 132.5% from RMB45.8 million for the year ended December 31, 2012 to RMB106.5 million for the same period in 2013 as a result of the Group's establishment of an individual insurance brokerage business; (ii) an increase in the number of customers purchasing vehicles through financing services, which resulted in an increase of 329.4% in financing service fees; (iii) an increase in the income generated from the pre-owned automobile business; and (iv) an increase in vehicle license application commission proportionated to the increase in automobile sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution costs and administrative expenses

For the year ended December 31, 2013, our selling and distribution costs increased by 105.3%, from RMB461.2 million for the same period in 2012 to RMB946.8 million; and our administrative expenses increased by 106.1%, from RMB261.4 million for the same period in 2012 to RMB538.7 million. These increases were mainly due to (i) the relatively higher costs of the NCGA Group compared with the rest of the Group such as wages, rent and marketing costs; (ii) the increase in staff headcount due to the opening of new stores and development of automobile financing, automobile insurance and pre-owned automobile business in 2013; (iii) the increase in the Group's fixed and intangible assets which led to relatively higher depreciation and amortization costs; (iv) the one-off head count reduction-related severance payments made to the employees of NCGA Group; and (v) the one-off costs related to the relocation of the headquarter and a BMW 4S dealership store in Shanghai.

Profit from operations

As a result of the foregoing, our profit from operations for the year ended December 31, 2013 increased by 54.3% from RMB1,234.1 million to RMB1,903.7 million, from the same period in 2012.

Finance costs

Finance costs increased by 61.7% from RMB336.9 million for the year ended December 31, 2012 to RMB544.6 million for the same period in 2013, primarily due to the Group's relatively high amount of banking loans in 2013 and the increase in costs of the bank acceptance bill discount. In 2013, the Group cooperated with both domestic and international banks to decrease borrowing costs and lower debt risk, by utilizing overseas financing platforms and entering into a syndicated loan bearing a lower interest rate.

Profit for the year

As a result of the cumulative effect of the foregoing, our profit for the year ended December 31, 2013 increased by 40.7% from RMB720.9 million to RMB1,014.3 million, from the same period in 2012.

Liquidity and capital resources

Cash flow

As at December 31, 2013, our cash and cash equivalents amounted to RMB2,020.9 million, representing a decrease of 24.3% from RMB2,668.2 million in the year ended December 31, 2012.

Our primary uses of cash were 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 costs. We financed our liquidity requirements through a combination of short-term bank loans and other borrowings and cash flows generated from our operating activities.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time. For the year ended December 31, 2013, our net cash generated from operating activities was RMB703.7 million (2012: RMB79.3 million). The significant growth in cash generated from operating activities indicates the Group is well-functioning amidst rapid development in operating activities.

MANAGEMENT DISCUSSION AND ANALYSIS

Net current assets

As at December 31, 2013, we had net current assets of RMB1,365.8 million, representing an increase of RMB338.1 million from RMB1,027.7 million as at December 31, 2012.

Capital expenditure

Our capital expenditures primarily comprised expenditures on property, plant and equipment land use rights and intangible assets. During the year ended December 31, 2013, our total capital expenditures amounted to RMB1,289.8 million (2012: RMB1,325.3 million).

Inventories

Our inventories primarily consisted of new automobiles and 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 38.1% from RMB2,174.7 million as of December 31, 2012 to RMB3,002.3 million as of December 31, 2013, primarily due to (i) the increase in sales of luxury and ultra-luxury automobiles; and (ii) the increase in after-sales services which led to higher inventories of automobile parts.

Our average inventory turnover days in the year ended December 31, 2013 decreased to 34.8 days from 38.2 days in 2012, primarily due to stringent inventory control policies, strict inventory monitoring and appropriate marketing strategies adopted according to market condition.

Trade and bill receivables

Trade and bill receivables decreased from RMB1,352.2 million for the year ended December 31, 2012 to RMB556.9 million for the year ended December 31, 2013, primarily due to the fact that the Group has obtained more of its bill receivables from its corporate clients for the year ended December 31, 2012 than for the year ended December 31, 2013.

Bank loans and other borrowings

As at December 31, 2013, the Group's available and unutilized banking facilities amounted to approximately RMB6,134.4 million (December 31, 2012: RMB4,732.0 million).

Our bank loans and other borrowings as at December 31, 2013 were RMB7,021.8 million, representing an increase of RMB484.2 million from RMB6,537.6 million as at December 31, 2012. The increase was due to (i) our capital expenditures on new stores in built; and (ii) increased working capital requirements due to our new stores and increased sales at our existing stores.

Interest rate risk and foreign exchange rate risk

The Group currently has not used any derivatives to hedge interest rate 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 which had US$ or HK$ as their functional currencies. The Group did not have any material foreign currency transactions in Mainland China for the year ended December 31, 2013. The Group has minimal exposure of foreign currency risk. We have not used any derivative financial instruments to hedge our exposure to the foreign exchange rate risk during the year ended December 31, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2013 was 69.1% (December 31, 2012: 71.1%).

Human resources

As at December 31, 2013, the Group had approximately 6,646 employees (December 31, 2012: 6,051). Total staff costs for the year ended December 31, 2013, excluding Directors' remuneration were approximately RMB550.9 million (2012: RMB173.2 million).

The Group values the recruiting and training of quality personnel. We implement remuneration policy, 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.

Contingent liabilities

As at December 31, 2013, the Group had no significant contingent liabilities (December 31, 2012: RMB223.9 million).

Pledge of the Group's assets

Our Group had pledged our group assets, shares in certain subsidiaries and letters of credit as securities against bank loans and other borrowings and bills payable which were used to finance daily business operation and acquisition. As at December 31, 2013, the pledged group assets amounted to approximately RMB4,716.5 million (2012: RMB4,304.5 million); the pledged letters of credit with an aggregate credit amount of approximately RMB613.0 million (2012: RMB1,410.0 million) and the entire shares in Suzhou Baoxin Automobile Sales & Services Co., Ltd. and Shanghai Baoxin Automobile Sales & Services Co., Ltd. were pledged.

OUTLOOK

We will continuously strengthen our strategic relationship with the global leading luxury and ultra-luxury automobile manufacturers and form more comprehensive collaboration not only in new automobile sales, but also in areas such as pre-owned automobile sales, automobile financing, customer service, marketing and training. Through organic expansion and strategic acquisition, the Group will continue to expand its dealership network in the most affluent and fast developing cities and regions in China. As of March 31, 2014, the Group has completed the acquisition of an Audi 4S dealership in Jincheng, Shanxi province. By leveraging our large automobile customer base, improving customer services, building more after-sales centres and upgrading showroom into 4S dealership, the Group expects after-sales service will continue to experience fast growth rate. For the pre-owned automobile business, we will continue to build online and offline pre-owned automobile business platforms to capture this opportunities from the fast developing market. After establishing our automobile leasing company in 2013, the Group is targeting to build on its automobile financial leasing business and establish strategic partnerships with financial institutions to further grow this business.

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, 2013 ("**the year**"), the Company has complied with all the code provisions set out in the CG Code, save and except for code provision A.2.1.

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 vice-chairman and chief executive officer, Mr. Yang Hansong, is responsible for the business operations of the Company. The Board considers that the respective responsibilities of the chairman and chief executive officer are clear and distinctive and therefore written terms thereof are not necessary.

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 ("**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.

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.

CORPORATE GOVERNANCE REPORT

THE BOARD

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 coordinating 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, strategies, budgets, internal control system, risk management system, material transactions (in particular those that may involve conflicts of interests), 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 to the chief executive officer, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective defined written terms of reference.

Composition

During the year ended December 31, 2013 and up to the date of this annual report, there have been the following changes to the Board:

- Mr. Yang Hansong, executive Director, was appointed as vice-chairman and chief executive officer of the Company and ceased to act as the president of the Company with effect from September 18, 2013;

- Mr. Zhang Yang resigned as non-executive Director of the Company on January 23, 2014; and

- Mr. Lu Linkui was appointed as a non-executive Director of the Company on March 31, 2014.

CORPORATE GOVERNANCE REPORT

Consequently, the Board currently consists of five executive Directors, one non-executive Director and three independent non-executive Directors as per the table below.

The Board

Executive Directors	Non-executive Director	Independent non-executive Directors
Mr. Yang Aihua *(Chairman)* Mr. Yang Hansong *(Vice-chairman and chief executive officer)* Mr. Yang Zehua *(Vice President)* Ms. Hua Xiuzhen Mr. Zhao Hongliang *(Vice President)*	Mr. Lu Linkui	Mr. DiaoJianshen Mr. Wang Keyi Mr. Chan Wan Tsun Adrian Alan

The biographical details of the Directors are set out on pages 36 to 39 of this annual report. In addition, a list of the names of the Directors and their role and function is published on the websites of the Company and the Stock Exchange.

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 chief executive officer

The positions of chairman and chief executive officer 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 chief executive officer focuses on the Group's business development and daily management and operations generally. The positions of the chairman of the Board and the chief executive officer 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, 2013, 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.

CORPORATE GOVERNANCE REPORT

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 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, subject to renewal.

