



HARMONY AUTO
和諧汽車

中國和諧汽車控股有限公司

China Harmony Auto Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 3836



2014
Annual Report

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Corporate Information

Board of Directors

Executive Directors

Mr. Feng Changge (*Chairman*)
Mr. Yu Feng
Mr. Yang Lei
Mr. Cui Ke
Ms. Ma Lintao

Non-executive Director

Mr. Wang Nengguang

Independent Non-executive Directors

Mr. Xiao Changnian
Mr. Liu Zhangmin
Mr. Xue Guoping

Audit Committee

Mr. Xiao Changnian (*Chairman*)
Mr. Liu Zhangmin
Mr. Xue Guoping

Remuneration Committee

Mr. Xue Guoping (*Chairman*)
Mr. Liu Zhangmin
Mr. Yang Lei

Nomination Committee

Mr. Feng Changge (*Chairman*)
Mr. Xue Guoping
Mr. Xiao Changnian

Company Secretary

Ms. Wong Wai Yee, Ella

Authorized Representatives

Mr. Yang Lei
Ms. Wong Wai Yee, Ella

Auditors

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

Principal Banks

China CITIC Bank, Zhengzhou Branch
Shanghai Pudong Development Bank, Zhengzhou Branch
China Merchants Bank, Zhengzhou Branch
The Bank of East Asia, Zhengzhou Branch
Bank of Communications, Zhengzhou Branch

Registered Office

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business and Headquarter in the PRC

15A, Tower A, World Trade Center Building,
Shangwunehuan Road
CBD Zhengdongxin District
Zhengzhou, Henan Province
PRC

Principal Place of Business in Hong Kong

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

Cayman Islands Share Registrar

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Share Registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Compliance Adviser

REORIENT Financial Markets Limited
11/F, Far East Finance Centre
16 Harcourt Road, Admiralty
Hong Kong

Company's website

www.hexieauto.com

Stock Code

3836

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the “Board”) of China Harmony Auto Holding Limited (“China Harmony Auto” or the “Company” or “we”), I am pleased to present the report for the results of the Company and its subsidiaries (collectively referred to as the “Group”) for 2014.

The Company made remarkable achievements in 2014

In 2014, our 4S outlets' brand influence and sales network were further expanded and are steadily growing; and our comprehensive after-sales services business was proactively expanded and are rapidly growing. Our revenue, profit and other financial indicators experienced rapid growth in 2014, which was primarily attributable to our distinctive network expansion and development strategies that stress on the exclusive sales of luxury and ultra-luxury passenger vehicles in 4S outlets, the sales of luxury passenger vehicles in the central-western regions to establish our dominant and leading position in certain such regions which ensures our profitability and quality, the sales of ultra-luxury passenger vehicles in the first-tier cities and eastern economically developed coastal regions to establish our dominant and leading position in such regions, as well as the opening of outlets in the prime locations of the core cities. Given that the comprehensive after-sales services business requires less investment and has a short period of construction, we continued to focus exclusively on the brands of luxury and ultra-luxury automobiles and were capable of tapping into the maturing luxury and ultra-luxury automobile services market to build the Company's own brands in the field of car maintenance. Upholding the principles of “Profitability and Quality First” rather than reckless expansion in scale, the Company strived to maximise the return to our shareholders.

Rapid growth in our operating results

In 2014, China Harmony Auto continued to enhance its operating capability and therefore realized revenue of RMB10,196 million, representing a year-on-year increase of 22.4%, of which our revenue from the sales of new passenger vehicles was approximately RMB8,947 million, up by 17.6% as compared to year 2013, and our revenue from after-sales services amounted to approximately RMB1,249 million, up by 72.8%. In 2014, the Company sold 20,308 new passenger vehicles, representing a year-on-year increase of 27.3%. We achieved net profit of RMB546 million, representing a robust growth of 34.0%, thereby delivering satisfactory results to our shareholders.

Steady development strategy of 4S outlets for luxury and ultra-luxury passenger vehicles

The Company believes that with huge potential for growth, China's passenger vehicle market will slow down and stabilize in the future. As one of the leading dealership groups that deals exclusively in luxury and ultra-luxury passenger vehicles in China, the Company is committed to fully exert its leading role to slow down expansion of its 4S outlet network and cultivate more matured outlet network.

Meanwhile, after-sales services of maturing 4S outlets have become one of the most important drivers of our operation and our profit growth. In particular, the new 4S outlets opened during the past two years are becoming increasingly matured, which have expanded our customer base and resulted in strong growth in revenue from after-sales services of our 4S outlets.

The business growth of the Company was mainly attributable to the organic growth of its own businesses rather than expansionary growth by acquisition. We have always attached high importance to the development of insurance and finance businesses. In 2014, insurance and finance businesses contributed to a rapid growth in our commission income. We highly value the development of our automobile after-markets business. The Group has specially established its after-markets business department and intensified its business development of competitive products, accessories, car retrofitting and car tuning. Meanwhile, we acquired Shanghai Gocar Pre-owned Automobile Co., Ltd. (上海谷卡二手车有限公司) and endeavored to develop our second-hand vehicle business. Currently, we have established an online and offline platform for our second-hand vehicle business by promoting strategic cooperation with renowned domestic Internet platforms such as Tmall.com to promote second-hand vehicle business and after-sales services business.

Aggressive development strategy of comprehensive repair and maintenance services for luxury and ultra-luxury passenger vehicles

In the past decade, China's high-end automobile market maintained a sustained growth and its luxury and ultra-luxury automobiles market achieved a steady growth, making it the second largest high-end automobile market in the world, only behind the U.S. From a long-term perspective, with the continuous growth in the sales of new vehicles and the number of vehicles in use in China, the after-sales market will inevitably become the "golden niche" in the PRC automobile industry, which is highly lucrative and sustainable. Comprehensive after-sales business is an innovative business firstly launched by the Group in 2013. It is an innovation reform of after-sales maintenance service in the PRC and in line with the development trend of the PRC automobile market, which has strong competitiveness in the automobile after-sales services market. With reference to the internationally accepted practice and through one year practical operation, the Company has established its own operation model of "Harmony comprehensive after-sales" and has built its famous brand of Harmony car maintenance. Looking into the near future, our fast-growing comprehensive after-sales outlets, which are in operation or will be in operation, will make greater contribution to the growth of our after-sales services, which in return will generate stable cash flows and considerable profits for us.

Proactive Development Strategy for Community Chain Business Featuring Quick Repair and Insurance Services

As the comprehensive after-sales services network has reached maturity, the Group will establish quick repair and insurance services outlets in communities where our targeted customers are concentrated in order to offer more convenient and regulated vehicle maintenance and insurance services by leveraging our comprehensive after-sales services centers widely present in each city. We adopt the business strategies of setting comprehensive after-sales services outlets as parent stores with community outlets serving as satellite stores and mobile stores covering the neighbourhood, as well as a combination of online and offline operations approaches to expand our customer base and furnish our customer with more convenient and standardized automobile repair and insurance services so as to further increase our bonding with customers and enhance the awareness of the brand "China Harmony", and further strengthen our dominant position and competitiveness in after-sales market. We firmly believe that those who are closer to customers will be better able to secure the customers and finally the market.

Proactive Development Strategy for New Energy Vehicles

New energy vehicle will be the future direction of global automobile development and also a revolution of the traditional automobile industry, and this revolution has already taken place. The Group has seized this opportunity to proactively development new energy vehicle business:

We have entered into all-round after-sales collaboration with Tesla Motors, Inc. for plate work and paint spraying, and have currently opened eight service outlets. Other service outlets are in the pipeline, and will commence operation soon.

In December 2014, Hon Hai Group (through its wholly-owned subsidiary) subscribed for 128,734,000 shares in the Company, representing approximately 10% of the total issued share capital of the Company, with a view to build a strategic relationship to cooperate with the Group in exploring the business of new energy vehicles. The subscription was completed on March 2, 2015. The aggregate gross proceed of the subscription is HK\$608,911,820 and the proceeds is intended for use in the new energy vehicle business.

On December 30, 2014, the Company entered into a letter of intent in respect of the proposed acquisition of shares in Zhejiang Green Field Motor Co., Ltd., which is one of the leading manufacturers of new energy electric vehicles in the PRC. This acquisition has not been completed as at the date of this announcement.

On March 23, 2015, the Company entered into a strategic cooperation framework agreement in respect of "internet + intelligent electric car" with Tencent and Foxconn Technology Group, to actively explore innovative cooperation on the project of internet + intelligent electric car.

We believe that technology-based internet electric vehicles are not only a revolution to traditional vehicles, but also to the manufacturing mode, manoeuvrability as well as business model. This will provide an opportunity for China's automobile industry to overtake its competitors. New energy vehicles are bound to become a brand new industry which is expected to sustain its boom in China.

Parallel Imports of Vehicles

As the PRC Government has lifted the restrictions on parallel import of vehicles in Free Trade Zones, there is an additional sales channel other than the 4S stores in distribution of parallel imported cars. The Company has been accredited as one of the first few pilot enterprises to sell parallel imported cars within the Shanghai Free Trade Zone with the approval of Shanghai Municipal Commission of Commerce and China (Shanghai) Free Trade Zone Administration. The Company will conduct online marketing and offline delivery of vehicles through its physical outlets. We have entered into cooperation with tmall.com, suning.com, jd.com and other internet platforms to conduct sales of new automobiles, after-sales services, insurance and finance, and car modification leveraging on our own advantage of physical outlets.

Innovative Development Strategy for High Value-added Business

We are committed to expanding our luxury and ultra-luxury car business, and have accumulated client resources of 300,000 high-end clients over the past decade. We are fully integrating and utilizing these high-end customers resources to innovate and develop high-value-added services. Examples include: Our cooperation with Shenzhen Dajiang Innovations Technology Co., Ltd to innovate intelligent aerial photography drone and our discussion with high-end smartphone manufacturers for tailor-made high-tech products and services for our high-end customers using our existing luxury and ultra-luxury car showroom platform. These innovative high value-added businesses will become our new businesses and profit growth drivers.

The Company delivered remarkable results in 2014, which was attributable to the continuing effort of all our staff, as well as the strong support of all our shareholders and business partners. On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all of them. With constant effort and desire for excellence, we will deliver fruitful results and remarkable return to our shareholders.

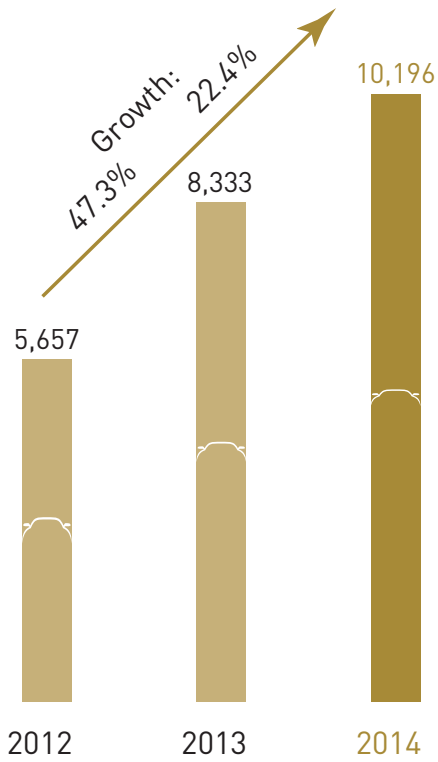
Feng Changge

Chairman

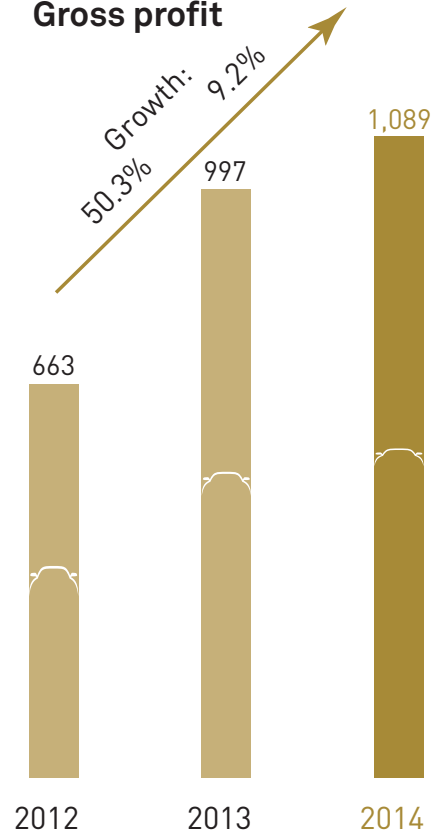
March 26, 2015

Financial Highlights

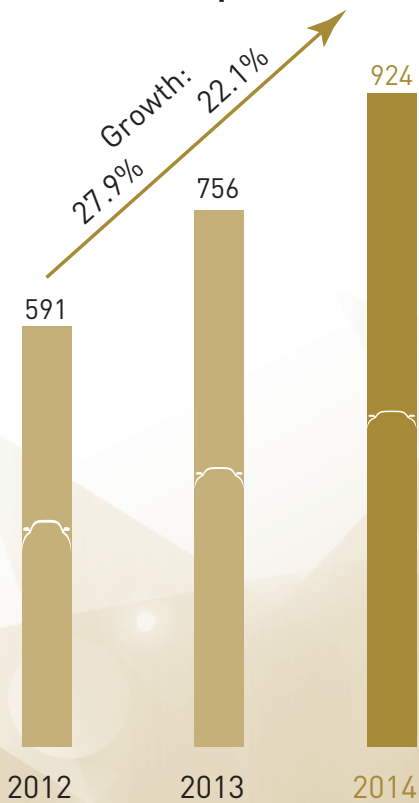
Revenue



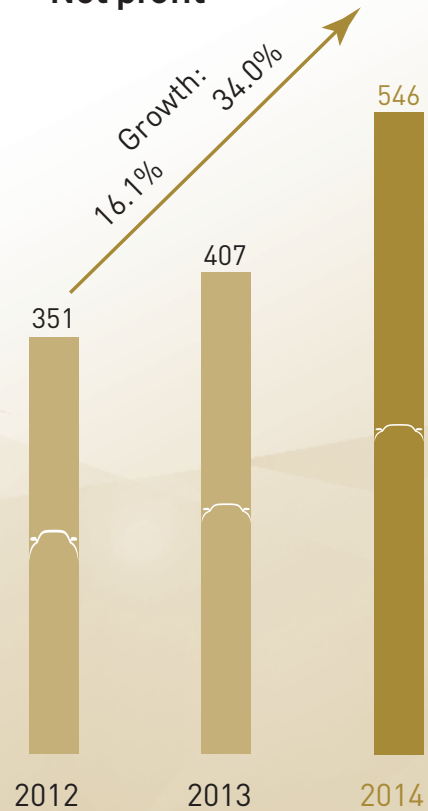
Gross profit



Profit from operations



Net profit



Management Discussion and Analysis



INDUSTRY OVERVIEW

In 2014, with its structural adjustment continuously optimizing, China's overall economy remained sound and healthy and has been showing a generally positive development momentum. According to the data released by the National Bureau of Statistics, China's gross domestic product (GDP) for 2014 reached RMB63.6 trillion, representing a year-on-year increase of 7.4%, outperforming all other major economies in the world.

Looking back to China's automobile market in 2014, China remained the largest automobile market (in terms of total number of cars sold) in the world, surpassing the United States. Its sales of luxury vehicles were close to that of the United States year by year. In particular, sales of BMW were 455,000 units, representing a 16.7% increase over the previous year; sales of Land Rover and Jaguar were 122,000 units, representing a 28.1% increase over the previous year; sales of Lexus were 85,000 units, representing a 15% increase over the previous year.

BUSINESS OVERVIEW

In view of the fundamentals of steady growth achieved by China's luxury and ultra-luxury automobile markets as well as the fact that the domestic automobile market is in the process of upgrading and transformation, the Group will continue to implement its six development strategies, namely steady development strategy for 4S outlets, proactive development strategy for comprehensive after-sales services, proactive development strategy for community chain business featuring quick repair and insurance services, development strategy for parallel imports of automobiles, innovative development strategy for high value-added business and proactive development strategy for new energy vehicles. We believe that the Company will achieve a new milestone with further expansion of its business.

The Group further deepened its internal restructuring while maintaining steady development, and has made significant progress during the year. Currently, the Group has a total of 89 sales and after-sales outlets of luxury and ultra-luxury vehicles, of which 46 outlets are 4S stores and 43 outlets (including 8 new energy vehicles service outlets) are comprehensive after-sales stores, covering 13 luxury and ultra-luxury brands, such as Rolls-Royce, Aston Martin, Ferrari, Maserati, BMW, Land Rover, Jaguar, Lexus, MINI, Volvo, Infiniti, Lincoln and Zinoro.