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 are eligible 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 18, 2014 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 Board 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.

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, 2013 are set out below.

CORPORATE GOVERNANCE REPORT

Audit Committee

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

Independent non-executive Directors
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; 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, any connected transactions of the Group; and

- make arrangements for employees to discuss any possible operational improprieties.

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 Directors
Mr. Diao Jianshen *(Chairman)*
Mr. Wang Keyi

Executive Director
Mr. Yang Hansong

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 prevailing market standard. Individual Directors and senior management are not involved in deciding their own remuneration.

CORPORATE GOVERNANCE REPORT

During the year, the Remuneration Committee met once to:

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

During the year, no Director or any of his associates 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 Directors
Mr. Wang Keyi *(Chairman)*
Mr. Diao Jianshen

Executive Director
Mr. Yang Hansong

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.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board and, where necessary, recommend such objectives to the Board for adoption.

During the year ended December 31, 2013, the Nomination Committee met once to:

- review the structure, size and composition of the Board;
- assess the independence of the independent non-executive 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.

CORPORATE GOVERNANCE REPORT

Board meetings

During the year ended December 31, 2013, the Board has held four board meetings to review financial and operating performance of the Company and to discuss future strategies. 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 secretaries, who are 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.

CORPORATE GOVERNANCE REPORT

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, 2013 is set out in the table below:

	Number of meetings attended/held in 2013				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	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	1/1
Mr. Zhao Hongliang	4/4	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Zhang Yang*	4/4	N/A	N/A	N/A	1/1
Mr. Lu Linkui**	N/A	N/A	N/A	N/A	N/A
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	1/1
Mr. Chan Wan Tsun Adrian Alan	4/4	2/2	N/A	N/A	0/1

* Mr. Zhang Yang resigned as a non-executive Director with effect from January 23, 2014.
** Mr. Lu Linkui was appointed as a non-executive Director with effect from March 31, 2014.

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 will receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. An induction was provided to Mr. Lu Linkui who joined the Board on March 31, 2014.

CORPORATE GOVERNANCE REPORT

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. 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.

During the year, all Directors have been required to provide the Company with a record of the training they received on a half-year basis, and such records have been maintained by the Company.

A summary of the Directors' participation in internal and other external training for the year ended December 31, 2013 is as follows:

Name of Directors	Attending briefing/seminars	Reading materials/ regulatory updates/ management monthly updates
Executive Directors		
Mr. Yang Aihua	✓	✓
Mr. Yang Hansong	✓	✓
Mr. Yang Zehua	✓	✓
Ms. Hua Xiuzhen	✓	✓
Mr. Zhao Hongliang	✓	✓
Non-executive Directors		
Mr. Zhang Yang*	✓	✓
Mr. Lu Linkui**	N/A	N/A
Independent non-executive Directors		
Mr. Diao Jianshen	✓	✓
Mr. Wang Keyi	✓	✓
Mr. Chan Wan Tsun Adrian Alan	✓	✓

* Mr. Zhang Yang resigned as a non-executive Director with effect from January 23, 2014.

** Mr. Lu Linkui was appointed as a non-executive Director with effect from March 31, 2014.

CORPORATE GOVERNANCE REPORT

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.

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.

BOARD DIVERSITY POLICY

During the year, the Board has adopted a board diversity policy which aims at achieving optimal diversity on the Board. The Board has considered that diversity of Board members shall include areas such as gender, age, cultural and educational background, professional qualification, skills, knowledge and industry and regional experience.

The Nomination Committee will discuss and agree on the measurable objectives for achieving diversity of the Board and recommend them to the Board for adoption. The Company aims to maintain an appropriate level of diversity of the Board that are relevant to the Company's business growth.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity criteria, including but not limited to gender, age, cultural and educational background, professional qualification, skills, knowledge and industry and regional experience. The ultimate decision will be based on merits and the contribution that the selected candidates will bring to the Board.

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, 2013.

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 47 to 48 of this annual report.

AUDITOR'S REMUNERATION

The remuneration paid to the Group's external auditors, Ernst & Young for the year ended December 31, 2013 is set out below:

Services provided	Fees (RMB'000)
Audit services	4,300
Non-audit services	–
Total	4,300

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 and the internal auditor during the year ended December 31, 2013, 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.

CORPORATE GOVERNANCE 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, 2013. The biographical details of Mr. Chen and Ms. Pau are set out on page 39 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, 2013 are set out in note 9 to the financial statements of this annual report.

For the year ended December 31, 2013, 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	2
HK$1,000,000 to HK$1,500,000	4

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 Harcourt 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.

CORPORATE GOVERNANCE REPORT

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 1803–4, 18/F, Bank of America Tower, 12 Harcourt 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 (For the attention of Shareholder Communication, at Units 1803–4, 18/F, Bank of America Tower, 12 Harcourt Road, Hong Kong) or via email (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, 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, 2013, 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 52, 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 elder brother of Mr. Yang Hansong and Mr. Yang Zehua.

Mr. YANG Hansong (楊漢松), aged 51, is an executive Director, vice chairman and chief executive officer of the Group. He is currently also the director of NCGA Holdings Limited. Mr. Yang has substantial experience in the automobile dealership industry. He was appointed in 2008 as a director and president of the Group. With effect from September 18, 2013, he has been appointed as vice chairman and chief executive officer of the Group and ceased to act as the president on the same date. 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 42, 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 younger brother of Mr. Yang Aihua and Mr. Yang Hansong.

Ms. HUA Xiuzhen (華秀珍), aged 61, is an executive Director and the chief supervisor of the treasury department. Ms. Hua has worked in our Group for over 14 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 47, 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. LU Linkui (陸林奎), aged 68, is a non-executive Director of the Group. Mr. Lu joined the predecessor of FAW (First Automobile Works)Group Corporation ("FAW") in April 1970 and served various roles such as technician,deputy section chief, section chief, deputy director and later director of the quality control department. In May 1985 and November 1991, he assumed the positions of assistant factory manager and executive assistant factory manager respectively; and later became the deputy general manager of FAW. From January 1996 to December 2001, Mr. Lu was the director and general manager of FAW-Volkswagen Automotive Co. Ltd. In June 2002, he was engaged by Volkswagen and received management training, following which he assumed the position as general manager of Volkswagen Transmission (Shanghai) Co., Ltd from January 2003 to October 2008. Mr. Lu retired from Volkswagen in November 2008. Mr. Lu graduated from Beijing Mechanics College with a bachelor degree in mechanics in 1968. Mr. Lu was appointed as a non-executive Director of the Company on March 31, 2014.

Independent non-executive Directors

Mr. DIAO Jianshen (刁建申), aged 60, 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 69, 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 was 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 from 2009 to 2013. 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. CHAN Wan Tsun Adrian Alan (陳弘俊), aged 35, 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:

Mr. WANG Zhen (王震), aged 41, is the president of the Group. Mr. Wang was the chief executive officer and chief financial officer of 廣匯汽車服務股份有限公司 (China Grand Auto Limited) from 2008 to 2013. From 1995 to 2008, he served in the global head office and Asia Pacific office of General Electric Company as the global executive audit manager, and the chief financial officer for Asia Pacific region of General Electric Consumer and Industrial Group. Mr. Wang graduated with a bachelor's degree at 復旦大學 (Fudan University) in 1995.

Ms. LIU Tao (劉濤), aged 47, 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 45, 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. CHEN Changdong (陳長東), aged 52, 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 58, 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.

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 54, 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 29 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, 2013 (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, 2013 are set out in the consolidated statement of comprehensive income on page 50 of this annual report.

FINANCIAL STATEMENTS

The profits of the Group for the year ended December 31, 2013 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 49 to 135 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, 2013 and for the last five financial years are set out on page 136 of this annual report.

RESERVES

As at December 31, 2013, distributable reserves of the Company amounted to RMB2,172.3 million (2012: RMB2,379.6 million), of which RMB303.9 million (2012: RMB207.3 million) 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 35 to the financial statements.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.15 per ordinary share for the year ended December 31, 2013 (the "**2013 Final Dividend**") (2012: HK$0.10). The proposed dividend payment is subject to shareholders' approval at the forthcoming annual general meeting of the Company. If approved by shareholders, the 2013 Final Dividend is expected to be paid on or about July 11, 2014 to shareholders whose names shall appear on the register of members of the Company on July 4, 2014.

There is no agreement that any shareholder of the Company has waived or agreed to waive any dividend.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on June 18, 2014. Notice of the annual general meeting will be published and issued to shareholders in due course.

REPORT OF THE DIRECTORS

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 Monday, June 16, 2014 to Wednesday, June 18, 2014, 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 Friday, June 13, 2014 for registration of the relevant transfer.

(b) For determining the entitlement to the 2013 Final Dividend

The register of members of the Company will be closed from Wednesday, July 2, 2014 to Friday, July 4, 2014, both dates inclusive, for the purpose of ascertaining the shareholders' entitlement to the 2013 Final Dividend, during which period no transfer of shares of the Company will be registered. In order to qualify for the 2013 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 p.m. on Monday, June 30, 2014 for registration of the relevant transfer.

PROPERTY AND EQUIPMENT

Details of movements in property and equipment during the year ended December 31, 2013 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 (i) 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**"), and (ii) the amounts due from Mr. Yang Aihua, all of which are both continuing connected transactions falling under Listing Rule 14A.33(3), 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 three transactions are exempt from the relevant reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

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

During the year ended December 31, 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REPORT OF THE DIRECTORS

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 (resigned on January 23, 2014)
Mr. LU Linkui (appointed by the Board on March 31, 2014)

Independent Non-executive Directors
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. Mr. Lu Linkui, who was appointed by the Board as a non-executive Director of the Company on March 31, 2014, shall hold office only until the annual general meeting and shall be eligible for re-election at such meeting pursuant to article 16.2 of the articles of association.

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, 2013.

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.

REPORT OF THE DIRECTORS

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

At December 31, 2013, 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, 2013 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.

REPORT OF THE DIRECTORS

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.

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

The following share options were outstanding under the Share Option Scheme during the year under review:

Date of Grant	Options as at January 1, 2013	Granted during the year	Closing Price of the Shares on date of grant	Options outstanding as at January 1, 2013	Options outstanding as at December 31, 2013	Exercise price	Exercise Period
April 22, 2013	–	13,150,000	HK$6.83	–	13,150,000	HK$6.83	April 23, 2014–April 22, 2016

All the grantees are employees of the Company and its subsidiaries, and none of the Grantees is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, nor an associate of any of them (as defined in the Listing Rules).

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 12% to 21% (2012: 11% 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, 2013 was RMB54 million (2012: RMB16 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 5% to 15% (2012: 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, 2013, the Group had no significant obligation apart from the contributions as stated above.

REPORT OF THE DIRECTORS

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at December 31, 2013, 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 owner	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%
Schroders Plc	Investment manager	153,140,053 (L)	5.99%
The Capital Group Companies, Inc.	Interest in controlled corporation	128,727,500 (L)	5.03%

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, 2013.

REPORT OF THE DIRECTORS

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 91.4% (2012: 94.8%) and the largest supplier accounted for approximately 34.7% (2012: 32.4%) of the Group's total purchases for the year ended December 31, 2013.

At no time during the year ended December 31, 2013 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, 2013 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 31, 2014

INDEPENDENT AUDITORS' REPORT

EY 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 49 to 135, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, 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 2013, 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

31 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 (Restated) RMB'000
REVENUE	5(a)	30,081,687	18,092,903
Cost of sales and services provided	6(b)	(27,161,294)	(16,510,006)
Gross profit		2,920,393	1,582,897
Other income and gains, net	5(b)	468,872	373,793
Selling and distribution expenses		(946,815)	(461,187)
Administrative expenses		(538,713)	(261,411)
Profit from operations		1,903,737	1,234,092
Finance costs	7	(544,601)	(336,906)
Share of profit of a joint venture	19(b)	10,544	14,443
Profit before tax	6	1,369,680	911,629
Income tax expense	8(a)	(355,345)	(190,743)
Profit for the year		1,014,335	720,886
Attributable to:			
Owners of the parent	11	1,006,805	709,699
Non-controlling interests		7,530	11,187
		1,014,335	720,886
Earnings per share attributable to ordinary equity holders of the parent	13		
Basic and diluted			
— For profit for the year (RMB)		0.39	0.28

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 2013

	Note	2013 RMB'000	2012 (Restated) RMB'000
PROFIT FOR THE YEAR		1,014,335	720,886
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		17,349	1,024
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		17,349	1,024
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		17,349	1,024
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,031,684	721,910
Attributable to:			
Owners of the parent	11	1,024,154	710,723
Non-controlling interests		7,530	11,187
		1,031,684	721,910

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 (Restated) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	3,310,388	2,720,264
Prepaid land lease payment	15	375,619	277,176
Intangible assets	16	943,206	982,560
Prepayments	17	402,960	163,627
Goodwill	18	75,674	75,674
Investment in a joint venture	19	38,233	27,689
Available-for-sale investments	20	16,518	17,035
Deferred tax assets	32(a)	59,219	55,486
Total non-current assets		5,221,817	4,319,511
CURRENT ASSETS			
Inventories	21	3,002,286	2,174,650
Trade and bills receivables	22	556,939	1,352,173
Prepayments, deposits and other receivables	23	4,168,968	3,307,556
Amounts due from related parties	42(b)(i)	41,188	42,969
Pledged bank deposits	24	2,769,886	2,614,531
Cash in transit	25	89,716	88,166
Cash and cash equivalents	26	2,020,926	2,668,169
Total current assets		12,649,909	12,248,214
CURRENT LIABILITIES			
Bank loans and other borrowings	27	5,857,684	5,757,810
Trade and bills payables	28	4,364,349	4,414,598
Other payables and accruals	29	722,036	878,275
Amounts due to related parties	42(b)(ii)	–	1,353
Income tax payable		340,055	168,437
Total current liabilities		11,284,124	11,220,473
NET CURRENT ASSETS		1,365,785	1,027,741
TOTAL ASSETS LESS CURRENT LIABILITIES		6,587,602	5,347,252
NON-CURRENT LIABILITIES			
Bank loans	27	1,164,144	779,789
Bonds	30	374,632	365,566
Deferred tax liabilities	32(b)	325,561	267,246
Total non-current liabilities		1,864,337	1,412,601
NET ASSETS		4,723,265	3,934,651

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 (Restated) RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	20,836	20,836
Reserves	35	4,345,395	3,645,484
Proposed final dividend	12	303,885	207,321
		4,670,116	3,873,641
Non-controlling interests		53,149	61,010
Total equity		4,723,265	3,934,651

Mr. Yang Hansong
Director

Mr. Zhao Hongliang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to owners of the parent										
	Share capital RMB'000 Note 33	Share premium* RMB'000 Note 33	Share option reserve* RMB'000 Note 34	Statutory reserve* RMB'000 Note 35(i)	Merger reserve* RMB'000 Note 35(ii)	Exchange fluctuation reserve* RMB'000 Note 35(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 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 (as restated)	–	–	–	–	–	–	709,699	–	709,699	11,187	720,886
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	709,699	–	710,723	11,187	721,910
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 (as restated)	20,836	2,172,257	–	187,491	(22,044)	(9,713)	1,317,493	207,321	3,873,641	61,010	3,934,651
At 1 January 2013											
As previously reported	20,836	2,172,257	–	187,491	(22,044)	(9,713)	1,323,687	207,321	3,879,835	61,010	3,940,845
Adjustment made during the measurement period to provisional amounts	–	–	–	–	–	–	(6,194)	–	(6,194)	–	(6,194)
As restated	20,836	2,172,257	–	187,491	(22,044)	(9,713)	1,317,493	207,321	3,873,641	61,010	3,934,651
Profit for the year	–	–	–	–	–	–	1,006,805	–	1,006,805	7,530	1,014,335
Other comprehensive income for the year:	–	–	–	–	–	–	–	–	–	–	–
Exchange differences on translation of foreign operations	–	–	–	–	–	17,349	–	–	17,349	–	17,349
Total comprehensive income for the year	–	–	–	–	–	17,349	1,006,805	–	1,024,154	7,530	1,031,684
Equity-settled share-based transactions	–	–	15,925	–	–	–	–	–	15,925	–	15,925
Acquisition of non-controlling interests	–	–	–	–	(36,283)	–	–	–	(36,283)	(15,391)	(51,674)
Final 2012 dividend declared	–	–	–	–	–	–	–	(207,321)	(207,321)	–	(207,321)
Proposed final 2013 dividend (Note 12)	–	(303,885)	–	–	–	–	–	303,885	–	–	–
Transfer from retained profits	–	–	–	83,812	–	–	(83,812)	–	–	–	–
At 31 December 2013	20,836	1,868,372	15,925	271,303	(58,327)	7,636	2,240,486	303,885	4,670,116	53,149	4,723,265

* These reserve accounts comprise the consolidated reserves of RMB4,345,395,000 (2012: RMB3,645,484,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 (Restated) RMB'000
Operating activities			
Profit before tax		1,369,680	911,629
Adjustments for:			
Share of profit of a joint venture		(10,544)	(14,443)
Depreciation of property, plant and equipment	14	228,495	121,902
Amortisation of land use rights	15	6,281	1,836
Amortisation of intangible assets	16	39,385	4,874
Gain on disposal of a subsidiary	36	(2,212)	–
Interest income	5	(31,769)	(34,035)
Net (gain)/loss on disposal of items of property, plant and equipment	5	(100,476)	4,326
Net loss on disposal of items of intangible assets		259	–
Finance costs	7	544,601	336,906
Equity-settled share option expense	34	15,925	–
Gain on bargain purchase	6	–	(106,226)
		2,059,625	1,226,769
Increase in pledged bank deposits		(155,355)	(707,215)
Increase in cash in transit		(1,550)	(41,073)
Decrease/(increase) in trade and bills receivables		793,936	(1,128,643)
Increase in prepayments, deposits and other receivables		(882,426)	(341,534)
(Increase)/decrease in inventories		(828,437)	253,918
(Decrease)/increase in trade and bills payables		(50,249)	1,004,342
(Decrease)/increase in other payables and accruals		(102,066)	26,728
Cash generated from operations		833,478	293,292
Income tax paid		(129,818)	(213,988)
Net cash flows generated from operating activities		703,660	79,304