Our Six Development Strategies

1. Steady Development Strategy for 4S Outlets

The Group has always focused on quality and profitability rather than reckless expansion in scale so as to maximize the interests of shareholders. The Group has formulated seven unique strategies for developing and establishing its network in order to lay a solid foundation for the development and profit growth of the Company:

- 1) adhere to sales of luxury and ultra-luxury brands;
- 2) adhere to develop the market for luxury brands in the central-western regions and establish a monopoly and dominant position in certain regions, so as to ensure profitability and quality;
- 3) adhere to develop the market for ultra-luxury brands in the first-tier cities and economically developed eastern coastal regions, thereby gradually form our monopoly and dominant position;
- 4) adhere to maintain outlets at prime locations of core cities;
- 5) adhere to a light-asset and highly efficient business model;
- 6) vigorously explore auxiliary business of 4S stores and related after-sales business; and
- 7) focus on quality and profitability rather than reckless expansion in scale.

2. Proactive Development Strategy for Comprehensive After-sales Services

With reference to internationally accepted practices and our experiences through practical operation, the Group has established its own operation model of “Harmony Comprehensive after-sales”, which comprises the following aspects:

- 1) to cooperate with leading insurance companies on vehicles damaged in accidents in all aspects;
- 2) to extend maintenance and repair services for customers whose luxury and/or ultra-luxury vehicles are out of warranty period;
- 3) to provide maintenance and repair services for parallel imported vehicles and to make delivery of new vehicles to customers;
- 4) to guide online customers to experience services offline through cooperation with Internet platforms;
- 5) to cooperate with new energy vehicle manufacturers for delivery of new vehicles and provision of after-sales services; and
- 6) to provide man-hour service in cooperation with automobile parts suppliers.

3. Proactive Development Strategy for Community Chain Business Featuring Quick Repair and Insurance Services

As the comprehensive after-sales services network has reached maturity, the Group will establish quick repair and insurance services outlets in communities where our targeted customers are concentrated in order to offer more convenient and regulated vehicle maintenance and insurance services by leveraging our comprehensive after-sales services centers widely present in each city. We adopt the business strategies of setting comprehensive after-sales services outlets as parent stores with community outlets serving as satellite stores and mobile stores covering the neighbourhood, as well as a combination of online and offline operations approaches to furnish our customer with more convenient and standardized automobile repair and insurance services so as to further increase our bonding with customers and enhance the awareness of the brand “China Harmony”, and further strengthen our dominant position and competitiveness. We firmly believe that those who are closer to customers will be better able to secure the customers and finally the market.

4. Parallel Imports of Vehicles

As the PRC Government has lifted the restrictions on parallel import of vehicles in Free Trade Zones, there is an additional sales channel other than the 4S stores in distribution of parallel imported cars. The Company has been accredited as one of the first few pilot enterprises to sell parallel imported cars within the Shanghai Free Trade Zone with the approval of Shanghai Municipal Commission of Commerce and Shanghai Free Trade Zone Administration. The Company will conduct online marketing and offline delivery of vehicles through its physical outlets. It is difficult to conclude a transaction through online platform alone as vehicles are sophisticated bulk commodities. Customers must inspect and experience the vehicle in person, obtain hire-purchase financing, conduct Pre Delivery Inspection (PDI) and receive delivery of their cars and enjoy after-sales services through physical stores. We have entered into cooperation with tmall.com, jd.com, suning.com and other internet platforms to facilitate conduct of parallel imports of automobiles business through our physical outlets, which will mainly involve:

- 1) sales of new cars: to place orders online and make delivery of cars off-line at physical outlets;
- 2) after-sales services: to use our existing network to provide after-sales maintenance, warranty and repair services;
- 3) insurance and financing: to provide customers with comprehensive insurance and warranty services as well as hire-purchase financing; and
- 4) car modification: to provide customized car modification services according to customers’ specific requirements, primarily modification of the exterior appearance and interior finishing and installation of options to enhance overall comfortability and manoeuvrability.

5. Innovative Development Strategy for High Value-added Business

The Company utilizes its existing outlets to consolidate the customer base of 300,000 high-end customers and to innovate and develop high value-added business. For example, the intelligent aerial photography drone developed in cooperation with Shenzhen Dajiang Innovations Technology Co., Ltd, and cooperation with high-end smartphone manufacturer for tailor made high-tech products and services. We endeavour to foster a high-end industry ecosystem by taking advantage of our high-end platform and customer resources. These innovative high value-added businesses will become our new businesses and profit growth drivers.

6. Proactive Development Strategy for New Energy Vehicles

New energy vehicle will be the future direction of global automobile development and also a revolution of the traditional automobile industry, and this revolution has already taken place. The Group has seized this opportunity to proactively integrate resources to support the development of new energy vehicle business:

- 1) we have entered into all-round after-sales collaboration with Tesla Motors, Inc. for plate work and paint spraying, and have currently opened eight service outlets;
- 2) on December 22, 2014, Hon Hai Group (through its wholly-owned subsidiary) subscribed for 128,734,000 shares in the Company, representing approximately 10% of the then total issued share capital of the Company, with a view to build a strategic relationship to cooperate with the Group in exploring the business of new energy vehicles. The subscription was completed on March 2, 2015. The aggregate gross proceeds of the subscription is HK\$608,911,820 and the proceeds are intended for use in the new energy vehicle business;
- 3) on March 23, 2015, the Company entered into a strategic cooperation framework agreement in respect of “internet + intelligent electric car” with Tencent and Foxconn Technology Group, to actively explore innovative cooperation on the project of internet + intelligent electric car in Zhengzhou, Henan Province. In response to the internet and intelligent trend of the global automobiles industry, the three parties to the agreement will form a joint professional work team to create efficient and convenient, energy efficient, safe and reliable internet + intelligent electric cars with Tencent’s insight into the internet industry and leading internet-based open platform for innovation, combined with Foxconn’s design and manufacturing expertise in innovating and integrating high-tech mobile terminals and intelligent electric vehicles. Moreover, the parties will jointly introduce a feasible business model of internet + intelligent electric car to tap on the Company’s leading position in marketing and services of high-end automobiles. Tencent, Foxconn Technology Group and the Company will jointly innovate business model and products through combination of software and hardware resources and integrate virtual and physical outlets so as to complement their respective advantages in their own fields. They will conduct research and development of new-generation network-based intelligent electric cars in full scale for the purpose of improving the environment, the eco-system and the industrial chain;
- 4) under the strategic cooperation framework for “internet + intelligent electric car”, the Company will cooperate with Tencent and Foxconn Technology Group in “internet + other aspects”; and
- 5) on December 30, 2014, the Company entered into a letter of intent in respect of the proposed acquisition of shares in Zhejiang Green Field Motor Co., Ltd., which is one of the leading manufacturers of new energy electric vehicles in the PRC. This acquisition has not been completed as at the date of this report.

We believe that technology-based internet electric vehicles are not only a revolution to traditional vehicles, but also to the manufacturing mode, manoeuvrability as well as business model. This will provide an opportunity for China’s automobile industry to overtake its competitors. New energy vehicles are bound to become a brand new industry which is expected to sustain its boom in China.

Financial Overview

Revenue

Our revenue for 2014 was RMB10,195.9 million, representing an increase of 22.4% from RMB8,332.7 million in 2013. This increase was primarily attributable to an increase in revenue from sales of new passenger vehicles and after-sales service revenue of 4S outlets and comprehensive after-sales outlets.

Revenue from sales of new passenger vehicles increased by 17.6% from RMB7,609.8 million in 2013 to RMB8,946.6 million in 2014, accounting for 87.7% of the revenue. Such growth in sales of new passenger vehicles were mainly attributable to an increasing demand for luxury and ultra-luxury passenger vehicles as well as a rise in sales driven by the increasing maturity of newly-established outlets of the Group. In 2014, the Group's sales of new vehicles was 20,308 units, representing an increase of 4,360 units or 27.3% as compared with 15,948 units for 2013. Sales of luxury and ultra-luxury passenger vehicles in 2014 were 19,442 units and 866 units respectively, up by 24.4% and 168.9% respectively as compared with that in 2013. In 2014, revenue derived from sales of luxury and ultra-luxury passenger vehicles amounted to RMB7,724.5 million and RMB1,222.1 million, respectively, accounting for 86.3% and 13.7% of the revenue from sales of new vehicles and representing an increase of 13.6% and 50.9% as compared with RMB6,799.8 million and RMB810.0 million in 2013.

In 2014, our after-sales services revenue grew significantly due to the increasing maturity of our 4S outlets and the commencement of operation of our comprehensive after-sales services from late 2013. Revenue from after-sales services amounted to RMB1,249.3 million in 2014, representing an increase of 72.8% as compared with that for 2013. Our after-sales services revenue as a percentage of the total revenue increased from 8.7% in 2013 to 12.3% in 2014. In particular, revenue from after-sales services generated by our 4S outlets increased to RMB966.4 million in 2014, representing an increase of 35.5% as compared with RMB713.2 million in 2013. Such increase was attributable to the increasing maturity of our outlets developed during earlier periods and the demand for after-sales services brought by a growing customer base. Since the fourth quarter of 2013, we have opened 43 comprehensive after-sales service outlets that serve as high-end maintenance workshops specializing in after-sales services, premium accessories installation, and car insurance services for luxury and ultra-luxury passenger vehicles. As a result of the robust growth in revenue following our quick penetration into the enormous luxury and ultra-luxury passenger vehicles market, our comprehensive after-sales services outlets contributed after-sales service revenue of RMB282.9 million in 2014, accounting for 22.6% of the revenue from our after-sales services in 2014. Looking into the near future, we believe that the fast-growing business of the comprehensive after-sales services outlets, which are in operation or will soon commence operation, will make greater contribution to the growth of our after-sales services and generate solid profits for us.

Cost of sales and services

Our cost of sales and services increased by 24.1% from RMB7,335.6 million in 2013 to RMB9,106.6 million in 2014 which is largely in line with the increase in our revenue. Cost of sales attributable to sales of new passenger vehicles increased by 21.4% from RMB6,944.8 million in 2013 to RMB8,429.2 million in 2014. Cost of sales attributable to after-sales services increased by 73.3% from RMB390.8 million in 2013 to RMB677.4 million in 2014.

Gross profit and gross profit margin

Our gross profit increased by RMB92.2 million or 9.2% to RMB1,089.3 million in 2014 from RMB997.1 million in 2013. Our gross profit margin for 2014 slightly decreased to 10.7% from 12.0% in 2013.

Our gross profit from sales of new passenger vehicles for 2014 was RMB517.4 million (2013: RMB665.0 million). In 2014, the gross profit margin for sales of new passenger vehicles was 5.8% (2013: 8.7%). The decrease in gross profit margin was mainly attributable to the overall sluggish performance of the automobile market in 2014, which pushed the inventory index upward. In order to speed up the turnover of our inventories and reduce inventory level, the Group has taken various measures, such as providing customers with discounts, promotional packages and free gifts, leading to a lower gross profit margin for sales of new vehicles.

Our gross profit from after-sales services surged by 72.2% from RMB332.1 million in 2013 to RMB571.9 million in 2014. Our gross profit from after-sales services as a percentage of our total gross profit increased to 52.5% in 2014 from 33.3% in 2013. With a growing customer base attributable to our maturing 4S outlets and an expanding market share, gross profit from after-sales services provided by our 4S outlets increased by 35.3% from RMB327.9 million in 2013 to RMB443.6 million in 2014. Our network of newly opened comprehensive after-sales services outlets contributed RMB128.3 million to our after-sales gross profit in 2014, which accounted for 22.4% of the total gross profit from after-sales services. The gross profit margin of after-sales services was 45.8% in 2014, almost the same as 2013 (2013: 45.9%).

Selling and administrative expenses

Our selling and administrative expenses increased by 17.6% to RMB639.8 million in 2014 from RMB544.0 million in 2013. The selling and administrative expenses in 2014 included non-cash charge of RMB28.8 million in respect of equity-settled share award and depreciation and amortization expenses of RMB110.6 million (2013: RMB23.8 million and RMB75.1 million). Excluding the aforesaid factors, selling and administrative expenses increased by 12.4% as compared with last year, which was lower than the growth rate of revenue of 22.4%. In particular, the cash-settled selling and administrative expenses as a percentage of our revenue decreased by 0.4%, primarily due to the fact that (i) the Group implemented strict control over administrative expenses, and practiced economy by reducing travel, entertainment and office expenses; (ii) the Group integrated the services provided by different advertisement services providers for conducting consolidated promotional activities, thereby improving the effectiveness of the marketing activities and saving marketing expenses relatively; and (iii) the Group adopted a policy of “those who are competent will take charge” to effectively consolidate human resources costs.

Management Discussion and Analysis

Other income and gains, net

In 2014, our other income and gains, net was RMB474.1 million, up by 100.0% as compared with RMB237.1 million in 2013 (excluding interest income from the Controlling Shareholder), and the increase was primarily due to:

- the commission income for 2014 was RMB228.5 million, representing an increase of 41.4% as compared with RMB161.6 million in 2013. The significant increase was primarily attributable to (i) increase in sales of new passenger vehicles; (ii) as compared with cash payment, more new passenger vehicles were purchased using the financing services provided by manufacturers, which led to higher financing coverage; (iii) more and more customers used the insurance and extended insurance services we recommended when purchasing new passenger vehicles; (iv) the proportion of new vehicles adopting installation of premium accessories was on the rise to satisfy the customized requirements of customers for vehicles; and (v) we specially established our second-hand vehicle business segment in the Group and acquired Shanghai Gocar Pre-owned Automobile Co., Ltd. (上海谷卡二手車有限公司), improving the selection and replacement rates of second-hand vehicles; and
- a 62.0% increase in bank interest income from RMB38.4 million in 2013 to RMB62.2 million in 2014, primarily attributable to the increase in our bank deposits.

Profit for the year

Owing to the reasons discussed above, our profit for 2014 amounted to RMB545.7 million, representing a 34.0% increase from RMB407.1 million in 2013.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

Our cash was primarily used to finance purchases of passenger vehicles, spare parts and automobile accessories, to establish new dealership outlets and after-sales outlets and to fund our working capital and normal operating expenses. We financed our liquidity needs through a combination of bank loans and other borrowings and cash flows generated from our operating activities.

Our net cash generated from operating activities was RMB362.5 million and RMB260.6 million in 2014 and 2013, respectively. Net cash used in investing activities was RMB440.9 million and RMB1,450.6 million in 2014 and 2013, respectively. Net cash generated from financing activities was RMB125.8 million and RMB1,629.9 million (including the net proceeds of RMB1,202.8 million from the Global Offering) in 2014 and 2013, respectively.

Taking into account our existing cash and cash equivalents, anticipated cash flow from our operating activities, available bank facilities and other borrowings and issuances of new shares which took place in 2015, the Board believes that our liquidity needs can be satisfied.

Net current assets

As at December 31, 2014, we had net current assets of RMB126.2 million, as compared with net current assets of RMB429.7 million as at December 31, 2013.

Capital expenditure

Our capital expenditure (which was primarily for purchase of items of property, plant and equipment in connection with establishment of new outlets) was RMB1,066.9 million for the year ended December 31, 2014, as compared with RMB693.4 million for the year ended December 31, 2013.

Inventory

Our inventories primarily consist of new passenger vehicles, spare parts and automobile accessories. Each of our outlets individually manages its orders for new passenger vehicles and after-sales products, but the sales policy of each outlet is subject to guidance from the business department of our headquarters, and a monthly report is submitted by each outlet to our headquarters for review.

Our inventories decreased by RMB40.3 million or 2.6% from RMB1,526.8 million as at December 31, 2013 to RMB1,486.5 million as at December 31, 2014, primarily due to a decrease in our inventory of new passenger vehicles by 6.0% from RMB1,441.1 million as at December 31, 2013 to RMB1,355.3 million as at December 31, 2014. Slow-moving inventories of vehicles were reduced as our management had an accurate judgment about the expected demand from the passenger vehicle market, implemented a precautionary inventory control system, and strengthened promotional efforts at the beginning of the year and formulated appropriate promotional and marketing plans and relevant measures based on market conditions. In addition, we also consolidated inventory management within the Group, optimized our inventory mix and improved the efficiency of goods allocation among outlets, which in turn contributed to reduction in inventories.

Our average inventory turnover days in 2014 were 60 days, a slight increase from 55 days in 2013, which was mainly attributable to the large opening balance of inventories at the beginning of 2014 (as the Group opened more 4S outlets in the fourth quarter of 2013, resulting in a build up of inventory at the end of 2013 and at the beginning of 2014). Based on the closing balance of our inventories at the end of the period, our inventory turnover days in 2014 were 59 days, representing a dramatic decrease of approximately 16 days as compared with 2013 (2013: 75 days). The decrease was mainly due to the above mentioned measures taken by our management in 2014 to gradually dispose of and reduce our complete vehicles inventory and bulk inventories of vehicles, optimized our inventory mix, which in turn enhanced the utilisation efficiency of our inventories and capital.