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 (Restated) RMB'000
Investing activities			
Purchase of items of property, plant and equipment		(1,141,128)	(1,334,465)
Proceeds from disposal of items of property, plant and equipment		231,923	82,686
Purchase of land use rights		(81,213)	–
Purchase of intangible assets		(290)	(3,024)
Repayment of advance to a joint venture		2,000	–
Advance to related parties		–	(5,000)
Prepayments for potential acquisitions		–	(30,000)
Acquisition of subsidiaries net of cash paid		(37,807)	(727,733)
Disposal of a subsidiary	36	(1,596)	–
Interest received		31,769	34,035
Dividends paid		(207,321)	–
Net cash flows used in investing activities		(1,203,663)	(1,983,501)
Financing activities			
Acquisition of non-controlling interests		(51,674)	(552,426)
Proceeds from bank loans and other borrowings		12,884,059	9,042,625
Repayment of bank loans and other borrowings		(12,399,830)	(6,391,644)
Contributions from non-controlling shareholders		–	5,300
Dividends paid to the then equity holders		–	(49,823)
Repayment of advances from the Controlling Shareholder, net		–	(26,857)
Interest paid		(586,382)	(339,884)
Net cash flows (used in)/generated from financing activities		(153,827)	1,687,291
Net decrease in cash and cash equivalents		(653,830)	(216,906)
Cash and cash equivalents at the beginning of year		2,668,169	2,884,038
Effect of foreign exchange rate changes, net		6,587	1,037
Cash and cash equivalents at the end of year	26	2,020,926	2,668,169

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 (Restated) RMB'000
NON-CURRENT ASSETS			
Investment in subsidiaries	45	1,305,232	1,266,818
Total non-current assets		1,305,232	1,266,818
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	3,852	2,319
Amount due from subsidiaries	45	2,681,382	2,557,940
Pledged bank deposits	24	300,912	–
Cash and cash equivalents	26	336,361	254,956
Total current assets		3,322,507	2,815,215
CURRENT LIABILITIES			
Bank loans	27	1,197,610	668,728
Other payables and accruals	29	1,722	3,871
Amount due to a subsidiary		7,587	7,824
Total current liabilities		1,206,919	680,423
NET CURRENT ASSETS		2,115,588	2,134,792
TOTAL ASSETS LESS CURRENT LIABILITIES		3,420,820	3,401,610
NON-CURRENT LIABILITIES			
Bank loans	27	1,024,144	649,789
Bonds	30	374,632	365,566
Total non-current liabilities		1,398,776	1,015,355
NET ASSETS		2,022,044	2,386,255
EQUITY			
Share capital	33	20,836	20,836
Reserves	35	1,697,323	2,158,098
Proposed final dividend	12	303,885	207,321
Total equity		2,022,044	2,386,255

Mr. Yang Hansong
Director

Mr. Zhao Hongliang
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

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. 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 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

NOTES TO FINANCIAL STATEMENTS
31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

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.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

Category	Estimated useful life	Estimated residual value
Buildings	30 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%

NOTES TO FINANCIAL STATEMENTS
31 December 2013

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

Construction in progress represents 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.

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 membership	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 statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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

Prepaid land lease payment

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 is recorded as prepaid land lease payment, 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 are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. 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 statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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)

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 as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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 statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale 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 statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income.

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement (Continued)

Available-for-sale financial investments (Continued)

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

Impairment of financial assets

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

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

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

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

Available-for-sale financial investments

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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 repurchasing 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 statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss 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 statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

Derecognition of financial liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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 and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

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

NOTES TO FINANCIAL STATEMENTS
31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the financial statements.

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

NOTES TO FINANCIAL STATEMENTS
31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

Other employee benefits

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

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

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

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

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

3. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

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 2013 was RMB59,219,000 (2012: RMB55,486,000). 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.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

The Group has reviewed the useful lives of certain property, plant and equipment category in order to better align this change with the observed economic behaviour of assets in this category. As a result, the projected lives of all buildings have been extended from 20 years to 30 years. The change in accounting estimates has been applied prospectively. Beginning from the financial year 2013, this change of estimation has changed the depreciation in the aforementioned property, plant and equipment, and the after-tax effects in 2013 and later years as follows:

	2013 RMB'000	Later years RMB'000
Depreciation decrease/(increase)	21,482	(21,482)

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.

NOTES TO FINANCIAL STATEMENTS
31 December 2013

4. SEGMENT INFORMATION *(Continued)*

Information about geographical areas

Since most of the Group's revenue was generated from the sale and service of motor vehicles in Mainland China and most of the Group's non-current assets other than deferred tax assets were located in Mainland China, geographical information as required by HKFRS 8 *Operating Segments* is not presented.

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, major customer segment information as required by HKFRS 8 *Operating Segments* is not presented.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

	2013 RMB'000	2012 RMB'000
Revenue from the sale of motor vehicles	27,378,214	16,797,703
Others	2,703,473	1,295,200
	30,081,687	18,092,903

(b) Other income and gains, net:

	2013 RMB'000	2012 (Restated) RMB'000
Group		
Commission income	231,473	95,907
Advertisement support received from motor vehicle manufacturers	25,596	19,827
Rental income	1,352	978
Government grants	28,436	19,973
Interest income	31,769	34,035
Service fee income	–	90,000
Net gain/(loss) on disposal of items of property, plant and equipment	100,476	(4,326)
Foreign exchange differences, net	24,952	–
Gains on disposal of a subsidiary (note 36)	2,212	–
Gain on bargain purchase	–	106,226
Others	22,606	11,173
Total	468,872	373,793

6. PROFIT BEFORE TAX

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

	2013 RMB'000	2012 (Restated) RMB'000
(a) Employee benefit expense (including directors' and chief executive's remuneration (Note 9)):		
Wages and salaries	379,859	125,274
Other welfare	165,041	57,706
Equity-settled share option expense	15,925	–
	560,825	182,980
(b) Cost of sales and services:		
Cost of sales of motor vehicles	25,743,204	15,832,888
Others	1,418,090	677,118
	27,161,294	16,510,006

	Notes	2013 RMB'000	2012 (Restated) RMB'000
(c) Other items:			
Depreciation of items of property, plant and equipment	14	228,495	121,902
Amortisation of land use rights	15	6,281	1,836
Amortisation of intangible assets	16	39,385	4,874
Advertisement and business promotion expenses		177,545	101,290
Auditors' remuneration		4,300	4,000
Bank charges		60,062	15,751
Foreign exchange differences, net		(24,952)	1,166
Lease expenses		156,171	76,309
Logistics and petroleum expenses		94,210	58,716
Office expenses		23,562	12,969
Gain on bargain purchase*	47	–	(106,226)

* Gain on bargain purchase is included in "Other income and gains, net" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

7. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Group		
Interest expense on bank borrowings wholly repayable within five years	545,456	329,734
Interest expense on other borrowings	7,337	17,935
Interest expense on bonds	20,345	–
Less: Interest capitalised	(28,537)	(10,763)
	544,601	336,906

8. INCOME TAX

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

	2013 RMB'000	2012 (Restated) RMB'000
Current:		
Mainland China corporate income tax	301,436	167,981
Deferred tax (Note 32)	53,909	22,762
Total tax charge for the year	355,345	190,743

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% (2012: 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% (2012: 25%).

8. INCOME TAX *(Continued)*

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

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:

	2013 RMB'000	2012 (Restated) RMB'000
Profit before tax	1,369,680	911,629
Tax at applicable tax rate (25%)	342,420	227,907
Lower tax rates enacted by local authority	27,954	(24,694)
Income not subject to tax	(4,750)	(29,447)
Tax losses not recognised	5,650	5,445
Tax losses utilised from previous periods	(30,871)	–
Recognition of deferred tax assets not recognised previous periods	(8,707)	–
Tax effect of non-deductible expenses	26,285	15,143
Profit attributable to a joint venture	(2,636)	(3,611)
Tax charge	355,345	190,743

The share of tax attributable to a joint venture amounting to RMB3,495,000 (2012: RMB4,814,000) is included in "Share of profit of a joint venture" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

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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 2013				
	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	240	–	–	–	240
— Wang Keyi	240	–	–	–	240
— Chan Wan Tsun Adrian Alan	240	–	–	–	240
Executive directors					
— Yang Aihua	–	2,800	–	70	2,870
— Yang Hansong[(1)]	–	1,800	–	70	1,870
— Yang Zehua	–	1,600	–	70	1,670
— Zhao Hongliang	–	1,500	–	70	1,570
— Hua Xiuzhen	–	1,200	–	–	1,200
Non-executive director					
— Zhang Yang	–	–	–	–	–
	720	8,900	–	280	9,900

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

	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

(1) On 18 September 2013, Yang Hansong has been appointed as the vice chairman and chief executive officer of the Company and ceased to act as the president of the Company on the same date. His remuneration disclosed above includes the remuneration for service rendered by him as the president or the chief executive officer of the Company.

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 (2012: Nil).

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included five directors (2012: 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 2013 includes a loss of RMB114,657,000 (2012: a profit of RMB86,084,000) which has been dealt with the financial statements of the Company (Note 35).

NOTES TO FINANCIAL STATEMENTS

31 December 2013

12. DIVIDENDS

	2013 RMB'000	2012 RMB'000
Proposed final HK$0.15 (2012: HK$0.10) (approximately RMB0.12) per ordinary share	303,885	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

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 2,557,311,429 (2012: 2,528,818,064) in issue during the year.

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	2013 RMB'000	2012 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	1,006,805	709,699

	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year	2,557,311,429	2,528,818,064

Earnings per share	2013 RMB	2012 RMB
Basic and diluted	0.39	0.28

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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
31 December 2013							
At 31 December 2012 and at 1 January 2013:							
Cost	1,831,666	136,978	157,566	140,712	540,630	383,214	3,190,766
Accumulated depreciation	(212,283)	(40,234)	(56,695)	(58,076)	(103,214)	–	(470,502)
Net carrying amount	1,619,383	96,744	100,871	82,636	437,416	383,214	2,720,264
At 1 January 2013, net of accumulated depreciation	1,619,383	96,744	100,871	82,636	437,416	383,214	2,720,264
Additions	78,896	92,324	–	–	–	1,012,211	1,183,431
Disposals	(78,999)	(27,341)	(315)	(3,215)	(237,577)	–	(347,447)
Disposal of a subsidiary (Note 36)	(15,597)	–	(23)	(244)	(180)	(1,321)	(17,365)
Depreciation provided during the year	(60,263)	(20,877)	(21,632)	(23,422)	(102,301)	–	(228,495)
Transfers	64,788	193,370	46,736	35,870	398,857	(739,621)	–
At 31 December 2013, net of accumulated depreciation	1,608,208	334,220	125,637	91,625	496,215	654,483	3,310,388
At 31 December 2013:							
Cost	1,855,142	388,379	203,914	169,830	636,227	654,483	3,907,975
Accumulated depreciation	(246,934)	(54,159)	(78,277)	(78,205)	(140,012)	–	(597,587)
Net carrying amount	1,608,208	334,220	125,637	91,625	496,215	654,483	3,310,388

NOTES TO FINANCIAL STATEMENTS
31 December 2013

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	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
31 December 2012							
At 1 January 2012:							
Cost	579,774	79,731	60,244	39,583	122,668	134,719	1,016,719
Accumulated depreciation	(125,122)	(18,771)	(19,222)	(18,504)	(36,103)	–	(217,722)
Net carrying amount	454,652	60,960	41,022	21,079	86,565	134,719	798,997
At 1 January 2012, net of accumulated depreciation	454,652	60,960	41,022	21,079	86,565	134,719	798,997
Additions	359,715	9,596	21,723	20,841	213,259	697,160	1,322,294
Disposals	(1,237)	(731)	(461)	(4,442)	(80,141)	–	(87,012)
Acquisition of subsidiaries	454,727	36,824	47,874	51,985	180,975	35,502	807,887
Depreciation provided during the year	(50,232)	(10,954)	(9,287)	(6,849)	(44,580)	–	(121,902)
Transfers	401,758	1,049	–	22	81,338	(484,167)	–
At 31 December 2012, net of accumulated depreciation	1,619,383	96,744	100,871	82,636	437,416	383,214	2,720,264
At 31 December 2012:							
Cost	1,831,666	136,978	157,566	140,712	540,630	383,214	3,190,766
Accumulated depreciation	(212,283)	(40,234)	(56,695)	(58,076)	(103,214)	–	(470,502)
Net carrying amount	1,619,383	96,744	100,871	82,636	437,416	383,214	2,720,264

As at 31 December 2013, the application for the property ownership certificates for certain buildings with a net book value of approximately RMB1,449,233,000 (2012: RMB1,505,962,000) was still in progress.

Certain of the Group's buildings with an aggregate net book value of nil (2012: RMB48,671,000) as at 31 December 2013 were pledged as security for the Group's bank borrowings (Note 27(a)).

NOTES TO FINANCIAL STATEMENTS
31 December 2013

15. PREPAID LAND LEASE PAYMENT

	2013 RMB'000	2012 (Restated) RMB'000
Cost:		
At the beginning of the year	294,074	179,045
Additions	106,125	–
Acquisition of subsidiaries	–	115,029
At the end of the year	400,199	294,074
Accumulated amortisation:		
At the beginning of the year	16,898	4,421
Charge for the year	6,281	1,836
Amortisation capitalised	1,401	1,757
Acquisition of subsidiaries	–	8,884
At the end of the year	24,580	16,898
Net book value:		
At the end of the year	375,619	277,176

As at 31 December 2013, the application for the land use right certificates for a certain land with a net book value of approximately RMB116,934,000 (2012: RMB22,837,000) 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 RMB5,110,000 (2012: RMB141,012,000) as at 31 December 2013 were pledged as security for the Group's bank loans and other borrowings (Note 27 (a)).

NOTES TO FINANCIAL STATEMENTS
31 December 2013

16. INTANGIBLE ASSETS

	Software RMB'000	Dealership agreements RMB'000	Customer relationship RMB'000	Club membership RMB'000	Total RMB'000
Cost:					
At 1 January 2013	16,399	675,650	297,900	2,454	992,403
Additions	290	–	–	–	290
Disposal	(1,396)	–	–	–	(1,396)
At 31 December 2013	15,293	675,650	297,900	2,454	991,297
Accumulated amortisation:					
At 1 January 2013	5,539	953	3,337	14	9,843
Charge for the year	2,548	16,891	19,861	85	39,385
Disposal	(1,137)	–	–	–	(1,137)
At 31 December 2013	6,950	17,844	23,198	99	48,091
Net book value:					
At 31 December 2013	8,343	657,806	274,702	2,355	943,206

	Software RMB'000	Dealership agreements RMB'000	Customer relationship 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 (as restated)	13,372	675,650	297,900	–	986,922
At 31 December 2012	16,399	675,650	297,900	2,454	992,403
Accumulated amortisation:					
At 1 January 2012	238	–	–	–	238
Charge for the year	570	953	3,337	14	4,874
Acquisition of subsidiaries (as restated)	4,731	–	–	–	4,731
At 31 December 2012	5,539	953	3,337	14	9,843
Net book value:					
At 31 December 2012	10,860	674,697	294,563	2,440	982,560

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 relationship is amortised over 15 years and the dealership agreements are amortised over 40 years, which are management's best estimation of their useful lives.

NOTES TO FINANCIAL STATEMENTS
31 December 2013

17. PREPAYMENTS

	31 December 2013 RMB'000	31 December 2012 RMB'000
Prepayments of purchase of items of plant, property and equipment	237,674	–
Long term deposits	53,489	39,458
Prepaid rental	67,300	49,854
Prepayments for land use rights	44,497	44,315
Prepayments for potential acquisitions	–	30,000
	402,960	163,627

18. GOODWILL

	31 December 2013 RMB'000	31 December 2012 RMB'000
Cost:		
At the beginning of the year	75,674	–
Acquisition of subsidiaries	–	75,674
	75,674	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 22.5%.

NOTES TO FINANCIAL STATEMENTS
31 December 2013

18. GOODWILL *(Continued)*

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 bases 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.

19. INVESTMENT IN A JOINT VENTURE

	31 December 2013 RMB'000	31 December 2012 RMB'000
Share of net assets	38,233	27,689

瀋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 joint venture of the Group and is considered to be a related party of the Group.

(a) Particulars of a joint venture

Joint Venture	Place and business 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	RMB10,000,000	50%	50%	50%	Sale and service of motor vehicles

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19. INVESTMENT IN A JOINT VENTURE *(Continued)*

(b) The following table illustrates the summarised financial information of the Group's joint venture that is not material:

	31 December 2013 RMB'000	31 December 2012 RMB'000
Share of the joint venture's profit for the year	10,544	14,443
Share of the joint venture's total comprehensive income for the year	10,544	14,443
Aggregate carrying amount of the Group's investments in the joint ventures	38,233	27,689

The Group's amount due from the joint venture is disclosed in Note 42 in the financial statements.

20. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2013 RMB'000	31 December 2012 RMB'000
Unlisted equity investment, at cost	16,518	17,035

The Company acquired NCGA Holdings Limited (the "NCGA Group") on 1 December 2012. The NCGA Group held a 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 the intention to dispose of it in the near future.

21. INVENTORIES

	31 December 2013 RMB'000	31 December 2012 RMB'000
Motor vehicles	2,694,793	1,944,504
Spare parts and accessories	307,493	230,146
	3,002,286	2,174,650

Certain of the Group's inventories with an aggregate carrying amount of RMB177,304,000 (2012: RMB298,746,000) as at 31 December 2013 were pledged as security for the Group's bank loans and other borrowings (Note 27(a)).

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21. INVENTORIES *(Continued)*

Certain of the Group's inventories with an aggregate carrying amount of RMB1,764,229,000 (2012: RMB1,201,571,000) as at 31 December 2013 were pledged as security for the Group's bills payable.