Management Discussion and Analysis

Bank loans and other borrowings

As at December 31, 2014, we had bank loans and other borrowings in the aggregate amount of RMB3,131.1 million, as compared with RMB2,720.3 million as at December 31, 2013. The table below sets forth a breakdown of our bank loans and other borrowings as at the indicated dates:

	December 31, 2014 RMB'000	December 31, 2013 RMB'000
Bank loans repayable:		
Within one year or on demand	2,471,014	1,951,447
In the second year	33,138	15,360
In the third to fifth year	69,170	32,880
	2,573,322	1,999,687
Other borrowings repayable:		
Within one year or on demand	557,750	720,598
Total	3,131,072	2,720,285

Our gearing ratio, which is calculated by net debt (total debt minus cash and cash equivalents and structured deposits) divided by the total equity attributable to owners of the parent plus net debt, was 52.8% (2013: 57.9%) as at December 31, 2014.

As at December 31, 2014, our bank loans and other borrowings amounting to RMB1,365.3 million were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as at December 31, 2014 consisted of (i) inventories in the amount of RMB560.2 million; (ii) property, plant and equipment in the amount of RMB34.2 million; and (iii) land use rights in the amount of RMB12.7 million. In addition, our bank loans and other borrowings amounting to RMB1,191.0 million were guaranteed by the Controlling Shareholder or affiliates of the Controlling Shareholder.

Contingent liabilities

As at December 31, 2014, we did not have any material contingent liabilities or guarantees.

Interest rate risk and foreign exchange risk

We are exposed to interest rate risk resulting from fluctuations in interest rate on our debt. Certain of our borrowings bear floating interest rates that are mostly linked to the benchmark rates of the People's Bank of China. Increase in interest rate could result in an increase in our cost of borrowing. If this occurs, it will adversely affect our finance costs, profit and our financial condition. The interest rates on bank loans and overdrafts in China depend on the benchmark lending rates published by the People's Bank of China. We do not currently use any derivative instruments to manage our interest rate risk.

Substantially all of our revenue, cost of revenue and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. We do not believe our operations are currently subject to any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk.

Employees and remuneration policies

As at December 31, 2014, the Group had a total of 3,476 employees (December 31, 2013: 2,584 employees). Relevant staff cost in 2014 was approximately RMB322.9 million (including employee share incentive of RMB28.8 million), while our staff cost was approximately RMB196.9 million (including employee share incentive of RMB23.8 million) in 2013. Pursuant to the restricted share unit scheme ("**RSU Scheme**") adopted by the Company in May 2013 and amended by the Board with the consent from each RSU Scheme participant in August 2013, a total of 19,110,898 share underlying the RSU Scheme, of which 1,878,786 shares has lapsed as at December 31, 2014, granted to several directors, senior management members and employees of the Group, three of which are existing Directors. No RSU awards have been vested to any RSU Scheme participant for the year ended December 31, 2014. Please refer to the paragraph headed "Restricted Share Unit Scheme" on pages 38 to 39 of this annual report, for further details of the RSU Scheme. The Group will regularly review its remuneration policy and the benefits to its employees with reference to market practice and the performance of individual employees.

HUGE POTENTIAL GROWTH

We will continue to enhance our strength in operations of premium branded automobile business, consolidate our leading position in outstanding brand automobile dealership market in China.





Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended December 31, 2014.

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to formulate its business strategies and policies, and to enhance its transparency and accountability.

For the year ended December 31, 2014, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions.

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the period commencing from the Listing Date to December 31, 2014.

BOARD OF DIRECTORS

The Board of the Company comprises the following directors:

Executive Directors:

Mr. FENG Changge (*Chairman*)

Mr. YU Feng (*Chief Executive Officer*)

Mr. YANG Lei (*Chief Operating Officer and Vice-president*)

Mr. CUI Ke (*Vice-president*)

Ms. MA Lintao

Non-executive Director:

Mr. WANG Nengguang

Independent Non-executive Directors:

Mr. XIAO Changnian
Mr. LIU Zhangmin
Mr. XUE Guoping

The biographical information of the Directors are set out in the section headed “Directors and Senior Management” on pages 30 to 34 of this annual report. The relationships between the members of the Board are also disclosed under that section.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. FENG Changge and Mr. YU Feng respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company’s business development and daily management and operations generally.

Independent Non-executive Directors

During the year ended December 31, 2014, 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 with one of whom possessing appropriate professional qualifications or 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.

Executive Directors, Non-executive Director and Directors’ Re-election

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, whereas code provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The executive Directors, Mr. FENG Chengge, Mr. YU Feng, Mr. YANG Lei and Mr. CUI Ke, have each entered into a service agreement with the Company for a term of three years commencing from September 24, 2012 while Ms. MA Lintao has entered into a service agreement with the Company for a term of three years commencing from January 31, 2013.

The non-executive Director, Mr. WANG Nengguang, has signed an appointment letter with the Company for a term of three years commencing from September 24, 2012.

Corporate Governance Report

Each of the independent non-executive Directors, Mr. XIAO Changnian, Mr. LIU Zhangmin and Mr. XUE Guoping, has signed an appointment letter with the Company for a term of three years commencing from March 18, 2013.

In accordance with the Company's Articles of Association, all Directors are subject to retirement by rotation and re-election at an annual general meeting at least once every three years and any Director appointed to fill a casual vacancy shall hold office until the first general meeting and any Director appointed as an addition to the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

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. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of their responsibilities as a Director and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should 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 appropriate.

The Company had from time to time provided relevant reading materials including industry updates and corporate governance to all Directors subsequent to the listing of the Company for their reference and studying. This is to ensure that all the Directors are sufficiently aware of their responsibilities under the Listing Rules and other relevant regulatory requirements.

In addition, the Directors of the company had participated in various trainings and/or read materials of relevant topics, including:

- Corporate strategic management/Corporate operational management
- Financial strategic management
- Investment strategies
- Research on audit development strategies

The Company understands that the Directors should participate in appropriate continuous professional development programs to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The Company established the Audit Committee on May 20, 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and code provision C.3 of the CG Code.

The Audit Committee consists of three members, namely Mr. XIAO Changnian (chairman), Mr. LIU Zhangmin and Mr. XUE Guoping, all of whom are independent non-executive Directors of the Company (including one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held three meetings to review interim and annual financial results and reports during of the year ended December 31, 2014 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, cope of work and appointment of external auditors.

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

Remuneration Committee

The Company established the Remuneration Committee on May 20, 2013 with written terms of reference in compliance with code provision B.1 of the CG Code.

The Remuneration Committee consists of three members, namely independent non-executive Directors Mr. XUE Guoping (chairman) and Mr. LIU Zhangmin and executive Director Mr. YANG Lei.

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, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held a meeting during the year ended December 31, 2014. During the meeting, the Remuneration Committee reviewed and made recommendations in relation to the remuneration packages of the executive Directors and senior management.

Nomination Committee

The Company established the Nomination Committee on May 20, 2013 with written terms of reference in compliance with code provision A.5 of the CG Code.

The Nomination Committee consists of three members, namely executive Director Mr. FENG Changge (chairman) and independent non-executive Directors Mr. XIAO Changnian and Mr. XUE Guoping.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Company firmly believes that the increasing diversity at the board level is one of essential elements in supporting the attainment of its strategic objectives and its sustainable development, therefore, the Company has adopted a Board Diversity Policy in accordance with the requirement set out in the CG Code.

The Nomination Committee held a meeting during the year ended December 31, 2014 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualification of the retiring directors standing for election at the Annual General Meeting.

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 the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Record of Directors and Board Committee Members

The attendance record of each Director at the Board meetings and Board committee meetings of the Company held during the year ended December 31, 2014, is set out in the table below:

Name of Director	Attendance/Number of Meetings				Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
Mr. FENG Changge	6/6	N/A	N/A	1/1	1/1
Mr. YU Feng	6/6	N/A	N/A	N/A	0/1
Mr. YANG Lei	6/6	N/A	1/1	N/A	1/1
Mr. CUI Ke	5/6*	N/A	N/A	N/A	0/1
Ms. MA Lintao	5/6*	N/A	N/A	N/A	0/1
Mr. WANG Nengguang	6/6	N/A	N/A	N/A	1/1
Mr. XIAO Changnian	6/6	3/3	N/A [#]	N/A [#]	0/1
Mr. LIU Zhangmin	6/6	3/3	1/1	N/A	0/1
Mr. XUE Guoping	6/6	3/3	1/1	1/1	1/1

* Mr. CUI Ke authorized Mr. Yu Feng to exercise the voting right on the board meeting held on August 29, 2014. Ms. MA Lintao authorized Mr. FENG Changge to exercise the voting right on the board meeting held on August 29, 2014.

[#] Mr. XIAO Changnian became a member of the Nomination Committee on June 25, 2014. After the said appointment, the Nomination Committee did not hold any meeting during the year ended December 31, 2014.

Apart from regular Board meetings, the Chairman also held a meeting with the non-executive Directors (including the independent non-executive Directors) without the presence of executive Directors during the year ended December 31, 2014.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2014.

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 statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 44 to 45.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended December 31, 2014 is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	3,900
Non-audit Services	–
	3,900

INTERNAL CONTROLS

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

COMPANY SECRETARY

Ms. WONG Wai Yee, Ella of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. She has satisfied the training requirement during the period from the Listing Date to December 31, 2014, under Rule 3.29 of the Listing Rules.

The primary contact person at the Company is Mr. YANG Shengjun, Board Secretary of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at shareholders' meetings, including the election of individual Directors. All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules, unless otherwise required by the Listing Rules and poll voting results will be posted on the websites of the Company and of the Stock Exchange after each shareholders' meeting.

Convening an Extraordinary General Meeting and putting forward proposals at Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders should follow the requirements and procedures as set out above for putting forward proposals at extraordinary general meetings of the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Name: YANG Shengjun
Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Fax: (852) 2956 2192
Email: ir@hnhxjt.com

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

Shareholders may call the Company at (852) 2980 1888 for any assistance.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

The 2015 Annual General Meeting of the Company ("**AGM**") will be held on May 8, 2015. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.hexieauto.com where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

During the period from the Listing Date to December 31, 2014, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Directors and Senior Management

Executive Directors

FENG Changge (馮長革), aged 44, is an Executive Director and the Chairman of the Board. Mr. FENG was appointed as an executive Director of the Company on September 24, 2012 and is responsible for the overall strategic and business direction of the Group. He is the founder of the Group, and has been in the automobile industry since 2005 when he founded Henan Zhongdebao Automobile Sales & Services Co., Ltd, our wholly-owned subsidiary and the first BMW dealership outlet in Henan Province. Mr. FENG graduated with a bachelor's degree in economic law from Central South Institute of Law (中南政法學院) (now known as Zhongnan University of Economics and Law (中南財經政法大學)) in 1992 and received a master's degree in law from the same institution in 2001. After graduation in 1992, Mr. FENG entered the judiciary in Henan Province, serving as assistant judge and judge of the Higher People's Court of Henan Province (河南省高級人民法院). In 2002, Mr. FENG left the judicial system and established a law firm, while at the same time starting various business enterprises. He became involved in real estate investment through his vehicle, Yuanda Investment, and was also involved in the auction and valuation businesses. He is also the controlling shareholder of Hexie Industrial Group, a privately owned group headquartered in Zhengzhou Henan Province, China, with business interests focusing on branded and luxury lifestyle goods and services, including property development, golf courses and automobile sales. Over the past three years, Mr. FENG has not been a director of any other listed companies. Mr. FENG is the husband of Ms. MA Lintao and the uncle of Ms. FENG Guo.

YU Feng (喻峰), aged 46, is the chief executive officer of the Group and was appointed an executive Director of our Company on September 24, 2012. He oversees the day-to-day business and management of the Group. Mr. YU graduated from Central South Institute of Law (中南政法學院)(now known as Zhongnan University of Economics and Law (中南財經政法大學)) with a bachelor's degree in law in 1992 and completed a postgraduate course in criminal law from China University of Political Science and Law (中國政法大學) in 2000. From 1992 to 2001, Mr. YU worked in the courts in Luoshan county of Henan province (河南羅山縣法院). He then joined Yuanda Investment from June 2003 to July 2005. In July 2005, Mr. YU joined Henan Zhongdebao Automobile Sales & Service Co., Ltd (河南中德寶汽車銷售服務有限公司), our wholly-owned subsidiary, where he was involved in obtaining the dealership rights to automobile brands such as, Land Rover, Lexus, Rolls-Royce and Aston Martin. Mr. YU was appointed as a director of Henan Jinshahu Golf Club Co., Ltd (河南金沙湖高爾夫俱樂部有限公司), a company which operates golf courses in Henan in September 2009. Over the past three years, Mr. YU has not been a director of any other listed companies.

YANG Lei (楊磊), aged 38, is the chief operating officer and a vice-president of the Group and was appointed an executive Director of our Company on September 24, 2012. Mr. YANG is responsible for overseeing and managing the Group's automobile business. Mr. YANG graduated in 2002 from Henan University, College of Foreign Languages (河南大學外語學院) majoring in English. Mr. YANG joined the Group in April 2005 in the sales department of our BMW business, during which he gained extensive sales and marketing experience in the automobile industry. Over the past three years, Mr. YANG has not been a director of any other listed companies.

CUI Ke (崔軻), aged 35, is a vice-president of the Group and general manager of our wholly owned subsidiary, Beijing Huadebao Automobile Sales & Services Co., Ltd ("Huadebao"). He was appointed as an executive Director of our Company on September 24, 2012. Mr. CUI is responsible for overseeing the network development and operation supervision of BMW and Land Rover brands. Mr. CUI graduated in economics and business management from the Henan Institute of Finance and Economics (河南財經學院) (now known as Henan University of Economics and Law (河南財經政法大學)) in 2008. Mr. CUI joined the Group in July 2009 as the general manager of Luoyang Yuedebao Automobile Sales & Services Co., Ltd. He was promoted to vice president of our Company in February 2011. He was appointed as the general manager of Huadebao in February 2011. Over the past three years, Mr. CUI has not been a director of any other listed companies.

MA Lintao (馬林濤), aged 46, is our executive Director where she is responsible for the Group's overall administrative matters and public relationships. Ms. MA graduated from Henan Institute of Finance and Economics (河南財經學院) (now known as Henan University of Economics and Law (河南財經政法大學)) with a bachelor's degree in national economic planning and statistics in June 1992. From July 1992 to December 2003, Ms. MA worked in China Construction Bank Henan branch (中國建設銀行河南分行) in various positions such as director of the credit approval committee of the Zhengzhou branch office and vice-president of the Zhengzhou futures branch office, where she was responsible for matters such as credit assessment and approval and public and retail sales. Ms. MA joined our Group in September 2006 as the chairman of Yuanda Lexus, our wholly-owned subsidiary. Over the past three years, Ms. MA has not been a director of any other listed companies. Ms. MA is the wife of Mr. FENG Changge.

Non-Executive Directors

WANG Nengguang (王能光), aged 56, was appointed as our non-executive Director on September 24, 2012. Mr. WANG graduated from Beijing Agricultural and Industrial Cooperative Company Workers University (北京市農工商聯合總公司職工大學) in 1987 and from Party School of the Central Committee of C.P.C. (中共中央黨校) in 2001. He is also qualified as a certified public accountant in June 2004. Mr. WANG has more than 30 years of experience in management and corporate finance. In 1992, Mr. WANG joined the Lenovo Group Limited (聯想集團) (stock code:00992.HK), a company listed on the Stock Exchange. From 1994 to 2001, Mr. WANG served as the general manager of the finance department. Mr. WANG was involved in the 1997 merger of Lenovo Group Limited and Lenovo China. In 2001, Mr. WANG was also involved in a restructuring exercise in Lenovo Group Limited. In 2001, Mr. WANG left Lenovo Group Limited and co-founded Legend Capital Co., Ltd (君聯資本, previously known as 聯想投資有限公司), an investment company, where he is responsible for financing, exit strategies and the long term investments. Mr. WANG has been the director of Anhui USTC iFlytek Co., Ltd (安徽科大訊飛資訊科技股份有限公司) (stock code:002230.SZ), a company listed on the Shenzhen Stock Exchange, from April 2007 to December 2012. He had also been the director of Sino Com Software Group Limited (中訊軟件集團股份有限公司) (stock code: 0299.HK), a company listed on the Stock Exchange, from April 2004 to May 2012 and Shanghai Luxin Evotech Packing Materials Science & Technology Co., Ltd (上海綠新包裝材料科技股份有限公司)(stock code: 002565.SZ), a company listed on the Shenzhen Stock Exchange, from August 2009 to August 2012. Mr. WANG becomes the independent director of Digital China Information Service Company Ltd. (神州數碼信息服務股份有限公司) (stock code: 000555.SZ), a company listed on the Shenzhen Stock Exchange with effect from May 16, 2014.