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

22. TRADE AND BILLS RECEIVABLES

	31 December 2013 RMB'000	31 December 2012 RMB'000
Trade receivables	556,939	504,286
Bills receivable	–	847,887
	556,939	1,352,173

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. The Group does not offer any credit to the Group's customers for automobile purchases or for out-of-warranty repairs that are not covered by insurance. However, the Group generally provides a credit term of two to three months to automobile manufacturers for the reimbursement of costs relating to the in-warranty repair services. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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 2013 RMB'000	31 December 2012 RMB'000
Within 3 months	500,320	1,321,068
More than 3 months but less than 1 year	47,026	27,429
Over 1 year	9,593	3,676
	556,939	1,352,173

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

	31 December 2013 RMB'000	31 December 2012 RMB'000
Neither past due nor impaired	547,346	1,348,497
Over 1 year past due	9,593	3,676
	556,939	1,352,173

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.

NOTES TO FINANCIAL STATEMENTS

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22. TRADE AND BILLS RECEIVABLES *(Continued)*

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 2013 RMB'000	31 December 2012 RMB'000
Group		
Prepayments to suppliers	1,691,508	1,664,537
Prepayments for purchase of items of plant, property and equipment	–	5,605
Rebate receivables	2,192,432	1,454,447
VAT recoverable(i)	136,475	134,902
Staff loans	11,519	12,262
Prepaid interest expense	41,491	8,774
Receivable from disposal of a subsidiary	10,000	–
Others	85,543	27,029
	4,168,968	3,307,556
Company		
Prepaid interest expense	2,802	–
Others	1,050	2,319
	3,852	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.

NOTES TO FINANCIAL STATEMENTS
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24. PLEDGED BANK DEPOSITS

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Deposits pledged with banks as collateral against		
— letters of credit granted by the banks	89,679	110,000
— bill facilities granted by the banks	2,169,187	2,504,531
— short term bank loans granted by the banks	511,020	–
	2,769,886	2,614,531

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Deposits pledged with banks as collateral against		
— short term bank loans granted by the banks	300,912	–

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.

25. CASH IN TRANSIT

	31 December 2013 RMB'000	31 December 2012 RMB'000
Cash in transit	89,716	88,166

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 2013 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	31 December 2012 RMB'000
Cash and bank balances	2,016,628	2,663,017	336,361	254,956
Short term deposits	4,298	5,152	–	–
Cash and cash equivalents	2,020,926	2,668,169	336,361	254,956

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 RMB1,330,308,000 (2012: RMB2,197,828,000). 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2013

27. BANK LOANS AND OTHER BORROWINGS
Group

		31 December 2013		
		Effective interest rate (%)	Original maturity	RMB'000
Current				
Bank loans				
— secured	(a)	5.47	on demand	222,068
— secured	(a)	1.85	2014	153,857
— secured	(a)	Libor*+1.1%	2014	670,697
— secured	(a)	Libor*+3%	2014	304,845
— secured	(a)	6.16–9.40	2014	255,757
— unsecured		5.60–9.00	2014	3,819,793
Other borrowings				
— secured	(a)	7.19–10.33	2014	81,910
— unsecured		6.33–9.76	2014	298,757
Current portion of long term bank loans				
— secured	(a)	6.77	2014	40,000
— unsecured		7.38	2014	10,000
				5,857,684
Non-current				
Bank loans				
— secured	(a)	Libor*+3%	2015	11,570
— secured	(a)	6.77	2015	140,000
— unsecured		Libor*+3.7%	2015–2016	1,012,574
				1,164,144
				7,021,828

NOTES TO FINANCIAL STATEMENTS
31 December 2013

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

Group *(Continued)*

		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 2013

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

		31 December 2013		
		Effective interest rate (%)	Original maturity	RMB'000
Current				
Bank loans				
— secured	(a)	5.47	on demand	222,068
— secured	(a)	Libor*+1.1%	2014	670,697
— secured	(a)	Libor*+3%	2014	304,845
				1,197,610
Non-current				
Bank loans				
— secured	(a)	Libor*+3%	2015	11,570
— unsecured		Libor*+3.7%	2015–2016	1,012,574
				1,024,144
				2,221,754

		31 December 2012		
		Effective interest rate (%)	Original maturity	RMB'000
Current				
Bank loans				
— secured	(a)	5.47	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

* London Inter-Bank Offered Rate

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

(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 RMB5,110,000 (2012: RMB141,012,000) as at 31 December 2013;

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of nil (2012: RMB48,671,000) as at 31 December 2013;

(iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB177,304,000 (2012: RMB298,746,000) as at 31 December 2013;

(iv) letters of credit issued by banks in Mainland China with a total amount of approximately RMB613,000,000 (2012: RMB1,410,000,000) as at 31 December 2013. The letters of credit were secured by the pledge of the entire shares in Suzhou Baoxin Automobile Sales & Services Co., Ltd. and Shanghai Baoxin Automobile Sales & Services Co., Ltd., and pledged bank deposits of RMB13,000,000. (2012: 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);

(v) mortgages over the entire shares Suzhou Baoxin Automobile Sales & Services Co., Ltd. and Shanghai Baoxin Automobile Sales & Services Co., Ltd. as at 31 December 2013 (2012: entire shares in NCGA Holding Limited, Suzhou Baoxin Automobile Sales & Services Co., Ltd. and Shanghai Baoxin Automobile Sales & Services Co., Ltd.); and

(vi) the pledge of certain of the Group's time deposits amounting to RMB511,020,000 (2012: Nil).

(b) Certain of the Group's bank loans which amounted to nil (2012: RMB30,000,000) were guaranteed by a certain third party as at 31 December 2013.

NOTES TO FINANCIAL STATEMENTS
31 December 2013

28. TRADE AND BILLS PAYABLES

	31 December 2013 RMB'000	31 December 2012 RMB'000
Trade payables	120,040	107,834
Bills payable	4,244,309	4,306,764
Trade and bills payables	4,364,349	4,414,598

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

	31 December 2013 RMB'000	31 December 2012 RMB'000
Within 3 months	4,227,539	4,117,606
3 to 6 months	131,677	291,068
6 to 12 months	300	1,671
Over 12 months	4,833	4,253
	4,364,349	4,414,598

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

29. OTHER PAYABLES AND ACCRUALS

	31 December 2013 RMB'000	31 December 2012 RMB'000
Group		
Advances from customers	513,512	555,435
Advances and deposits from distributors	7,873	9,301
Taxes payable (other than income tax)	54,084	127,412
Payables for purchase of items of property, plant and equipment	10,990	26,652
Payables for purchase of land use rights	25,094	–
Payables for purchase of equity interests from third parties	–	37,807
Lease payables	25,292	20,189
Interest payables	11,810	12,682
Staff payroll and welfare payables	26,230	20,639
Others	47,151	68,158
	722,036	878,275
Company		
Taxes payable (other than income tax)	–	3,871
Interest payables	603	–
Others	1,119	–
	1,722	3,871

30. BONDS

	Group and Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Non-current	374,632	365,566

NOTES TO FINANCIAL STATEMENTS

31 December 2013

30. BONDS *(Continued)*

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

	31 December 2013 RMB'000	31 December 2012 RMB'000
At the beginning of the year	365,566	–
Interest expense	20,345	–
Exchange realignment	(11,279)	–
Issuance of the bonds	–	365,566
At the end of the year	374,632	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.

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 12% to 21% (2012: 11% to 22%) of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries. The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 5% to 15% (2012: 7% to 12%) of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

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

NOTES TO FINANCIAL STATEMENTS

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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 follows:

	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 2012	3,591	1,458	1,521	1,495	8,065
Deferred tax arising from acquisition of subsidiaries	50,887	9,984	152	7,973	68,996
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	(17,794)	2,009	398	(6,188)	(21,575)
At 31 December 2012 and 1 January 2013	36,684	13,451	2,071	3,280	55,486
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	6,749	(1,540)	219	(1,022)	4,406
Disposal of a subsidiary	(673)	–	–	–	(673)
At 31 December 2013	42,760	11,911	2,290	2,258	59,219

NOTES TO FINANCIAL STATEMENTS

31 December 2013

32. DEFERRED TAX *(Continued)*

(b) Deferred tax liabilities

	Depreciation allowances in excess of related depreciation RMB'000	Capitalisation of adjustment costs in relation to construction in progress RMB'000	Fair value arising from acquisition of subsidiaries RMB'000	Gain on exchange of assets RMB'000	Total RMB'000
At 1 January 2012	–	8,535	–	–	8,535
Deferred tax arising from acquisition of subsidiaries (as restated)	–	–	257,524	–	257,524
Deferred tax recognised in the consolidated statements of profit or loss during the year (Note 8(a))	–	2,330	(1,143)	–	1,187
At 31 December 2012 and 1 January 2013	–	10,865	256,381	–	267,246
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	3,403	10,550	(9,638)	54,000	58,315
At 31 December 2013	3,403	21,415	246,743	54,000	325,561

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China 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 retained earnings as at 31 December 2007 are exempted from the withholding tax.