Independent Non-Executive Directors

XIAO Changnian (肖長年), aged 66, was appointed as our independent non-executive Director on March 18, 2013. Mr. XIAO graduated with a bachelor's degree in industrial accounting from Hubei Institute of Finance and Economics (湖北財經學院) (now known as Zhongnan University of Economic and Law (中南財經政法大學)) in 1982. Mr. XIAO has more than 30 years of experience in the accounting and auditing profession. After graduation, Mr. XIAO worked for the National Audit Office of the PRC in the department of public transport (審計署工交局) from August 1982 to July 1994 and served as the deputy bureau chief of the Audit Office of the National Sports Commission of the PRC (國家體委審計局) from July 1994 to September 1998. He went on to serve as the deputy bureau chief in various departments of the National Audit Office of the PRC, such as the Customs Audit Office (海關審計局), the Transportation Audit Office (交通運輸審計局) and the Second Economics Audit Office(經濟審計二局) from September 1998 to December 2003. Thereafter, Mr XIAO was appointed as auditing official (deputy bureau chief grade) of the Economics and Trade Office of National Audit Office of the PRC (審計署經貿司), where he served till December 2008. Mr. XIAO was the chairman of the board of supervisors of the Quantum Hi-Tech (China) Biological Co., Ltd (量子高科(中國)生物股份有限公司) (stock code: 300149.SZ), a company listed on the Shenzhen Stock Exchange, from November 2010 to 13 August 2014, and the independent director of Zhejiang Qianjiang Motorcycle Co., Ltd (浙江錢江摩托股份有限公司), (stock code: 000913.SZ), a company also listed on the Shenzhen Stock Exchange, since April 2012.

Directors and Senior Management

LIU Zhangmin (劉章民), aged 65, was appointed as our independent non-executive Director on March 18, 2013. Mr. LIU graduated with a college degree in industrial accounting from the Beijing Institute of Machinery Management (北京機械工業管理學院) (now known as the Beijing Information Science and Technology University (北京信息科技大學)) in 1986. He also qualified as a senior auditor in 1996, and as a senior accountant in 2006. Mr. LIU has over 40 years of experience in the automobile industry since he joined the Dongfeng Motor Corporation (東風汽車公司) in 1970. Mr. LIU started as a deputy head of factory in Dongfeng Motor Corporation in July 1982, and worked in procurement, finance and other departments in different positions of responsibility. Mr. LIU was appointed as vice president of Dongfeng Motor Corporation in July 1995 and chief accounting officer in April 2005. He was appointed as chairman of the board of directors of Dongfeng Motor Finance Co., Ltd. (東風汽車財務有限公司) in November 1997, Dongfeng Checheng Logistics Co., Ltd (東風車城物流股份有限公司) in February 2004 and Dongfeng Nissan Auto Finance Co., Ltd (東風日產汽車金融有限公司) in July 2007.

Mr. LIU served as the president and executive director of Dongfeng Motor Group Company Limited (stock code: 0489.HK), a company listed on the Stock Exchange, from December 2004 to June 2010.

Besides serving as a director of the China Shipping (Group) Company (中國海運(集團)總公司), Mr. LIU also holds the following positions in the respective listed companies:

- the independent director of China First Heavy Industries Co., Ltd (中國第一重型機械股份有限公司)(stock code: 601106.SS), a company listed on the Shanghai Stock Exchange;
- the independent director of China Communications Construction Co., Ltd (中國交通建設股份有限公司) (stock code: 1800.HK, 601800.SS), a company listed on the Stock Exchange and Shanghai Stock Exchange; and
- the independent director of China Yangtze Power Co., Ltd (中國長江電力股份有限公司) (stock code: 600900.SS), a company listed on the Shanghai Stock Exchange.

XUE Guoping (薛國平), aged 64, was appointed as our independent non-executive Director on March 18, 2013. Mr. XUE graduated from Beijing University of Foreign Trade (北京對外貿易大學) (now known as University of International Business and Economics (對外經濟貿易大學)) in 1976. Mr. XUE began his career in the COFCO Group (中糧集團) and was appointed as deputy chief executive officer in 1994. He also served as the deputy general manager and general manager of COFCO Hong Kong (previously known as Top Glory International Holdings Limited (鵬利國際集團有限公司)) between 1994 and 2004. Mr. XUE continued to serve as the deputy chief executive officer of the COFCO Group until he retired in 2010. Mr. XUE was an executive director and later the chairman of the board of directors of China Foods Limited (中國食品有限公司) (stock code: 0506.HK), a company listed on the Stock Exchange and a division of the COFCO Group, from 1995 to 2007, and chairman of the board of directors of CPMC Holdings Limited (中糧包裝控股有限公司) (stock code: 0906.HK), a company listed on the Stock Exchange and a division of the COFCO Group, from 2008 to 2011.

Senior Management

FONG Heung Sang, Addy (Dexter) (方香生), aged 55, is the chief financial officer of our Group. Mr. FONG joined our Group in October 2012 and is responsible for the Group's audit, financial reporting and over all financial planning and budgeting. He obtained a Master of Business Administration from the University of Nevada, Reno in December 1989 and a master of accounting from the University of Illinois, Champaign in June 1993. He is a member of the American Institute of Certified Public Accountants and the State Board of Accountancy of Washington State. Mr. FONG has more than 20 years of audit/financial/capital market experience. Prior to joining our Group, he held various positions in a wide variety of companies in Hong Kong, US and China, including top accounting firms. Mr. FONG previously served as the following positions in the respective listed companies:

- the chief financial officer and a director of Apollo Solar Energy Inc. (OTCBB: ASOE), from February 2009 to March 2010, where he was in charge of the company's overall financial strategy;
- the chief financial officer and a director of China Electric Motor, Inc., a company listed on OTC (OTC: CELM), from June 2010 to May 2011 and January 2010 to May 2011 respectively, where he was closely involved in the company's initial public offering. He was also responsible for preparing the US regulatory filings (including the relevant management discussion and analysis sections of the company reports), handling investors' relation and dealing with external advisers;
- the independent director and chairman of the audit committee of Diguang International Development Co., Ltd. (OTC: DGNG), from August 2007;
- the independent director and chairman of the audit committee of Kandi Technologies Corp, a company listed on Nasdaq (stock code: KNDI), from July 2006 to June 2011; and
- the independent non-executive director and member of the audit committee, nomination committee and remuneration committee of Universal Technologies Holdings Ltd., a company listed on the Stock Exchange (stock code: 1026.HK) from July 2006 to June 2013.

Besides serving as the chief financial officer of a start-up private pharmaceutical company, Mr. FONG is also the independent director of the following company:

- China Housing and Land Development Inc., a company listed on Nasdaq (stock code: CHLN).

Directors and Senior Management

FENG Guo (馮果), aged 32, is the financial controller of our Group and is responsible for the audit, and financial related matters at our subsidiary level. Ms. FENG graduated with a bachelor's degree in law from Zhengzhou University (鄭州大學) in 2007 and obtained a master degree in business management from Zhongnan University of Economics and Law (中南財經政法大學) in 2009. She joined our Group in March 2005 as a deputy general manager responsible for finance matters. She was involved in establishing our partnership with BMW China in Henan Province and setting up Zhongdebao. Ms. FENG was also tasked with the development of automobile brands such as BMW, Land Rover and Rolls-Royce. Over the past three years, Ms. FENG has not been a director of any listed companies. Ms. FENG is the niece of Mr. FENG Changge.

YANG Shengjun (楊勝軍), aged 50, is the chief officer of human resources of our Group. Mr. YANG joined our Group in October 2012. Mr. YANG graduated from the Beijing Institute of Technology (北京理工大學) in July 1986 with a bachelor's degree in machinery manufacturing, and in March 1989 with a master's degree in machinery manufacturing. He also graduated as a research student from the Institute of Psychology, Chinese Academy of Sciences (中國科學院心理研究所) with a master's degree in applied psychology in July 2002. Mr. YANG has more than 10 years of experience in human resource planning and management. He joined Legends Holding (聯想控股集團) in March 1999 and served in various positions in his ten years with Legend Holdings and its affiliates, including as deputy general manager and subsidiary director of human resources. He then worked at Tianya Shequ Network Technology Co. Ltd. (天涯社區網絡科技股份有限公司) from June 2010 to October 2012 as director of human resource and deputy general manager of the Beijing branch office. Over the past three years, Mr. YANG has not been a director of any listed companies.

Company Secretary

WONG Wai Yee, Ella (黃慧兒), aged 39, was appointed as our company secretary on April 19, 2013. She is currently a senior manager of the corporate services division of Tricor Services Limited ("Tricor"). Prior to joining Tricor in 2004, Ms. WONG worked for Ernst & Young and Tengis Limited in Hong Kong as the supervisor of corporate secretarial services to many private companies and a number of public companies (including H share companies) listed on the Stock Exchange. Ms. WONG is currently the company secretary of Vedan International (Holdings) Limited (stock code: 2317.HK), a company listed on the Stock Exchange. Ms. WONG is a chartered secretary and an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. WONG received a Bachelor of Economics from the University of Hong Kong in 1997 and has also completed a Postgraduate Diploma in Corporate Administration at the City University of Hong Kong in 2000.

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended December 31, 2014.

PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated in Cayman Islands with limited liability where its registered office is located in Cayman Islands. Its principal place of business and headquarter in PRC is located in Zhengzhou, Henan Province.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particulars of the subsidiaries of the Company are set out in note 42 to the financial statements.

SUBSIDIARIES

Please refer to note 42 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended December 31, 2014 are set out in the consolidated financial statements.

The Board recommended the payment of a final dividend of HK10 cents per ordinary share for the year ended December 31, 2014, subject to the approval of such final dividend by the shareholders at the forthcoming AGM.

USE OF PROCEEDS FROM THE ISSUANCE OF NEW SHARES

On December 22, 2014, the Company entered into an subscription agreement with Foxconn (Far East) Limited ("Foxconn"), a wholly-owned company by Hon Hai Precision Industry Co. Ltd. ("Hon Hai"), pursuant to which Foxconn conditionally agreed to subscribe for an aggregate of 128,734,000 ordinary Shares with a nominal value of HK\$0.01 each at the subscription price of HK\$4.73 per Share. The net issue price per Share of the aforesaid subscription was approximately HK\$4.67. On December 22, 2014, the closing price of the Shares was HK\$5.31 per Share as quoted on the Stock Exchange. The allotment of the Shares was completed on March 2, 2015.

The Company intended to use the net proceeds from the issue of the aforesaid Shares for potential investments in the manufacture of new energy electric vehicles. As of the date of this report, such net proceeds had not been applied.

The Company believes that the aforesaid subscription paves the way for future cooperation between the Group and Foxconn. The Company is constantly exploring opportunities in the automobile industry, including diversifying into the electric vehicle business. With the Foxconn's strong technological, research and development and manufacturing capabilities and experiences in the electric segment, the Company believes that the subscription forms the basis of the creation of a strategic cooperation among the Group, Foxconn and Hon Hai for the Group to build upon its broad dealership network and expertise in China's luxury and ultra-luxury automobile business and explore into the electric vehicle business.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 120 of this annual report. This summary does not form part of the audited financial statements.

PLANT, PROPERTY AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

There were no movements in the Company's share capital during the year.

DISTRIBUTABLE RESERVES

At December 31, 2014, the Company's reserves available for distribution, subject to the Cayman Companies Law and the articles of association of the Company, amounted to RMB1,126.9 million, of which RMB102.4 million has been proposed as a final dividend for the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33(iv) to the financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended December 31, 2014, the aggregate purchases from our top five suppliers and our largest supplier accounted for approximately 98.1% and 44.7% of our total purchases, respectively.

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year ended December 31, 2014, no major customer information is presented in accordance with *HKFRS 8 Operating Segments*.

As far as the directors are aware, neither the Directors, their close associates, nor shareholders who own more than 5% of the Company's share capital as at December 31, 2014 had any interest in any of the five largest suppliers and customers disclosed above.

DIRECTORS

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

Executive Directors:

Mr. FENG Changge (*Chairman*)
Mr. YU Feng (*Chief Executive Officer*)
Mr. YANG Lei (*Chief Operating Officer and Vice-president*)
Mr. CUI Ke (*Vice-president*)
Ms. MA Lintao

Non-executive Director:

Mr. WANG Nengguang

Independent Non-Executive Directors:

Mr. XIAO Changnian
Mr. LIU Zhangmin
Mr. XUE Guoping

In accordance with the Articles, Mr. FENG Changge, Mr. CUI Ke and Mr. WANG Nengguang shall retire and being eligible, offer themselves for re-election at the AGM.

The Board proposed to re-appoint the Directors standing for e-election at the forthcoming AGM of the Company.

There was no change in Directors' biographical details subsequent to the publication of 2014 interim report.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service agreement with us for an initial fixed period of three years commencing from their respective date of appointment unless terminated earlier. The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association of the Company.

Each of our non-executive Director and independent non-executive Directors has signed an appointment letter with us for an initial fixed period of three years commencing from their respective date of appointment. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed director's fee of HK\$300,000 per annum while the non-executive Director is not entitled to any remuneration. The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Associations of our Company.

Directors' Report

None of the Directors proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Except for the service contracts detailed above, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' COMPETING INTERESTS

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

MANAGEMENT CONTRACT

No contracts concerning the management and distribution of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

RESTRICTED SHARE UNIT SCHEME

On May 20, 2013, the RSU Scheme of the Company was approved and adopted by the then shareholders of the Company. The purpose of the RSU Scheme is to attract skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in our Company.

An award granted under the RSU Scheme (the "**RSU Award**") gives a participant in the RSU Scheme (the "**RSU Participant**") a conditional right when the RSU Award vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion.

On May 28, 2013, RSU Awards in respect of an aggregate of 19,110,898 new Shares, representing approximately 1.46% of the Shares in issue as at the date of this report, were granted pursuant to the RSU Scheme to several RSU Participants, three of which are existing Directors. During the year ended December 31 2014, no RSU Award has been vested, and 1,878,786 RSU Awards had lapsed.

Details of the RSU Awards granted pursuant to the RSU Scheme are set out below:

Name	Number of Shares represented by RSU Awards as at January 1, 2014	Lapsed during the period	Number of Shares Underlying the RSU Awards Granted as at December 31, 2014
<i>Directors</i>			
Mr. YU Feng	2,600,994	–	2,600,994
Mr. YANG Lei	2,444,347	–	2,444,347
Mr. CUI Ke	1,817,760	–	1,817,760
<i>Former Directors</i>			
Mr. FONG Heung Sang, Addy (Dexter) ⁽¹⁾	1,974,407	–	1,974,407
Ms. LIU Wei ⁽²⁾	1,739,437	1,565,493	173,944
<i>Employees</i>			
	8,533,953	313,293	8,220,660
Total	19,110,898	1,878,786	17,232,112

Notes:

- (1) Mr. FONG Heung Sang, Addy (Dexter) has resigned as a Director of the Company with effect from June 16, 2014 but remains as the Chief Financial Officer. According to a resolution of the Board, Mr. FONG could retain his original entitlement in full.
- (2) Ms. LIU Wei has resigned as a Director of the Company with effect from January 29, 2014. Having agreed between Ms. LIU and the Company, she could retain 10% of her original entitlement.

The RSU Awards granted to the RSU Participants on May 28, 2013 pursuant to the RSU Scheme originally had a vesting period of four years as follows: 10% on January 2, 2014, 30% on January 2, 2015, 30% on January 2, 2016 and 30% on January 2, 2017. Pursuant to a resolution passed by the Board on August 27, 2013 and as confirmed by each of the RSU Participants, the vesting period in respect of the RSU Awards granted is extended from four years to five years as follows: 10% on January 2, 2014, 10% on June 30, 2014, 20% on January 2, 2015, 20% on January 2, 2016, 20% on January 2, 2017 and 20% on January 2, 2018. Other than the adjustments in the number of Shares underlying the RSU Awards granted to certain RSU Participants as described in the previous paragraph and the duration of the vesting period, the terms of the RSU Scheme remain unchanged. Please refer to the prospectus of the Company dated May 31, 2013 for further details of the principal terms of the RSU Scheme.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at December 31, 2014, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Position	Name of Corporation	Capacity/ Nature of Interest	Number of Shares/ Underlying Shares ⁽³⁾	Approximate % of Shareholding Interest
FENG Changge	Director	Company	Interest of controlled corporation	711,720,000 (L) ⁽¹⁾	65.04%
MA Lintao	Director	Company	Interest of spouse	711,720,000 (L) ⁽¹⁾	65.04%
YU Feng	Director	Company	Beneficial owner	2,630,994 (L) ⁽²⁾	0.24%
YANG Lei	Director	Company	Beneficial owner	2,464,347 (L) ⁽²⁾	0.22%
CUI Ke	Director	Company	Beneficial owner	1,827,760 (L) ⁽²⁾	0.16%
Fong Heung Sang, Addy (Dexter)	Chief Financial officer	Company	Beneficial owner	1,974,407 (L) ⁽²⁾	0.18%

Notes:

- (1) These shares in the Company (the "Shares") are held by Eagle Seeker Company Limited ("Eagle Seeker"). Mr. FENG Changge is deemed to be interested in the Shares by virtue of Eagle Seeker being controlled by Mr. FENG Changge. Ms. MA Lintao is Mr. FENG Changge's spouse and is therefore deemed to be interested in all the Shares in which Mr. FENG Changge is interested in.
- (2) The 2,600,994 Shares of Mr. YU Feng, 2,444,347 Shares of Mr. YANG Lei, 1,817,760 Shares of Mr. CUI Ke and 1,974,407 Shares of Mr. FONG Heung Song, Addy (Dexter) represent Shares underlying the RSU Awards granted to the relevant Directors/chief executive/employees pursuant to the RSU Scheme of the Company. For further details, please refer to the section headed "Restricted Share Unit Scheme" above.
- (3) The letter "L" denotes the person's long position in such Shares.

Save as disclosed above, as at December 31, 2014, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at December 31, 2014, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Capacity/ Nature of Interest	Number of Shares Directly or Indirectly Held⁽³⁾	Approximate % of Shareholding Interest
Eagle Seeker ⁽¹⁾	Beneficial owner	711,720,000 (L)	65.04%
Foxconn (Far East) Limited ⁽²⁾	Beneficial owner	128,734,000 (L)	11.76%
Hon Hai Precision Industry Co. Ltd ⁽²⁾	Interest in controlling corporation	128,734,000 (L)	11.76%
LC Fund V, L.P.	Beneficial owner	63,680,000 (L)	5.82%

Notes:

- (1) Eagle Seeker is wholly-owned by Mr. Feng Changge, an executive Director and the chairman of the Company.
- (2) On December 22, 2014, the Company entered into an subscription agreement with Foxconn pursuant to which Foxconn conditionally agreed to subscribe for an aggregate of 128,734,000 Shares. The allotment of the Shares was completed on March 2, 2015.
- Foxconn is wholly-owned by Hon Hai, a company listed on the Taiwan Stock Exchange. Hon Hai is deemed to have interest in the 128,734,000 Shares held by Foxconn.
- (3) The letter "L" denotes long position in such Shares.

Directors' Report

Save as disclosed above, as at December 31, 2014, no persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the RSU Awards, at no time during the reporting period was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, debentures of, the Company or any other body corporate.

NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

The Company has received annual confirmations from the controlling shareholders, Mr. FENG Changge and Eagle Seeker Limited, in respect of their compliance with the terms of the non-competition undertaking as described in the prospectus of the Company dated May 31, 2013 and that they have not engaged, nor interested, in any business which directly or indirectly, competes or may compete with the business of the Group during the year 2014.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at December 31, 2014 are set out in note 26 to the financial statements.

EMOLUMENT POLICY

The emolument policy of the general staff of the Company is set up by the management of the Group on the basis of their merit, qualifications and competence.

The emoluments of the Directors and senior management of the Company are proposed by the Remuneration Committee of the Company to the Board, having regard to the Company's operating results, individual performance and comparable market statistics, subject to the final decision by the Board.

The remuneration of the Directors and chief executive are set out in note 8 to the financial statements.

Pursuant to the CG Code B.1.5, the remuneration of the members of the senior management by band for the year ended December 31, 2014 is set out below:

Remuneration bands	Number of persons
Nil to HK\$1,000,000	1
HK\$4,000,001 to HK\$4,500,000	1
HK\$5,000,001 to HK\$5,500,000	1
	3

RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the year are disclosed in note 40 to the financial statements. The related party transactions disclosed in note 40 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

CORPORATE GOVERNANCE

For the period commencing from the Listing Date through to December 31, 2014, the Company has complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the period from the Listing Date to December 31, 2014.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended December 31, 2014, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

DONATIONS

Donations made by the Group during the year ended December 31, 2014 amounting to RMB67,882 (2013: RMB1,226,124).

AUDITORS

The consolidated financial statements have been audited by Ernst & Young who retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company to be held in May 2015. A resolution for the re-appointment of Ernst & Young as auditors of the Company is to be proposed at the forthcoming AGM of the Company.

By Order of the Board

CHINA HARMONY AUTO HOLDING LIMITED

Feng Changge

Chairman and Executive Director

March 26, 2015

Independent Auditors' Report



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To the shareholders of China Harmony Auto Holding Limited

(Incorporated in the Cayman Islands as an exempted company with limited liability)

We have audited the consolidated financial statements of China Harmony Auto Holding Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 46 to 119, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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.

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 2014, 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

Hong Kong

26 March 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5(a)	10,195,890	8,332,749
Cost of sales and services	6(b)	(9,106,560)	(7,335,607)
Gross profit		1,089,330	997,142
Other income and gains, net	5(b)	474,072	303,160
Selling and distribution expenses		(515,668)	(426,408)
Administrative expenses		(124,097)	(117,584)
Profit from operations		923,637	756,310
Finance costs	7	(202,199)	(194,839)
Share of profit of an associate	18	4,916	501
Profit before tax	6	726,354	561,972
Income tax expense	10	(180,650)	(154,847)
Profit for the year		545,704	407,125
Attributable to:			
Owners of the parent	11	544,365	404,135
Non-controlling interests		1,339	2,990
		545,704	407,125
Earnings per share attributable to ordinary equity holders of the parent	13		
Basic (RMB)		0.51	0.42
Diluted (RMB)		0.50	0.42

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 2014

	Note	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR		545,704	407,125
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(575)	1,311
Other comprehensive income for the year, net of tax		(575)	1,311
Total comprehensive income for the year, net of tax		545,129	408,436
Attributable to:			
Owners of the parent	11	543,790	405,446
Non-controlling interests		1,339	2,990
		545,129	408,436

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	2,600,526	1,722,102
Land use rights	15	12,697	13,097
Intangible assets	16	5,376	4,381
Prepayments	17	81,374	104,444
Investment in an associate	18	11,439	6,523
Deferred tax assets	30	26,608	17,338
Total non-current assets		2,738,020	1,867,885
CURRENT ASSETS			
Inventories	19	1,486,540	1,526,794
Trade receivables	20	73,894	116,777
Prepayments, deposits and other receivables	21	1,425,045	1,319,910
Amounts due from related parties	40(a)	294	37,495
Structured deposits	22	869,500	–
Pledged bank deposits	23	550,978	741,775
Cash in transit	24	33,226	34,012
Cash and cash equivalents	25	1,041,080	1,964,365
Total current assets		5,480,557	5,741,128
CURRENT LIABILITIES			
Bank loans and other borrowings	26	3,028,764	2,672,045
Trade and bills payables	27	877,921	1,363,883
Other payables and accruals	28	955,764	937,299
Income tax payable		491,930	338,152
Total current liabilities		5,354,379	5,311,379
NET CURRENT ASSETS		126,178	429,749
TOTAL ASSETS LESS CURRENT LIABILITIES		2,864,198	2,297,634

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		2,864,198	2,297,634
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	26	102,308	48,240
Deferred tax liabilities	30	16,127	12,274
Total non-current liabilities		118,435	60,514
NET ASSETS		2,745,763	2,237,120
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	8,633	8,633
Reserves	33	2,615,115	2,144,965
Proposed final dividend	12	102,405	67,251
		2,726,153	2,220,849
Non-controlling interests		19,610	16,271
Total equity		2,745,763	2,237,120

YANG Lei
Director

YU Feng
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to owners of the parent										
	Share capital	Share premium	Statutory reserve	Merger reserve	Share award reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	-	-	58,449	371,200	-	(15)	159,124	-	588,758	13,281	602,039
Profit for the year	-	-	-	-	-	-	404,135	-	404,135	2,990	407,125
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	-	-	-	-	-	1,311	-	-	1,311	-	1,311
Total comprehensive income for the year	-	-	-	-	-	1,311	404,135	-	405,446	2,990	408,436
Issue of shares (note 31)	8,633	1,194,164	-	-	-	-	-	-	1,202,797	-	1,202,797
Equity-settled share award expense (note 32)	-	-	-	-	23,848	-	-	-	23,848	-	23,848
Proposed final 2013 dividend (note 12)	-	(67,251)	-	-	-	-	-	67,251	-	-	-
Transfer from retained profits	-	-	31,223	-	-	-	(31,223)	-	-	-	-
At 31 December 2013	8,633	1,126,913	89,672	371,200	23,848	1,296	532,036	67,251	2,220,849	16,271	2,237,120

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium RMB'000*	Statutory reserve RMB'000*	Merger reserve RMB'000*	Share award reserve RMB'000*	Exchange fluctuation reserve RMB'000*	Retained profits RMB'000*	Proposed		Non- controlling interests RMB'000	Total equity RMB'000
								final dividend RMB'000	Total RMB'000		
At 1 January 2014	8,633	1,126,913	89,672	371,200	23,848	1,296	532,036	67,251	2,220,849	16,271	2,237,120
Profit for the year	-	-	-	-	-	-	544,365	-	544,365	1,339	545,704
Other comprehensive income for the year: Exchange differences on translation of foreign operations	-	-	-	-	-	(575)	-	-	(575)	-	(575)
Total comprehensive income for the year	-	-	-	-	-	(575)	544,365	-	543,790	1,339	545,129
Non-controlling interests arising from establishment of new subsidiaries	-	-	-	-	-	-	-	-	-	2,000	2,000
Final 2013 dividend declared	-	-	-	-	-	-	-	(67,251)	(67,251)	-	(67,251)
Equity-settled share award expense (note 32)	-	-	-	-	28,765	-	-	-	28,765	-	28,765
Proposed final 2014 dividend (note 12)	-	(102,405)	-	-	-	-	-	102,405	-	-	-
Transfer from retained profits	-	-	33,169	-	-	-	(33,169)	-	-	-	-
At 31 December 2014	8,633	1,024,508	122,841	371,200	52,613	721	1,043,232	102,405	2,726,153	19,610	2,745,763

* These reserve accounts comprise the consolidated reserves of RMB2,615,115,000 (2013: RMB2,144,965,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Operating activities			
Profit before tax		726,354	561,972
Adjustments for:			
Share of profit of an associate		(4,916)	(501)
Depreciation of items of property, plant and equipment	14	109,392	73,984
Amortisation of land use rights	15	400	400
Amortisation of intangible assets	16	775	720
Interest income	5(b)	(132,788)	(111,960)
Penalty income from cancellation of a potential acquisition contract	5(b)	(15,835)	–
Net loss on disposal of items of property, plant and equipment	6(c)	8,783	6,810
Equity-settled share award expense	6(a)	28,765	23,848
Finance costs	7	202,199	194,839
		923,129	750,112
Decrease/(increase) in pledged bank deposits		190,797	(76,720)
Decrease/(increase) in cash in transit		786	(16,679)
Decrease/(increase) in trade receivables		42,883	(57,665)
Increase in prepayments, deposits and other receivables		(348,856)	(243,523)
Decrease/(increase) in inventories		44,512	(816,240)
(Decrease)/increase in trade and bills payables		(485,962)	545,754
Increase in other payables and accruals		27,480	247,522
Cash generated from operations		394,769	332,561
Income tax paid		(32,289)	(72,011)
Net cash generated from operating activities		362,480	260,550

Consolidated Statement of Cash Flows

Year ended 31 December 2014

Notes	2014 RMB'000	2013 RMB'000
Investing activities		
Purchase of items of property, plant and equipment	(1,027,630)	(664,245)
Proceeds from disposal of items of property, plant and equipment	68,560	36,361
Purchase of intangible assets	(1,270)	(4,051)
Acquisition of a subsidiary	(4,758)	–
Repayment of advance to an associate	616	2,086
Repayment of advance to the Controlling Shareholder, net	36,585	639,867
Loans to third parties	(145,000)	(240,000)
Repayment of loans to third parties	240,000	–
Advance to a third party	–	(159,500)
Repayment of advance to a third party	159,500	–
Penalty income from cancellation of a potential acquisition contract	15,835	–
Decrease/(increase) in time deposits	970,100	(1,180,500)
Increase in structured deposits	(869,500)	–
Dividend received from an associate	–	200
Interest received	116,074	119,197
	(440,888)	(1,450,585)
Financing activities		
Proceeds from issue of shares	–	1,319,737
Share issue expenses	–	(116,940)
Proceeds from bank loans and other borrowings	7,463,289	5,347,150
Repayment of bank loans and other borrowings	(7,052,502)	(4,694,639)
Dividends paid	(67,251)	–
Contributions from non-controlling shareholders	2,000	–
Interest paid	(219,738)	(225,404)
	125,798	1,629,904
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of year	783,865	342,685
Effect of foreign exchange rate changes, net	(575)	1,311
	830,680	783,865
Cash and cash equivalents at the end of year		
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	650,680	783,865
Non-pledged time deposits with original maturity of less than three months when acquired	180,000	–
Cash and cash equivalents as stated in the statement of cash flows	830,680	783,865
Non-pledged time deposits with original maturity of more than three months when acquired	210,400	1,180,500
Cash and cash equivalents as stated in the statement of financial position	1,041,080	1,964,365

Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Interests in subsidiaries	42	1,168,860	1,176,782
Total non-current assets		1,168,860	1,176,782
CURRENT ASSETS			
Cash and cash equivalents	25	3,081	13,547
Total current assets		3,081	13,547
NET CURRENT ASSETS		3,081	13,547
NET ASSETS		1,171,941	1,190,329
EQUITY			
Share capital	31	8,633	8,633
Reserves	33(iv)	1,060,903	1,114,445
Proposed final dividend	12	102,405	67,251
Total equity		1,171,941	1,190,329

YANG Lei
Director

YU Feng
Director

1. CORPORATE INFORMATION

China Harmony Auto Holding Limited (the “Company”) was incorporated on 24 September 2012 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13 June 2013 (“Listing”).

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

In the opinion of the directors of the Company (the “Directors”), the ultimate holding company of the Company is Eagle Seeker Company Limited, which is incorporated in the British Virgin Islands (“BVI”).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2014. 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK (IFRIC)-Int 21	<i>Levies</i>
Amendments to HKFRS 2 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Definition of Vesting Condition¹</i>
Amendments to HKFRS 3 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination¹</i>
Amendments to HKFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendments to HKFRS 1 included in <i>Annual Improvements 2011-2013 Cycle</i>	<i>Meaning of Effective HKFRSs</i>

¹ Effective from 1 July 2014

The adoption of these revised HKFRSs has had no significant financial effect on these financial statements.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	<i>Financial Instruments</i> ⁴
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ²
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁵
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ²
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ²
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ²
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs ¹
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs ²

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

⁵ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurements of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

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

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

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

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

The *Annual improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments most applicable to the Group are as follows:

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

HKFRS 8 *Operating segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

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 *None-current Assets Held for Sale and Discontinued Operation* are stated at cost less any impairment losses.

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates 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 associate, 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 associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 of the acquiree.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

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

Fair value measurement

The Group measures financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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	20-40 years	5%
Leasehold improvements	Over the shorter of the lease terms and 10 years	–
Plant and machinery	5-10 years	5%
Furniture and fixtures	3-10 years	5%
Motor vehicles	4-10 years	5%

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

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the 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 is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The 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
Others	10 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 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.

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 the operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Land use rights

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and receivables

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

Derecognition of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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.

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities mainly include trade and bills payables, other payables and bank loans and other borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if 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 to be incurred to completion and 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 statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where 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.

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 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 rebates

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share award 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 for grants is measured by reference to the fair value at the date at which they are granted. Further details of the fair value are given in note 32 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.

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 awards 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 7.2% has been applied to the expenditure on the individual assets during the year ended 31 December 2014 (2013: 7.8%).

Dividends

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

Foreign currencies

The financial 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 recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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.

Judgements

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was RMB26,608,000 as at 31 December 2014 (2013: RMB17,338,000). The amount of unrecognised tax losses at 31 December 2014 was RMB6,912,000 (2013: RMB32,376,000). Further details are contained in note 30 to the financial statements.

Estimation uncertainty

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

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

Useful lives of property, plant and equipment

The Group'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 the estimated useful lives with the observed economic behaviour of assets in this category. As a result, the projected lives of certain buildings have been extended from 20 years to 40 years. The change in accounting estimates has been applied prospectively. Beginning from the financial year 2014, this change of estimation has changed the depreciation in the aforementioned property, plant and equipment, and the after-tax effects in 2014 and later years as follow:

	2014 RMB'000	Later years RMB'000
Depreciation decrease/(increase), net of tax	18,844	(18,844)

Net realisable value of inventories

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

4. OPERATING SEGMENT INFORMATION

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

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

Information about geographical area

Since all of the Group's revenue was generated from the sale and service of motor vehicles in Mainland China and over 90% of the Group's identifiable assets and liabilities were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year, no major customer information is presented in accordance with HKFRS 8 *Operating Segments*.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

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

	2014 RMB'000	2013 RMB'000
Revenue from the sale of motor vehicles	8,946,621	7,609,854
Others	1,249,269	722,895
	10,195,890	8,332,749

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)**(b) Other income and gains, net:**

	Notes	2014 RMB'000	2013 RMB'000
Commission income		228,471	161,587
Advertisement support received from motor vehicle manufacturers		11,364	7,814
Bank interest income		62,247	38,372
Interest income from the Controlling Shareholder	(i)	–	66,077
Interest income from loans to third parties		70,541	7,511
Government grants	(ii)	52,353	26
Penalty income from cancellation of a potential acquisition contract		15,835	–
Others		33,261	21,773
Total		474,072	303,160

(i) Interest income from controlling shareholder, Mr. Feng Changge, (the “Controlling Shareholder”) was generated from loans the Group granted to the Controlling Shareholder before the Company’s Listing, which bore an annual interest rate of 15% for the year ended 31 December 2013.