32. DEFERRED TAX *(Continued)*

(b) Deferred tax liabilities *(Continued)*

At 31 December 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and a joint venture established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and the joint venture will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and the joint venture in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB2,880,524,000 at 31 December 2013 (2012: RMB1,607,447,000).

The Group has tax losses arising in Mainland China of RMB70,867,000 (2012: RMB47,901,000) that will expire in two to five years for offsetting against future taxable profits.

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

33. SHARE CAPITAL

Shares	2013
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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

33. SHARE CAPITAL *(Continued)*

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

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares RMB'000	Share premium RMB'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000
At 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 (a))	28,571,492	286	180,572	232	146,417
At 31 December 2012, 1 January 2013 and 31 December 2013	2,557,311,492	25,573	2,815,654	20,836	2,293,481

Notes:

(a) 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.

(b) Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the financial statements.

34. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include employees of the Company and its subsidiaries. The Scheme became effective on 22 April 2013 and, unless otherwise cancelled or amended, will remain in force for three years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 13,150,000 shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer. An amount of HK$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one year and ends on the expiry date of the Scheme.

34. SHARE OPTION SCHEME *(Continued)*

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average of the closing prices of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Share.

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

	2013	
	Weighted average exercise price HK$ per share	Number of options
At 1 January	–	–
Granted during the year	6.83	13,150,000
At 31 December	6.83	13,150,000

No share options were exercised during the year.

The exercise period of the share options outstanding as at 31 December 2013 is from 23 April 2014 to 22 April 2016.

The fair value of the share options granted during the year was RMB23,020,000 (RMB1.75 each), of which the Group recognised a share option expense of RMB15,925,000 during the year ended 31 December 2013.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2013
Dividend yield (%)	1.59%
Expected volatility (%)	52.69%
Risk-free interest rate (%)	0.17%
Underlying price (HK$ per share)	6.83

As the Company's stock has been listed for only about 1.5 years as the valuation date, which is much shorter than the time to expiry of the employee share options, the average of the historical volatility of the Company's stock calculated from the stock's available historical prices and the average of the historical stock volatilities of several comparable companies is used to approximate the Company's stock volatility.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

34. SHARE OPTION SCHEME *(Continued)*

At the end of the reporting period, the Company had 13,150,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 13,150,000 additional ordinary shares of the Company and additional share capital of HK$131,500 and share premium of HK$89,683,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 13,150,000 share options outstanding under the Scheme, which represented approximately 0.51% of the Company's shares in issue as at that date.

35. 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.

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35. RESERVES *(Continued)*
Company

	Share premium RMB'000	Share options reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
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
Total comprehensive income for the year	–	–	(58,158)	(114,657)	(172,815)
Equity-settled share-based transactions	–	15,925	–	–	15,925
Proposed final dividend	(303,885)	–	–	–	(303,885)
As at 31 December 2013	1,868,372	15,925	(72,317)	(114,657)	1,697,323

36. DISPOSAL OF A SUBSIDIARY

	2013 RMB'000
Net assets disposed of:	
Property, plant and equipment	17,365
Deferred tax assets	673
Cash and bank balances	1,596
Inventories	801
Trade receivables	1,298
Prepayments and other receivables	2,334
Accruals and other payables	(16,279)
	7,788
Gain on disposal of a subsidiary	2,212
	10,000
Satisfied by:	
Cash	10,000

NOTES TO FINANCIAL STATEMENTS
31 December 2013

36. DISPOSAL OF A SUBSIDIARY *(Continued)*

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

	2013 RMB'000
Cash consideration	–
Cash and bank balances disposed of	(1,596)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(1,596)

37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the year, the Group entered into a compensation arrangement in respect of disposal of property, plant and equipment with a third party which will be settled by properties that will be handed over to the Company when completed. The total amount involved in the non-cash transaction was RMB216,000,000.

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 2013 RMB'000	At 31 December 2012 RMB'000
Trade and bills receivables	556,939	1,352,173
Financial assets included in prepayments, deposits and other receivables	2,314,494	1,510,738
Amounts due from related parties	41,188	42,969
Pledged bank deposits	2,769,886	2,614,531
Cash in transit	89,716	88,166
Cash and cash equivalents	2,020,926	2,668,169
	7,793,149	8,276,746

NOTES TO FINANCIAL STATEMENTS

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38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost	
	At 31 December 2013 RMB'000	At 31 December 2012 RMB'000
Trade and bills payables	4,364,349	4,414,598
Financial liabilities included in other payables and accruals	103,116	174,789
Amounts due to related parties	–	1,353
Bank loans and other borrowings	7,021,828	6,537,599
Bonds	374,632	365,566
	11,863,925	11,493,905

Company

Financial assets

	Loans and receivables	
	At 31 December 2013 RMB'000	At 31 December 2012 RMB'000
Amounts due from subsidiaries	2,681,382	2,557,940
Pledged bank deposits	300,912	–
Cash and cash equivalents	336,361	254,956
	3,318,655	2,812,896

Financial liabilities

	Financial liabilities at amortised cost	
	At 31 December 2013 RMB'000	At 31 December 2012 RMB'000
Financial liabilities included in other payables and accruals	1,722	3,871
Amount due to a subsidiary	7,587	7,824
Bank loans	2,221,754	1,318,517
Bonds	374,632	365,566
	2,605,695	1,695,778

NOTES TO FINANCIAL STATEMENTS

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39. CONTINGENT LIABILITIES

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

	31 December 2013 RMB'000	31 December 2012 RMB'000
Guarantees given to banks in connection with facilities granted to third parties	4,800	223,900

40. COMMITMENTS

(a) Capital commitments

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

	31 December 2013 RMB'000	31 December 2012 RMB'000
Contracted, but not provided for:		
Land use rights and buildings	354,900	137,500
Authorised, but not contracted for:		
Land use rights and buildings	410,000	735,000
	764,900	872,500

(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 2013			At 31 December 2012		
	Properties RMB'000	Land RMB'000	Vehicles RMB'000	Properties RMB'000	Land RMB'000	Vehicles RMB'000
Within 1 year	85,297	55,399	8,884	79,297	55,757	455
After 1 year but within 5 years	236,501	146,170	35,538	227,915	169,398	–
After 5 years	327,630	513,244	44,422	285,040	586,756	–
	649,428	714,813	88,844	592,252	811,911	455

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

41. PLEDGE OF ASSETS

Details of the Group's and the Company'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.

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.

(a) Transactions with related parties

(i) 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. for 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.

(ii) 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 RMB800,000, respectively, in 2013 (2012: RMB400,000 and RMB150,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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 2013 RMB'000	31 December 2012 RMB'000
Non-trade related:		
The Controlling Shareholder		
— Mr. Yang Aihua	353	134
A joint venture		
— Shenyang Xinbaohang	40,835	42,835
	41,188	42,969

(ii) *Amounts due to related parties:*

	31 December 2013 RMB'000	31 December 2012 RMB'000
Non-trade related:		
Available-for-sale investment		
— Qingdao Motors (H.K.) Limited	–	1,353
	–	1,353

As at 31 December 2013, balances with related parties were unsecured and non-interest-bearing and had no fixed repayment terms.

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

	31 December 2013 RMB'000	31 December 2012 RMB'000
Short term employee benefits	13,575	12,950
Post-employee benefits	580	552
Total compensation paid to key management personnel	14,155	13,502

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

NOTES TO FINANCIAL STATEMENTS
31 December 2013

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair value of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial liabilities				
Bonds	374,632	365,566	379,276	360,216
Banks loans	1,164,144	779,789	1,164,481	779,789

Company

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial liabilities				
Bonds	374,632	365,566	379,276	360,216

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

Management has assessed that the fair values of non-current portion of bank loans and other borrowings with floating interest rates approximate to their carrying amounts because the interest rates are adjusted periodically by reference to the fair market interest rates.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of non-current portion of the bank loans and other borrowings with fixed interest rate and bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank loans and bonds as at 31 December 2013 was assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

Group

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bonds	–	–	379,276	379,276
Banks loans	–	–	1,164,481	1,164,481
	–	–	1,543,757	1,543,757

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bonds	–	–	360,216	360,216
Banks loans	–	–	779,789	779,789
	–	–	1,140,005	1,140,005

NOTES TO FINANCIAL STATEMENTS
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43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(Continued)

Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed: (Continued)

Company

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bonds	–	–	379,276	379,276

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bonds	–	–	360,216	360,216

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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.

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	Increase/ (decrease) in profit before tax RMB'000
2013		
US$	50	73,982
US$	(50)	(73,982)
2012		
US$	50	256
US$	(50)	(256)

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

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 deposits, 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 2013, 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. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

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:

Group
As at 31 December 2013

	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	222,068	1,739,943	3,846,153	1,498,787	–	7,306,951
Bonds	–	–	–	454,770	–	454,770
Trade and bills payables	120,040	3,749,485	494,824	–	–	4,364,349
Financial liabilities in other payables and accruals	103,116	–	–	–	–	103,116
	445,224	5,489,428	4,340,977	1,953,557	–	12,229,186

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31 December 2013

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

Liquidity risk *(Continued)*

Group (Continued)

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 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
Amount due to related parties	1,353	–	–	–	–	1,353
	612,594	5,198,116	4,766,610	1,373,157	–	11,950,477

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:

Company

As at 31 December 2013

	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	225,585	15,631	1,016,162	1,124,954	–	2,382,332
Bonds	–	–	–	454,770	–	454,770
Financial liabilities in other payables and accruals	1,722	–	–	–	–	1,722
Amount due to a subsidiary	7,587	–	–	–	–	7,587
	234,894	15,631	1,016,162	1,579,724	–	2,846,411

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

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

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 2013.