(ii) Various government grants have been received for the encouragement of the Company’s Listing. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

(a) Employee benefit expense (including directors’ and chief executive’s remuneration (note 8)):

	2014 RMB'000	2013 RMB'000
Wages and salaries	208,282	125,539
Equity-settled share award expense	28,765	23,848
Other welfare	32,792	23,238
Total	269,839	172,625

6. PROFIT BEFORE TAX (continued)**(b) Cost of sales and services:**

	2014 RMB'000	2013 RMB'000
Cost of sales of motor vehicles	8,429,209	6,944,839
Others*	677,351	390,768
	9,106,560	7,335,607

* There were employee benefit expenses of RMB53,081,000 (2013: RMB24,235,000) included in the cost of sales and services.

(c) Other items:

	Notes	2014 RMB'000	2013 RMB'000
Depreciation of items of property, plant and equipment	14	109,392	73,984
Amortisation of land use rights	15	400	400
Amortisation of intangible assets	16	775	720
Auditors' remuneration		3,988	3,671
Advertisement and business promotion expenses		71,822	103,435
Bank charges		13,045	9,650
Lease expenses		70,040	46,454
Logistics and petroleum expenses		26,534	25,495
Office expenses		11,207	10,880
Net loss on disposal of items of property, plant and equipment		8,783	6,810
Foreign exchange differences, net		(14)	425

7. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest expense on bank borrowings wholly repayable within five years	195,881	197,776
Interest expense on other borrowings	23,857	27,628
Less: Interest capitalised	(17,539)	(30,565)
	202,199	194,839

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Year ended 31 December 2014				
	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Equity- settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
– Mr. Feng Changge	–	–	–	–	–
– Mr. Yu Feng ⁽ⁱ⁾	–	660	4,444	34	5,138
– Mr. Liu Wei ^(iv)	–	–	–	–	–
– Mr. Yang Lei	–	480	4,176	34	4,690
– Mr. Cui Ke	–	402	3,106	54	3,562
– Ms. Ma Lintao ⁽ⁱⁱ⁾	–	–	–	–	–
– Mr. Fong Heung Sang, Addy (Dexter) ^(v)	–	932	3,373	–	4,305
	–	2,474	15,099	122	17,695
Non-executive director:					
– Mr. Wang Nengguang	–	–	–	–	–
Independent non-executive directors:					
– Mr. Xiao Changnian ⁽ⁱⁱⁱ⁾	237	–	–	–	237
– Mr. Liu Zhangmin ⁽ⁱⁱⁱ⁾	237	–	–	–	237
– Mr. Li Daomin ^{(iii) (vi)}	117	–	–	–	117
– Mr. Xue Guoping ⁽ⁱⁱⁱ⁾	237	–	–	–	237
	828	–	–	–	828
	828	2,474	15,099	122	18,523

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

	Year ended 31 December 2013				
	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Equity- settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
– Mr. Feng Changge	–	900	–	34	934
– Mr. Yu Feng ⁽ⁱ⁾	–	660	3,571	34	4,265
– Ms. Liu Wei ^(iv)	–	542	751	34	1,327
– Mr. Yang Lei	–	489	3,356	34	3,879
– Mr. Cui Ke	–	423	2,495	54	2,972
– Ms. Ma Lintao ⁽ⁱⁱ⁾	–	360	–	34	394
– Mr. Fong Heung Sang, Addy (Dexter) ^(v)	–	840	2,710	–	3,550
	–	4,214	12,883	224	17,321
Non-executive director:					
– Mr. Wang Nengguang	–	–	–	–	–
Independent non-executive directors:					
– Mr. Xiao Changnian ⁽ⁱⁱⁱ⁾	198	–	–	–	198
– Mr. Liu Zhangmin ⁽ⁱⁱⁱ⁾	198	–	–	–	198
– Mr. Li Daomin ^{(iii) (vi)}	198	–	–	–	198
– Mr. Xue Guoping ⁽ⁱⁱⁱ⁾	198	–	–	–	198
	792	–	–	–	792
	792	4,214	12,883	224	18,113

(i) The Group's chief executive is Mr. Yu Feng, who is also an executive director of the Group.

(ii) Ms. Ma Lintao was appointed as an executive director with effect from 31 January 2013.

(iii) Mr. Xiao Changnian, Mr. Liu Zhangmin, Mr. Li Daomin and Mr. Xue Guoping were appointed as independent non-executive directors with effect from 18 March 2013.

(iv) Ms. Liu Wei resigned from her position as an executive director with effect from 29 January 2014.

(v) Mr. Fong Heung Sang, Addy (Dexter) resigned from his position as an executive director with effect from 16 June 2014, but remains as the chief financial officer of the Group.

(vi) Mr. Li Daomin resigned from his position as an independent non-executive director with effect from 25 June 2014.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

In the year 2013, certain directors were granted share awards, in respect of their services to the Group, under the share award scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of these awards, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

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 director of the Company during the year (2013: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals included four directors (or former director) for the year (2013: four), details of whose remuneration are detailed in note 8 above. Details of the remuneration of the remaining non-director and non-chief executive, highest paid employee for the year are as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	213	324
Equity-settled share award expense	3,078	2,473
Pension scheme contributions	34	34
	3,325	2,831

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

	Number of employees	
	2014	2013
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	–
	1	1

In the year 2013, share awards were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair value of these awards, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX**(a) Income tax in the consolidated statement of profit or loss represents:**

	2014 RMB'000	2013 RMB'000
Current Mainland China corporate income tax	186,067	154,748
Deferred tax (note 30)	(5,417)	99
	180,650	154,847

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

The subsidiaries incorporated in the BVI are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (2013: 16.5%) on the estimated 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 for Mainland China subsidiaries is 25%.

(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 region in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2014 RMB'000	2013 RMB'000
Profit before tax	726,354	561,972
Tax at the applicable tax rate (25%)	181,589	140,493
Different tax rate for a subsidiary in Hong Kong	(825)	-
Profit attributable to an associate	(1,229)	(125)
Tax effect of non-deductible expenses	7,481	6,385
Tax losses not recognised	1,728	8,094
Tax losses utilised from previous periods	(8,094)	-
Tax charge	180,650	154,847

10. INCOME TAX (continued)**(b) Reconciliation between tax expense and accounting profit at the applicable tax rate:** (continued)

The share of tax attributable to an associate amounting to RMB1,765,000 (2013: RMB168,000) is included in “Share of profit of an associate” in the consolidated statement of profit or loss.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of RMB30,282,000 (2013: a loss of RMB1,345,000) which has been dealt with in the financial statements of the Company (note 33(iv)).

12. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Proposed final – HK10 cents (2013: HK8 cents) per ordinary share	102,405	67,251

The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting. The calculation of the proposed final dividend for the year ended 31 December 2014 is based on the proposed final dividend per ordinary share and the total number of ordinary shares as at this report date.

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 in issue during the year. The number of shares for the current year has been arrived at after eliminating the restricted shares of the Company held under the share award scheme.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares 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 of all dilutive potential ordinary shares under the share award scheme.

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

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

Earnings

	2014 RMB'000	2013 RMB'000
Profit for the year attributable to ordinary equity holders of the parent	544,365	404,135

Shares

	2014	2013
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,075,126,000	952,261,512
Effect of dilution – weighted average number of ordinary shares: – Restricted shares	11,736,000	637,966
	1,086,862,000	952,899,478

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2013 includes the weighted average of 275,126,000 shares issued in connection with the Company's IPO as defined in the prospectus of the Company dated 31 May 2013 and 800,000,000 ordinary shares deemed to have been issued as at 1 January 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 2014							
At 1 January 2014:							
Cost	1,116,344	108,121	78,038	67,258	177,203	303,627	1,850,591
Accumulated depreciation	(52,539)	(8,709)	(18,759)	(14,799)	(33,683)	-	(128,489)
Net carrying amount	1,063,805	99,412	59,279	52,459	143,520	303,627	1,722,102
At 1 January 2014, net of accumulated depreciation	1,063,805	99,412	59,279	52,459	143,520	303,627	1,722,102
Additions	33,310	93,708	21,710	44,878	147,433	724,120	1,065,159
Transfer	198,157	178,539	11,502	9,078	-	(397,276)	-
Depreciation provided during the year	(31,769)	(21,209)	(9,612)	(15,852)	(30,950)	-	(109,392)
Disposals	-	-	(78)	(127)	(77,138)	-	(77,343)
At 31 December 2014, net of accumulated depreciation	1,263,503	350,450	82,801	90,436	182,865	630,471	2,600,526
At 31 December 2014:							
Cost	1,347,811	380,368	111,043	120,533	222,001	630,471	2,812,227
Accumulated depreciation	(84,308)	(29,918)	(28,242)	(30,097)	(39,136)	-	(211,701)
Net carrying amount	1,263,503	350,450	82,801	90,436	182,865	630,471	2,600,526
31 December 2013							
At 1 January 2013:							
Cost	423,093	72,859	46,436	33,948	130,418	511,249	1,218,003
Accumulated depreciation	(22,493)	(2,855)	(10,948)	(8,999)	(22,782)	-	(68,077)
Net carrying amount	400,600	70,004	35,488	24,949	107,636	511,249	1,149,926
At 1 January 2013, net of accumulated depreciation	400,600	70,004	35,488	24,949	107,636	511,249	1,149,926
Additions	279,669	6,410	29,152	30,037	101,401	242,662	689,331
Transfer	413,582	28,852	3,638	4,212	-	(450,284)	-
Depreciation provided during the year	(30,046)	(5,854)	(8,836)	(6,672)	(22,576)	-	(73,984)
Disposals	-	-	(163)	(67)	(42,941)	-	(43,171)
At 31 December 2013, net of accumulated depreciation	1,063,805	99,412	59,279	52,459	143,520	303,627	1,722,102
At 31 December 2013:							
Cost	1,116,344	108,121	78,038	67,258	177,203	303,627	1,850,591
Accumulated depreciation	(52,539)	(8,709)	(18,759)	(14,799)	(33,683)	-	(128,489)
Net carrying amount	1,063,805	99,412	59,279	52,459	143,520	303,627	1,722,102

At 31 December 2014, certain of the Group's buildings with an aggregate net book value of approximately RMB34,158,000 (2013: RMB35,092,000) were pledged as security for the Group's bank borrowings (note 26(a)).

15. LAND USE RIGHTS

	2014 RMB'000	2013 RMB'000
Cost:		
At the beginning of the year	15,981	15,981
Additions	–	–
At the end of the year	15,981	15,981
Amortisation:		
At the beginning of the year	(2,884)	(2,484)
Charge for the year	(400)	(400)
At the end of the year	(3,284)	(2,884)
Net book value:		
At the end of the year	12,697	13,097

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

All of the Group's land use rights were pledged as security for the Group's bank loans and other borrowings as at 31 December 2014 and 2013 (note 26(a)).

16. INTANGIBLE ASSETS

	Software RMB'000	Others RMB'000	Total RMB'000
Cost:			
At 1 January 2014	6,312	–	6,312
Additions	1,270	–	1,270
Acquisition of a subsidiary (note 34)	–	500	500
At 31 December 2014	7,582	500	8,082
Amortisation:			
At 1 January 2014	(1,931)	–	(1,931)
Charge for the year	(730)	(45)	(775)
At 31 December 2014	(2,661)	(45)	(2,706)
Net book value:			
At 31 December 2014	4,921	455	5,376
Cost:			
At 1 January 2013	2,261	–	2,261
Additions	4,051	–	4,051
At 31 December 2013	6,312	–	6,312
Amortisation:			
At 1 January 2013	(1,211)	–	(1,211)
Charge for the year	(720)	–	(720)
At 31 December 2013	(1,931)	–	(1,931)
Net book value:			
At 31 December 2013	4,381	–	4,381

17. PREPAYMENTS

	2014 RMB'000	2013 RMB'000
Prepayments for purchase of items of property, plant and equipment	49,611	78,616
Prepaid lease for buildings and land use rights	31,763	25,828
	81,374	104,444

18. INVESTMENT IN AN ASSOCIATE

	2014 RMB'000	2013 RMB'000
Share of net assets	11,439	6,523

鄭州永達和諧汽車銷售服務有限公司(Zhengzhou Yongda Hexie Automobile Sales & Services Co., Ltd.) ("Yongda Hexie") is an associate of the Group and is considered to be a related party of the Group.

(a) Particulars of an associate:

Name	Place and date of incorporation/ registration	Authorised registered/paid-in/ issued capital	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Yongda Hexie	Zhengzhou, the PRC 26 December 2011	RMB20,000,000	30%	30%	30%	Sale and service of motor vehicles

(b) The following table illustrates the summarised financial information in respect of the Group's associate shared by the Group:

Share of the associate's assets and liabilities:

	2014 RMB'000	2013 RMB'000
Non-current assets	21,226	18,363
Current assets	52,527	34,289
Current liabilities	(62,314)	(46,129)
Net assets	11,439	6,523

18. INVESTMENT IN AN ASSOCIATE (continued)

- (b) The following table illustrates the summarised financial information of the Group's associate shared by the Group: (continued)

Share of the associate's results:

	2014 RMB'000	2013 RMB'000
Revenue	179,869	146,193
Expenses	(173,188)	(145,524)
Tax	(1,765)	(168)
Profit for the year	4,916	501

19. INVENTORIES

	2014 RMB'000	2013 RMB'000
Motor vehicles	1,355,292	1,441,076
Spare parts and accessories	131,248	85,718
	1,486,540	1,526,794

At 31 December 2014, certain of the Group's inventories with an aggregate carrying amount of approximately RMB560,245,000 (2013: RMB432,000,000) were pledged as security for the Group's bank loans and other borrowings (note 26(a)).

At 31 December 2014, certain of the Group's inventories with an aggregate carrying amount of approximately RMB296,964,000 (2013: RMB419,220,000) were pledged as security for the Group's bills payable (note 27).

20. TRADE RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	73,894	116,777

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over the trade receivable balances. Trade receivables are non-interest-bearing.

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

	2014 RMB'000	2013 RMB'000
Within 3 months	66,364	112,794
More than 3 months but less than 1 year	7,530	3,983
	73,894	116,777

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

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	73,894	116,777

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.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Prepayments to suppliers	659,294	335,446
Rebate receivables	390,129	338,662
Loans to third parties ⁽ⁱ⁾	145,000	232,763
Advance to a third party ⁽ⁱⁱ⁾	–	159,500
VAT recoverables ⁽ⁱⁱⁱ⁾	162,517	231,357
Interest receivables	9,477	–
Staff advances	5,876	4,159
Others	52,752	18,023
	1,425,045	1,319,910

Notes:

- (i) The loans granted to third parties are guaranteed by the Controlling Shareholder and 河南和諧實業集團有限公司(Henan Hexie Industrial Group Co., Ltd. ("Hexie Industrial Group")), which is controlled by the Controlling Shareholder. These loans granted to third parties earn interest at fixed interest rates of 25% and have a maturity period within one year.
- (ii) This advance was granted to a company, which is controlled by an employee of the Group. The advance is interest-free and guaranteed by the Controlling Shareholder and Hexie Industrial Group as at 31 December 2013. The advance was fully settled in March 2014.
- (iii) 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 deductible input VAT, which has not been claimed to the tax bureau. 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.

22. STRUCTURED DEPOSITS

	2014 RMB'000	2013 RMB'000
Structured deposits in licensed banks in the PRC, at amortised cost	869,500	–

These structured deposits have terms of less than one year and have expected annual rates of return up to 4.7% (2013: Nil). Pursuant to the underlying contracts or notices, these structured deposits are capital guaranteed upon the maturity date.

23. PLEDGED BANK DEPOSITS

	2014 RMB'000	2013 RMB'000
Deposits pledged with banks as collateral against credit facilities granted by the banks	550,978	741,775

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

24. CASH IN TRANSIT

	2014 RMB'000	2013 RMB'000
Cash in transit	33,226	34,012

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

25. CASH AND CASH EQUIVALENTS**Group**

	2014 RMB'000	2013 RMB'000
Cash and bank balances	650,680	783,865
Time deposits	390,400	1,180,500
Cash and cash equivalents	1,041,080	1,964,365

Company

	2014 RMB'000	2013 RMB'000
Cash and bank balances	3,081	13,547
Cash and cash equivalents	3,081	13,547

25. CASH AND CASH EQUIVALENTS (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

The Group's cash and bank balances at each reporting date are denominated in the following currencies:

	2014 RMB'000	2013 RMB'000
RMB	1,013,959	1,914,800
US\$	10,007	9,832
HK\$	17,114	39,733
	1,041,080	1,964,365

26. BANK LOANS AND OTHER BORROWINGS

	2014		2013	
	Effective interest rate (%)	Amount RMB'000	Effective interest rate (%)	Amount RMB'000
CURRENT:				
Bank loans	6.0-8.7	2,471,014	5.9-9.0	1,951,447
Other borrowings	8.0-8.7	557,750	8.2-8.5	720,598
		3,028,764		2,672,045
NON-CURRENT:				
Bank loans	7.5-8.7	102,308	8.7	48,240
		3,131,072		2,720,285

26. BANK LOANS AND OTHER BORROWINGS (continued)

		2014 RMB'000	2013 RMB'000
Bank loans and other borrowings representing:			
– secured	(a)	1,111,030	619,342
– guaranteed	(b)	936,720	1,226,940
– secured and guaranteed	(a)(b)	254,272	586,438
– unsecured		829,050	287,565
		3,131,072	2,720,285
Analysed into:			
Bank loans repayable:			
Within one year or on demand		2,471,014	1,951,447
In the second year		33,138	15,360
In the third to fifth years, inclusive		69,170	32,880
		2,573,322	1,999,687
Other borrowings repayable:			
Within one year or on demand		557,750	720,598
		3,131,072	2,720,285

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

- (i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB12,697,000 as at 31 December 2014 (2013: RMB13,097,000);
- (ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB34,158,000 as at 31 December 2014 (2013: RMB35,092,000); and
- (iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB560,245,000 as at 31 December 2014 (2013: RMB432,000,000).

26. BANK LOANS AND OTHER BORROWINGS (continued)

- (b) Certain of the Group's bank loans and other borrowings are guaranteed by:
- (i) certain of the Group's bank loans and other borrowings amounting to RMB836,472,000 were guaranteed by the Controlling Shareholder as at 31 December 2014 (2013: RMB404,800,000);
 - (ii) certain of the Group's bank loans and other borrowings amounting to RMB49,520,000 were guaranteed by the Controlling Shareholder and Hexie Industrial Group as at 31 December 2014 (2013: RMB618,578,000);
 - (iii) certain of the Group's bank loans amounting to RMB25,000,000 were guaranteed by the Controlling Shareholder, Hexie Industrial Group, 河南東方金沙湖國際高爾夫俱樂部有限公司("Henan Jinshahu Golf Club Co., Ltd."), which is controlled by the Controlling Shareholder, and Ms. Zhao Lu, who is a close family member of the Controlling Shareholder, as at 31 December 2014 (2013: RMB25,000,000);
 - (iv) certain of the Group's bank loans amounting to RMB35,000,000 were guaranteed by the Controlling Shareholder, and secured by certain of the land use rights of 河南和諧置業有限公司("Henan Hexie Property Co., Ltd."), which is controlled by the Controlling Shareholder, as at 31 December 2014 (2013: RMB50,000,000);
 - (v) certain of the Group's bank loans amounting to RMB245,000,000 was guaranteed by the Controlling Shareholder and Henan Hexie Property Co., Ltd. as at 31 December 2014 (2013: RMB565,000,000); and
 - (vi) certain of the Group's bank loans amounting to RMB150,000,000 were secured by certain of the land use rights of Henan Hexie Property Co., Ltd. as at 31 December 2013.

27. TRADE AND BILLS PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	130,325	51,002
Bills payable	747,596	1,312,881
Trade and bills payables	877,921	1,363,883

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

	2014 RMB'000	2013 RMB'000
Within 3 months	807,222	1,161,408
3 to 6 months	58,071	201,558
6 to 12 months	11,831	834
Over 12 months	797	83
	877,921	1,363,883

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

- (a) Certain of the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB296,964,000 as at 31 December 2014 (2013: RMB419,220,000).
- (b) Certain of the Group's bills payable amounting to RMB40,845,000 were guaranteed by the Controlling Shareholder as at 31 December 2014 (2013: RMB344,605,000).
- (c) Certain of the Group's bills payable amounting to RMB11,445,000 were guaranteed by the Controlling Shareholder and Hexie Industrial Group as at 31 December 2014 (2013: RMB85,623,000).
- (d) Certain of Group's bills payable amounting to RMB26,224,000 were guaranteed by Hexie Industrial Group as at 31 December 2014 (2013: RMB145,432,000).
- (e) Certain of Group's bills payable amounting to RMB25,519,000 were guaranteed by the Controlling Shareholder and Henan Hexie Property Co., Ltd. as at 31 December 2013.

28. OTHER PAYABLES AND ACCRUALS

	2014 RMB'000	2013 RMB'000
Payables for purchase of items of property, plant and equipment	93,902	102,917
Advances and deposits from distributors	5,270	10,370
Advances from customers	306,827	335,558
Taxes payable (other than income tax)	409,748	331,266
Lease payables	27,769	12,010
Staff payroll and welfare payables	37,884	33,553
Others	74,364	111,625
	955,764	937,299

29. 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 20% to 22% of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

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

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

As at 31 December 2014, the Group had no significant obligation apart from the contributions as stated above.

30. DEFERRED TAX**Deferred tax assets**

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

	Losses available for offsetting against future taxable profits RMB'000	Accrued payroll RMB'000	Deferred rental expenses RMB'000	Others* RMB'000	Total RMB'000
At 1 January 2013	917	6,463	2,712	–	10,092
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 10(a))	5,030	1,925	291	–	7,246
At 31 December 2013	5,947	8,388	3,003	–	17,338
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 10(a))	(1,189)	1,083	3,939	5,437	9,270
At 31 December 2014	4,758	9,471	6,942	5,437	26,608

* Others mainly arise from temporary differences caused by the useful life differences of property, plant and equipment and inventory provision.

As at 31 December 2014, deferred tax assets have not been recognised in respect of tax losses arising in Mainland China of RMB6,912,000 (2013: RMB32,376,000) that will expire in one to five years for offsetting against future taxable profits, 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.

30. DEFERRED TAX (continued)**Deferred tax liabilities**

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

	Capitalised interest expense RMB'000
At 1 January 2013	4,929
Deferred tax charged to the consolidated statement of profit or loss during the year (note 10(a))	7,345
At 31 December 2013	12,274
Deferred tax charged to the consolidated statement of profit or loss during the year (note 10(a))	3,853
At 31 December 2014	16,127

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

As at 31 December 2014, the Group has not provided for withholding taxes on accumulated earnings of RMB971,488,000 (2013: RMB511,920,000) generated by its PRC entities, because it is not probable that these accumulated earnings will be distributed to the holding company outside the PRC in the foreseeable future.

31. SHARE CAPITAL**Authorised**

	2014 No. of shares at HK\$0.01 each	2013 No. of shares at HK\$0.01 each
Ordinary shares	2,000,000,000	2,000,000,000

31. SHARE CAPITAL (continued)**Issued and fully paid**

	2014 No. of shares at HK\$0.01 each	2013 No. of shares at HK\$0.01 each
Ordinary shares	1,075,126,000	1,075,126,000
Restricted shares	19,110,898	19,110,898
	1,094,236,898	1,094,236,898

	Number of issued and fully paid shares	Nominal value of shares HK\$'000	Share premium HK\$'000	Equivalent nominal value of shares RMB'000	Equivalent share premium RMB'000
As at 1 January 2013	1	–	–	–	–
Capitalisation issue of ordinary shares on 13 June 2013 (note (a))	799,999,999	8,000	(8,000)	6,311	(6,311)
Capitalisation issue of restricted shares on 13 June 2013 (note (b))	19,110,898	191	(191)	151	(151)
Issue of new shares on 13 June 2013 (note (c))	275,126,000	2,751	1,670,015	2,171	1,317,566
Share issue expenses	–	–	(148,221)	–	(116,940)
As at 31 December 2013 and 31 December 2014	1,094,236,898	10,942	1,513,603	8,633	1,194,164

Notes:

- (a) Pursuant to the resolution of the board of directors of the Company on 27 May 2013, 799,999,999 ordinary shares of HK\$0.01 each were allotted and issued and to be converted as fully paid at par on 13 June 2013, by way of capitalisation of the sum of HK\$8,000,000 (equivalent to approximately RMB6,311,000) standing to the credit of the share premium account.
- (b) Pursuant to the resolution of the board of directors of the Company on 28 May 2013, 19,110,898 restricted shares of HK\$0.01 each were allotted and issued and to be converted as fully paid at par on 13 June 2013, by way of capitalisation of the sum of HK\$191,000 (equivalent to approximately RMB151,000) standing to the credit of the share premium account. These restricted shares were issued for the purpose of the Company's Restricted Share Unit Scheme ("RSU Scheme") and managed by a professional trustee. For further details of the RSU Scheme, please refer to note 32 below.
- (c) On 13 June 2013, in connection with the Company's IPO as defined in the Prospectus, 275,126,000 new ordinary shares of the Company of HK\$0.01 each were issued at a price of HK\$6.08 per share with gross proceeds of HK\$1,672,766,000 (equivalent to approximately RMB1,319,737,000).

32. RSU SCHEME

The Company's RSU Scheme was approved and adopted by the then shareholder on 20 May 2013 for the primary purpose of attracting skilled and experienced personnel, to incentivise them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company. The terms of the RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new shares.

Under the RSU Scheme, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the Group during the respective vesting periods. A participant in the RSU Scheme (the "RSU Participant") does not have any contingent interest in any shares underlying an RSU award unless and until such shares are actually transferred to the RSU Participant. Further, an RSU Participant may not exercise voting rights in respect of the shares underlying their RSU award and, unless otherwise specified by the board of directors of the Company in its entire discretion in the RSU grant letter to the RSU Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any shares underlying an RSU award.

On 28 May 2013, RSU awards in respect of an aggregate of 19,110,898 shares, representing approximately 1.75% of the total shares issued on the date the listing of the Company's shares, had been granted, at nil consideration, to 18 RSU Participants pursuant to the RSU Scheme, of which five of the RSU Participants are Directors. All RSU awards granted pursuant to the RSU Scheme to the RSU Participants have a vesting period of four years as follows: 10% on 2 January 2014, 30% on 2 January 2015, 30% on 2 January 2016 and 30% on 2 January 2017. Each RSU awards granted pursuant to the RSU Scheme has the same terms and conditions. The grant and vesting of the RSU awards granted pursuant to the RSU Scheme are in compliance with Rule 10.08 of the Listing Rules.

On 27 August 2013, each of the five directors of the RSU Participants agreed to, and as confirmed and approved by the board of directors, reduce the RSU awards granted to them by 62,000 units each. The aggregate amount of the RSU awards so reduced (i.e. 310,000 RSU awards) were granted to an employee of the Company. As a result of the foregoing, the total number of RSU awards granted under the RSU Scheme remains unchanged.

Pursuant to a resolution passed by the board of directors on 27 August 2013 and as confirmed by each of the RSU Participants, the vesting period in respect of the RSU awards granted is extended from four years to five years as follows: 10% on 2 January 2014, 10% on 30 June 2014, 20% on 2 January 2015, 20% on 2 January 2016, 20% on 2 January 2017 and 20% on 2 January 2018. Other than the adjustments in the number of shares underlying the RSU awards granted to certain RSU Participants as described in the previous paragraph and the duration of the vesting period, the terms of the RSU Scheme remain unchanged.

The fair value of the RSU awards granted as at the grant date was RMB82,554,000 (RMB4.32 each), of which the Group recognised a total RSU award expense of RMB28,765,000 during the year ended 31 December 2014 (2013: RMB23,848,000).

The fair value of services received in return for shares granted is measured by reference to the fair value of shares granted. The fair value of the shares granted is measured at the grant date at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period.

During the year ended 31 December 2014, 1,878,786 RSU awards lapsed due to the resignation of certain RSU Participants. At the end of the year, the Company had 17,232,112 RSU awards outstanding under the RSU Scheme.

33. RESERVES**(i) Statutory reserve**

Pursuant to the relevant PRC rules and regulations, these PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 42 to the financial statements are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company.

(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.

(iv) Company

	Share premium	Share award reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	–	–	–	–	–
Total comprehensive income for the year	–	–	(11,123)	(1,345)	(12,468)
Issue of shares	1,194,164	–	–	–	1,194,164
Proposed final 2013 dividend	(67,251)	–	–	–	(67,251)
At 31 December 2013 and 1 January 2014	1,126,913	–	(11,123)	(1,345)	1,114,445
Total comprehensive income for the year	–	–	26,532	(30,282)	(3,750)
Equity-settled share award expense	–	52,613	–	–	52,613
Proposed final 2014 dividend	(102,405)	–	–	–	(102,405)
At 31 December 2014	1,024,508	52,613	15,409	(31,627)	1,060,903

34. BUSINESS COMBINATION

In February 2014, the Group acquired a 100% interest in Shanghai Gooocar Pre-owned Automobile Co., Ltd. ("Shanghai Gooocar") from a third party. Shanghai Gooocar is engaged in the sale of pre-owned motor vehicles. The acquisition was made as part of the Group's strategy to expand its market of pre-owned motor vehicles in Mainland China. The purchase consideration for the acquisition was in the form of cash, with RMB4,758,000 paid at the acquisition date.

The fair values of the identifiable assets and liabilities of Shanghai Gooocar as at the date of acquisition were as follows:

	Fair value recognised RMB'000
Intangible assets	500
Inventories	4,258
Total identifiable net assets at fair value	4,758
Satisfied by: Cash	4,758

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

Cash consideration	(4,758)
Cash and bank balances acquired	–
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(4,758)

Since the acquisition, Shanghai Gooocar contributed nil to the Group's turnover and a loss of RMB2,542,000 to the consolidated profit for the year ended 31 December 2014.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB10,195,890,000 and RMB545,704,000, respectively.

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group*Financial assets*

	Loans and receivables	
	2014	2013
	RMB'000	RMB'000
Trade receivables	73,894	116,777
Financial assets included in prepayments, deposits and other receivables	603,234	753,107
Amounts due from related parties	294	37,495
Structured deposits	869,500	–
Pledged bank deposits	550,978	741,775
Cash in transit	33,226	34,012
Cash and cash equivalents	1,041,080	1,964,365
	3,172,206	3,647,531

Financial liabilities

	Financial liabilities at amortised cost	
	2014	2013
	RMB'000	RMB'000
Trade and bills payables	877,921	1,363,883
Financial liabilities included in other payables and accruals	173,536	224,912
Bank loans and other borrowings	3,131,072	2,720,285
	4,182,529	4,309,080

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**Company***Financial assets*

	Loans and receivables	
	2014	2013
	RMB'000	RMB'000
Amount due from a subsidiary	1,168,860	1,176,782
Cash and cash equivalents	3,081	13,547
	1,171,941	1,190,329

36. CONTINGENT LIABILITIES

As at 31 December 2014, neither the Group nor the Company had any significant contingent liabilities.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The fair values of bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which are also approximate to their carrying amounts. The Group's own non-performance risk for bank loans and other borrowings as at 31 December 2014 was assessed to be insignificant.

At the end of the year, neither the Group nor the Company had any financial asset or liability measured at fair value (2013: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: Nil).

38. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property and equipment outstanding at each reporting date not provided for these financial statements are as follows:

	2014 RMB'000	2013 RMB'000
Contracted, but not provided for land use rights and buildings	254,692	126,514

(b) Operating lease commitments

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

	2014		2013	
	Properties RMB'000	Land RMB'000	Properties RMB'000	Land RMB'000
Within one year	69,044	15,793	47,738	12,666
In the second to fifth years, inclusive	184,597	67,378	161,529	59,495
After five years	120,849	230,599	115,265	223,399
	374,490	313,770	324,532	295,560

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

39. PLEDGE OF ASSETS

Details of the Group's assets pledged for its bank loans and other borrowings and bills payable as disclosed in note 14, note 15, note 19 and note 23 to these financial statements.

40. RELATED PARTY TRANSACTIONS AND BALANCES

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

In addition to the disclosures in note 5, note 21, note 26 and note 27 to the financial statements, the Group had the following transactions with related parties during the year:

(a) Balances with related parties

The Group had the following significant balances with its related parties as at each reporting date:

Due from related parties:

	2014 RMB'000	2013 RMB'000
Non-trade related:		
The Controlling Shareholder		
– Mr. Feng Changge	–	36,585
An associate		
– Yongda Hexie	294	910
	294	37,495

Except for the loans the Group granted to the Controlling Shareholder before the Company's Listing, which bore an annual interest rate of 15%, other balances with related parties were unsecured and non-interest-bearing and had no fixed repayment terms.