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 2013 RMB'000	31 December 2012 (Restated) RMB'000
Bank loans and other borrowings	7,021,828	6,537,599
Trade and bills payables	4,364,349	4,414,598
Other payables and accruals	722,036	878,275
Amounts due to related parties	–	1,353
Bonds	374,632	365,566
Less: Cash and cash equivalents	(2,020,926)	(2,668,169)
Net debt	10,461,919	9,529,222
Equity attributable to owners of the parent	4,670,116	3,873,641
Gearing ratio	69.1%	71.1%

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45. INVESTMENTS IN SUBSIDIARIES

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Unlisted shares, at cost	1,289,307	1,266,818
Capital contributions in respect of employee and share-based compensation	15,925	–
	1,305,232	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 RMB2,681,382,000 (2012: RMB2,557,940,000) and RMB7,587,000 (2012: RMB7,824,000), respectively, are unsecured, interest-free, and are repayable on demand. The carrying amounts of these amounts due from subsidiaries and amount due to a subsidiary approximate to their fair values.

As at 31 December 2013, the Company had direct or indirect interests in the following subsidiaries:

			Proportion of ownership interest		
Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	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

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45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

			Proportion of ownership interest		
Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Held by the Company	Held by a subsidiary	Principal activities
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
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

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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
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

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
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
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

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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
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
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
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

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
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

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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
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
常熟寶鼎汽車服務有限公司 (Changshu Baoding Automobile Sales & 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

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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
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
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

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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
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

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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
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服務有限公司 (Beijing Chen De Bao Auto Sales and Service 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
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

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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
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
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

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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
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
上海天華路捷汽車貿易有限公司 (Shanghai Tianhua Lujie Automobile Trading Co., Ltd.)	Shanghai the PRC 2013	Registered and paid-in capital of US$1,000,000	–	100%	Dormant
上海集達投資管理有限公司 (Shanghai Jida Investing Management Co., Ltd.)	Shanghai the PRC 2013	Registered and paid-in capital of US$2,000,000	–	100%	Dormant
上海呈嘉投資管理有限公司 (Shanghai Chengjia Investing Management Co., Ltd.)	Shanghai the PRC 2013	Registered and paid-in capital of US$2,000,000	–	100%	Dormant
北京寶信行汽車銷售服務有限公司 (Baoxinhang Auto Sales and Services Co., Ltd.)	Beijing the PRC 2013	Registered and paid-in capital of RMB10,000,000	–	100%	Dormant
寧波天華路捷汽車銷售服務有限公司 (Ningbo Tianhua Lujie Auto Sales and Services Co., Ltd.)	Ningbo the PRC 2013	Registered capital of US$10,000,000 and paid-in capital of US$0	–	100%	Dormant
義烏市博駿汽車銷售服務有限公司 (Yiwu Bojun Auto Sales and Services Co., Ltd.)	Yiwu the PRC 2013	Registered and paid-in capital of RMB50,000,000	–	80%	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	Proportion of ownership interest Held by a subsidiary	Principal activities
嘉興恒駿汽車銷售服務有限公司 (Jiaxing Hengjun Auto Sales and Services Co., Ltd.)	Jiaxing the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	80%	Sale of motor vehicles
紹興博駿汽車銷售服務有限公司 (Shaoxing Bojun Auto Sales and Services Co., Ltd.)	Shaoxing the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	80%	Sale of motor vehicles
杭州納通汽車貿易有限公司 (Hangzhou Natong Automobile Trading Co., Ltd.)	Hangzhou the PRC 2013	Registered and paid-in capital of RMB2,000,000	–	100%	Dormant
上海鼎信融資租賃有限公司 (Shanghai Dingxin Financial Leasing Co. Ltd.)	Shanghai the PRC 2013	Registered and paid-in capital of US$10,000,000	100%	–	Investment services
上海博駿保險代理有限公司 (Shanghai Bojun Insurance Agency Ltd.)	Shanghai the PRC 2013	Registered and paid-in capital of RMB50,000,000	–	100%	Dormant
杭州榮嘉廣告有限公司 (Hangzhou Rongjia Advertising Co., Ltd.)	Hangzhou the PRC 2013	Registered and paid-in capital of RMB1,000,000	–	100%	Advertising services
上海鑫然廣告有限公司 (Shanghai Xinran Advertising Co., Ltd.)	Shanghai the PRC 2013	Registered and paid-in capital of RMB1,000,000	–	100%	Advertising services
無錫開隆置業有限公司 (Wuxi Kailong Real Estate Co., Ltd.)	Wuxi the PRC 2013	Registered capital of RMB70,000, 000 and paid-in capital of RMB31,500,000	–	100%	Investment services
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 2013	Registered and paid-in capital of RMB10,000,000	–	100%	Dormant
聯鷹集團有限公司 (Eagle Reach Group Ltd.)	Tortola, British Virgin Islands, 2013	Registered capital of nil	100%	–	Investment holding trading and consulting

46. EVENTS AFTER THE REPORTING PERIOD

There is no significant subsequent event undertaken by the Company or by the Group after 31 December 2013.

47. ADJUSTMENT MADE DURING THE MEASUREMENT PERIOD TO PROVISIONAL AMOUNTS

The Group disclosed in its 2012 financial statements that the initial accounting for the business combination has not been completed because the appraisal of intangible assets, land use rights and property, plant and equipment have not yet been finalised.

During the current year, the Company received the independent appraisal of which the acquisition-date fair values of intangible assets, prepaid land lease payments and property, plant and equipment were RMB939,841,000, RMB106,145,000 and RMB746,680,000, respectively.

The Group retrospectively adjusted the 2012 prior year information as follows:

(a) The carrying amount of intangible assets as of 31 December 2012 is decreased by RMB2,015,000. That adjustment is measured as the fair value adjustment at the acquisition date of RMB1,200,000 plus the additional amortization of RMB815,000 that would have been recognised if the asset's fair value at the acquisition date had been recognised from that date.

(b) The carrying amount of prepaid land lease payments as of 31 December 2012 is decreased by RMB6,244,000. That adjustment is measured as the fair value adjustment at the acquisition date of RMB6,262,000 less the amortization of RMB18,000 that would have been reversed if the asset's fair value at the acquisition date had been recognised from that date.

(c) The carrying amount of deferred tax liabilities as of 31 December 2012 is decreased by RMB2,065,000, which is resulted from the changes in the carrying amounts of intangible assets and land use rights as of 31 December 2012.

(d) Other income and gains (gain on bargain purchase) for the year ended 31 December 2012 is decreased by RMB5,596,000 to RMB106,226,000.

(e) Amortisation expense for the year ended 31 December 2012 is increased by RMB797,000.

(f) Tax expense for the year ended 31 December 2012 is decreased by RMB199,000.

48. APPROVAL OF THESE FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2014.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended December 31,				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
REVENUE	30,081,687	18,092,903	12,010,929	7,716,564	5,164,730
Cost of sales and services provided	(27,161,294)	(16,510,006)	(10,721,181)	(7,028,566)	(4,726,644)
Gross profit	2,920,393	1,582,897	1,289,748	687,998	438,086
Other income and gains, net	468,872	373,793	93,756	37,482	26,965
Selling and distribution expenses	(946,815)	(461,187)	(256,629)	(177,100)	(133,756)
Administrative expenses	(538,713)	(261,411)	(166,977)	(90,985)	(68,596)
Profit from operations	1,903,737	1,234,092	959,898	457,395	262,699
Finance costs	(544,601)	(336,906)	(128,397)	(48,378)	(26,033)
Share of profit/(loss) of a joint venture	10,544	14,443	5,372	2,907	(33)
Profit before tax	1,369,680	911,629	836,873	411,924	236,633
Income tax expense	(355,345)	(190,743)	(221,041)	(104,266)	(60,788)
Profit for the year	1,014,335	720,886	615,832	307,658	175,845
Attributable to:					
Owners of the parent	1,006,805	709,699	601,905	303,940	174,756
Non-controlling interests	7,530	11,187	13,927	3,718	1,089
	1,014,335	720,886	615,832	307,658	175,845
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	17,871,726	16,567,725	7,780,400	3,257,695	1,830,477
TOTAL LIABILITIES	(13,148,461)	(12,633,074)	(4,726,575)	(1,719,457)	(1,264,523)
NON-CONTROLLING INTEREST	(53,149)	(61,010)	(36,072)	(72,665)	(3,720)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	4,670,116	3,873,641	3,017,753	1,465,573	562,234

BAOXIN AUTO GROUP LIMITED
寶信汽車集團有限公司