(b) Compensation of key management personnel of the Group

	2014 RMB'000	2013 RMB'000
Short term employee benefits	3,747	5,603
Equity-settled share award expense	18,712	15,786
Post-employee benefits	210	312
Total compensation paid to key management personnel	22,669	21,701

Further details of directors' and chief executive's emoluments are included in note 8 to these financial statements.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group has no significant interest-bearing assets other than loans to the Controlling Shareholder (note 40(a)), loans to third parties (note 21), structured deposits (note 22), pledged bank deposits (note 23) and cash and cash equivalents (note 25).

The Group's interest rate risk arises from its bank loans and other borrowings, details of which are set out in note 26. 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 rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax
		RMB'000
Year ended 31 December 2014		
RMB	50	(104)
RMB	(50)	104
Year ended 31 December 2013		
RMB	50	(1,844)
RMB	(50)	1,844

41. 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, except for certain bank balances denominated in US\$ and HK\$ as disclosed in note 25.

The Group's assets and liabilities denominated in US\$ and HK\$ were mainly held by certain subsidiaries incorporated outside Mainland China who had US\$ and HK\$ as their functional currencies, and the Group did not have material foreign currency transactions in Mainland China during the year. Therefore, the Group had immaterial foreign currency risk.

Credit risk

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

As at 31 December 2014, all pledged bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

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

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

	As at 31 December 2014					Total RMB'000
	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	
Bank loans and other borrowings	–	991,649	2,130,969	109,930	–	3,232,548
Trade and bills payables	37,967	708,028	131,926	–	–	877,921
Other payables and accruals	173,536	–	–	–	–	173,536
	211,503	1,699,677	2,262,895	109,930	–	4,284,005

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Liquidity risk** (continued)

	As at 31 December 2013					Total RMB'000
	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	
Bank loans and other borrowings	–	1,184,871	1,555,548	61,530	–	2,801,949
Trade and bills payables	4,747	1,008,545	350,591	–	–	1,363,883
Other payables and accruals	224,912	–	–	–	–	224,912
	229,659	2,193,416	1,906,139	61,530	–	4,390,744

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.

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

	2014 RMB'000	2013 RMB'000
Bank loans and other borrowings	3,131,072	2,720,285
Trade and bills payables	877,921	1,363,883
Other payables and accruals	955,764	937,299
Less: Cash and cash equivalents	(1,041,080)	(1,964,365)
Structured deposits	(869,500)	–
Net debt	3,054,177	3,057,102
Equity attributable to owners of the parent	2,726,153	2,220,849
Gearing ratio	52.8%	57.9%

42. INTERESTS IN SUBSIDIARIES

	Company	
	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	–	–
Due from a subsidiary	1,168,860	1,176,782
	1,168,860	1,176,782

The amount due from a subsidiary included in the interests in subsidiaries above is unsecured, interest-free and has no fixed terms of repayment.

As at 31 December 2014, the Company had direct or indirect interests in the following subsidiaries:

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
			Direct %	Indirect %	
Crystalline Prestige Investments Limited	Tortola, British Virgin Islands 2012	Registered capital of US\$500 and paid-in capital of US\$0.01	100%	–	Investment holding
LC Gloricar Investment Limited	Tortola, British Virgin Islands 2011	Registered capital of US\$1,000,000 and paid-in capital of US\$10,000	–	100%	Investment holding
Ace Manufacturing Holding Limited	Hong Kong, the PRC 2012	Paid-in capital of HK\$100	–	100%	Investment holding
Daoable Future Limited	Hong Kong, the PRC 2011	Paid-in capital of US\$100	–	100%	Investment holding
河南和諧汽車貿易有限公司 (Henan Hexie Automobile Trading Co., Ltd.)	Zhengzhou, the PRC 2011	Registered and paid-in capital of RMB1,215,000,000	–	100%	Investment holding
河南中德寶汽車銷售服務有限公司 (Henan Zhongdebao Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2005	Registered and paid-in capital of RMB42,860,000	–	100%	Sale and service of motor vehicles

42. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
			Direct %	Indirect %	
鄭州鄭德寶汽車銷售服務有限公司 (Zhengzhou Zhengdebao Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2009	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
西安華都汽車銷售服務有限公司 (Xi'an Huadu Automobile Sales & Services Co., Ltd.)	Xi'an, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
河南英之翼汽車銷售服務有限公司 (Henan Yingzhiyi Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2012	Registered and paid-in capital of RMB10,010,000	–	100%	Sale and service of motor vehicles
廣州市廣德寶汽車銷售服務有限公司 (Guangzhou Guangdebao Automobile Sales & Services Co., Ltd.)	Guangzhou, the PRC 2012	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
鄭州華鼎汽車銷售服務有限公司 (Zhengzhou Huading Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
洛陽路和汽車銷售服務有限公司 (Luoyang Luhe Automobile Sales & Services Co., Ltd.)	Luoyang, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
上海上德寶駿汽車銷售服務有限公司 (Shanghai Shangdebaojun Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2011	Registered and paid-in capital of RMB50,000,000	–	90%	Sale and service of motor vehicles
宜昌路順汽車銷售服務有限公司 (Yichang Lushun Automobile Sales & Services Co., Ltd.)	Yichang, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	65%	Sale and service of motor vehicles
新鄉市新德寶汽車服務有限公司 (Xinxiang Xindebao Automobile Services Co., Ltd.)	Xinxiang, the PRC 2009	Registered and paid-in capital of RMB1,500,000	–	100%	Service of motor vehicles

42. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
			Direct %	Indirect %	
洛陽豫德寶汽車銷售服務有限公司 (Luoyang Yudebao Automobile Sales & Services Co., Ltd.)	Luoyang, the PRC 2009	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
南陽宛德寶汽車銷售服務有限公司 (Nanyang Wandebao Automobile Sales & Services Co., Ltd.)	Nanyang, the PRC 2010	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
河南和德寶汽車服務有限公司 (Henan Hedebao Automobile Services Co., Ltd.)	Zhengzhou, the PRC 2011	Registered and paid-in capital of RMB20,000,000	–	100%	Service of motor vehicles
鄭州華誠汽車銷售服務有限公司 (Zhengzhou Huacheng Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2011	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
安陽安德寶汽車銷售服務有限公司 (Anyang Andebao Automobile Sales & Services Co., Ltd.)	Anyang, the PRC 2011	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
開封汴德寶汽車銷售服務有限公司 (Kaifeng Biandebao Automobile Sales & Services Co., Ltd.)	Kaifeng, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
北京市華德寶汽車銷售服務有限公司 (Beijing Huadepao Automobile Sales & Services Co., Ltd.)	Beijing, the PRC 2010	Registered and paid-in capital of RMB55,000,000	–	100%	Sale and service of motor vehicles
鄭州遠達雷克薩斯汽車銷售服務有限公司 (Zhengzhou Yuanda Lexus Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2006	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
廈門遠達雷克薩斯汽車銷售服務有限公司 (Xiamen Yuanda Lexus Automobile Sales & Services Co., Ltd.)	Xiamen, the PRC 2011	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles

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42. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
			Direct %	Indirect %	
武漢漢德寶汽車銷售服務有限公司 (Wuhan Handebao Automobile Sales & Services Co., Ltd.)	Wuhan, the PRC 2012	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
武漢華鄭汽車銷售服務有限公司 (Wuhan Huazheng Automobile Sales & Services Co., Ltd.)	Wuhan, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
蘇州意駿汽車銷售服務有限公司 (Suzhou Yijun Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2012	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
新鄉和德寶汽車銷售服務有限公司 (Xinxiang Hedebao Automobile Sales & Services Co., Ltd.)	Xinxiang, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	51%	Sale and service of motor vehicles
瀋陽沈德寶汽車銷售服務有限公司 (Shenyang Shendebao Automobile Sales & Services Co., Ltd.)	Shenyang, the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
瀋陽沈之翼汽車銷售服務有限公司 (Shenyang Shenzhiyi Automobile Sales & Services Co., Ltd.)	Shenyang, the PRC 2013	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
北京豪駿行汽車銷售服務有限公司 (Beijing Haojunhang Automobile Sales & Services Co., Ltd.)	Beijing, the PRC 2013	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
漯河漯德寶汽車銷售服務有限公司 (Luohe Luodebao Automobile Sales & Services Co., Ltd.)	Luohe, the PRC 2013	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
常州常駿行汽車銷售服務有限公司 (Changzhou Changjunhang Automobile Sales & Services Co., Ltd.)	Changzhou, the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles

42. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
			Direct %	Indirect %	
北京華駿行汽車銷售服務有限公司 (Beijing Huajunhang Automobile Sales & Services Co., Ltd.)	Beijing, the PRC 2013	Registered and paid-in capital of RMB50,010,000	–	100%	Sale and service of motor vehicles
無錫龍駿行汽車銷售服務有限公司 (Wuxi Longjunhang Automobile Sales & Services Co., Ltd.)	Wuxi, the PRC 2013	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
河南和諧汽車融資租賃有限公司 (Henan Lease Finance Co., Ltd.)	Zhengzhou, the PRC 2013	Registered and paid-in capital of HK\$250,000,000	–	100%	Service of finance lease
鄭州悅達和諧汽車服務有限公司 (Zhengzhou Yueda Hexie Automobile Services Co., Ltd.)	Zhengzhou, the PRC 2013	Registered and paid-in capital of RMB30,090,000	–	100%	Service of motor vehicles
洛陽和諧汽車維修服務有限公司 (Luoyang Hexie Automobile Repair Services Co., Ltd.)	Luoyang, the PRC 2013	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
陝西和諧汽車維修服務有限公司 (Shaanxi Hexie Automobile Repair Services Co., Ltd.)	Xi'an, the PRC 2013	Registered and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles
上海和諧汽車維修服務有限公司 (Shanghai Hexie Automobile Repair Services Co., Ltd.)	Shanghai, the PRC 2013	Registered and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles
洛陽遠達雷克薩斯汽車銷售服務有限公司 (Luoyang Yuanda Lexus Automobile Sales & Services Co., Ltd.)	Luoyang, the PRC 2013	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
上海谷卡二手車有限公司 (Shanghai Gooocar Pre-owned Automobile Co., Ltd.)	Shanghai, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	100%	Sale of pre-owned motor vehicles

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42. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
			Direct %	Indirect %	
河南和諧汽車銷售有限公司 (Henan Hexie Automobile Sales Co., Ltd.)	Zhengzhou, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale of pre-owned motor vehicles
北京和諧遠達汽車銷售服務有限公司 (Beijing Hexie Yuanda Automobile Sales & Services Co., Ltd.)	Beijing, the PRC 2014	Registered and paid-in capital of RMB500,000	–	100%	Service of motor vehicles
廣州和諧汽車配件有限公司 (Guangzhou Hexie Automobile Spare Parts Co., Ltd.)	Guangzhou, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles
廣州和諧汽車技術服務有限公司 (Guangzhou Hexie Automobile Technology Services Co., Ltd.)	Guangzhou, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles
安陽和諧汽車維修服務有限公司 (Anyang Hexie Automobile Repair Services Co., Ltd.)	Anyang, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
鄭州華德寶汽車銷售服務有限公司 (Zhengzhou Huadebao Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2014	Registered and paid-in capital of RMB30,010,000	–	100%	Sale and service of motor vehicles
商丘和諧汽車維修服務有限公司 (Shangqiu Hexie Automobile Repair Services Co., Ltd.)	Shangqiu, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	90%	Service of motor vehicles
漯河和諧汽車維修服務有限公司 (Luohe Hexie Automobile Repair Services Co., Ltd.)	Luohe, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
濮陽和諧汽車銷售服務有限公司 (Puyang Hexie Automobile Sales & Services Co., Ltd.)	Puyang, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles

42. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
			Direct %	Indirect %	
鄭州悅誠和諧汽車銷售服務有限公司 (Zhengzhou Yuecheng Hexie Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2014	Registered and paid-in capital of RMB3,000,000	–	100%	Service of motor vehicles
長垣和諧汽車維修服務有限公司 (Changyuan Hexie Automobile Repair Services Co., Ltd.)	Changyuan, the PRC 2014	Registered and paid-in capital of RMB500,000	–	100%	Service of motor vehicles
焦作盛達和諧汽車銷售服務有限公司 (Jiaozuo Shengda Hexie Automobile Sales & Services Co., Ltd.)	Jiaozuo, the PRC 2014	Registered and paid-in capital of RMB1,000,000	–	100%	Service of motor vehicles
鶴壁和諧汽車維修服務有限公司 (Hebi Hexie Automobile Repair Services Co., Ltd.)	Hebi, the PRC 2014	Registered and paid-in capital of RMB500,000	–	100%	Service of motor vehicles
濟南和諧汽車銷售服務有限公司 (Jinan Hexie Automobile Sales & Services Co., Ltd.)	Jinan, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
無錫和諧汽車維修服務有限公司 (Wuxi Hexie Automobile Repair Services Co., Ltd.)	Wuxi, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles
南陽和諧汽車銷售服務有限公司 (Nanyang Hexie Automobile Sales & Services Co., Ltd.)	Nanyang, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
武漢漢達和諧汽車服務有限公司 (Wuhan Handa Hexie Automobile Services Co., Ltd.)	Wuhan, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
杭州和諧汽車銷售服務有限公司 (Hangzhou Hexie Automobile Sales & Services Co., Ltd.)	Hangzhou, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Service of motor vehicles

42. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
			Direct %	Indirect %	
平頂山和諧汽車銷售有限公司 (Pingdingshan Hexie Automobile Sales & Services Co., Ltd.)	Pingdingshan, the PRC 2014	Registered and paid-in capital of RMB3,000,000	–	100%	Service of motor vehicles
貴陽悅誠和諧汽車服務有限公司 (Guiyang Yuecheng Hexie Automobile Services Co., Ltd.)	Guiyang, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
深圳悅誠和諧汽車銷售服務有限公司 (Shenzhen Yuecheng Hexie Automobile Sales & Services Co., Ltd.)	Shenzhen, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles
邯鄲遠達雷克薩斯汽車銷售服務有限公司 (Handan Yuanda Lexus Automobile Sales & Services Co., Ltd.)	Handan, the PRC 2014	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
商丘商沃汽車銷售服務有限公司 (Shangqiu Shangwo Automobile Sales & Services Co., Ltd.)	Shangqiu, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
商丘商德寶汽車銷售服務有限公司 (Shangqiu Shangdebao Automobile Sales & Services Co., Ltd.)	Shangqiu, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	90%	Sale and service of motor vehicles
南陽宛沃汽車銷售服務有限公司 (Nanyang Wanwo Automobile Sales & Services Co., Ltd.)	Nanyang, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
上海君諾汽車服務有限公司 (Shanghai Junnuo Automobile Services Co., Ltd.)	Shanghai, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Service of motor vehicles

43. EVENTS AFTER THE REPORTING PERIOD

- (a) On 21 January 2015, 90,113,000 new ordinary shares of the Company of HK\$0.01 each were issued and allotted at a price of HK\$6.08 per share with gross proceeds of HK\$547,887,000 (equivalent to approximately RMB432,995,000).
- (b) On 2 March 2015, 128,734,000 new ordinary shares of the Company of HK\$0.01 each were issued and allotted at a price of HK\$4.73 per share with gross proceeds of HK\$608,912,000 (equivalent to approximately RMB483,050,000).

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2015.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial information and statements is set out below.

	Year ended 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
RESULTS					
REVENUE	10,195,890	8,332,749	5,656,744	3,031,856	1,801,358
Cost of sales and services	(9,106,560)	(7,335,607)	(4,993,298)	(2,614,356)	(1,569,951)
Gross profit	1,089,330	997,142	663,446	417,500	231,407
Other income and gains, net	474,072	303,160	236,658	78,903	23,634
Selling and distribution costs	(515,668)	(426,408)	(237,030)	(106,737)	(64,517)
Administrative expenses	(124,097)	(117,584)	(71,611)	(30,330)	(18,716)
Profit from operations	923,637	756,310	591,463	359,336	171,808
Finance costs	(202,199)	(194,839)	(116,403)	(61,872)	(19,956)
Share of profit of an associate	4,916	501	222	–	–
Profit before tax	726,354	561,972	475,282	297,464	151,852
Income tax expense	(180,650)	(154,847)	(124,563)	(77,014)	(39,152)
Profit for the year	545,704	407,125	350,719	220,450	112,700
Attributable to:					
Owners of the parent	544,365	404,135	350,822	220,466	112,700
Non-controlling interests	1,339	2,990	(103)	(16)	–
	545,704	407,125	350,719	220,450	112,700
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	8,218,577	7,609,013	4,375,138	2,850,188	1,343,273
TOTAL LIABILITIES	(5,472,814)	(5,371,893)	(3,773,099)	(1,991,833)	(1,003,418)
NON-CONTROLLING INTERESTS	(19,610)	(16,271)	(13,281)	(4,984)	–
	2,726,153	2,220,849	588,758	853,371	339,855