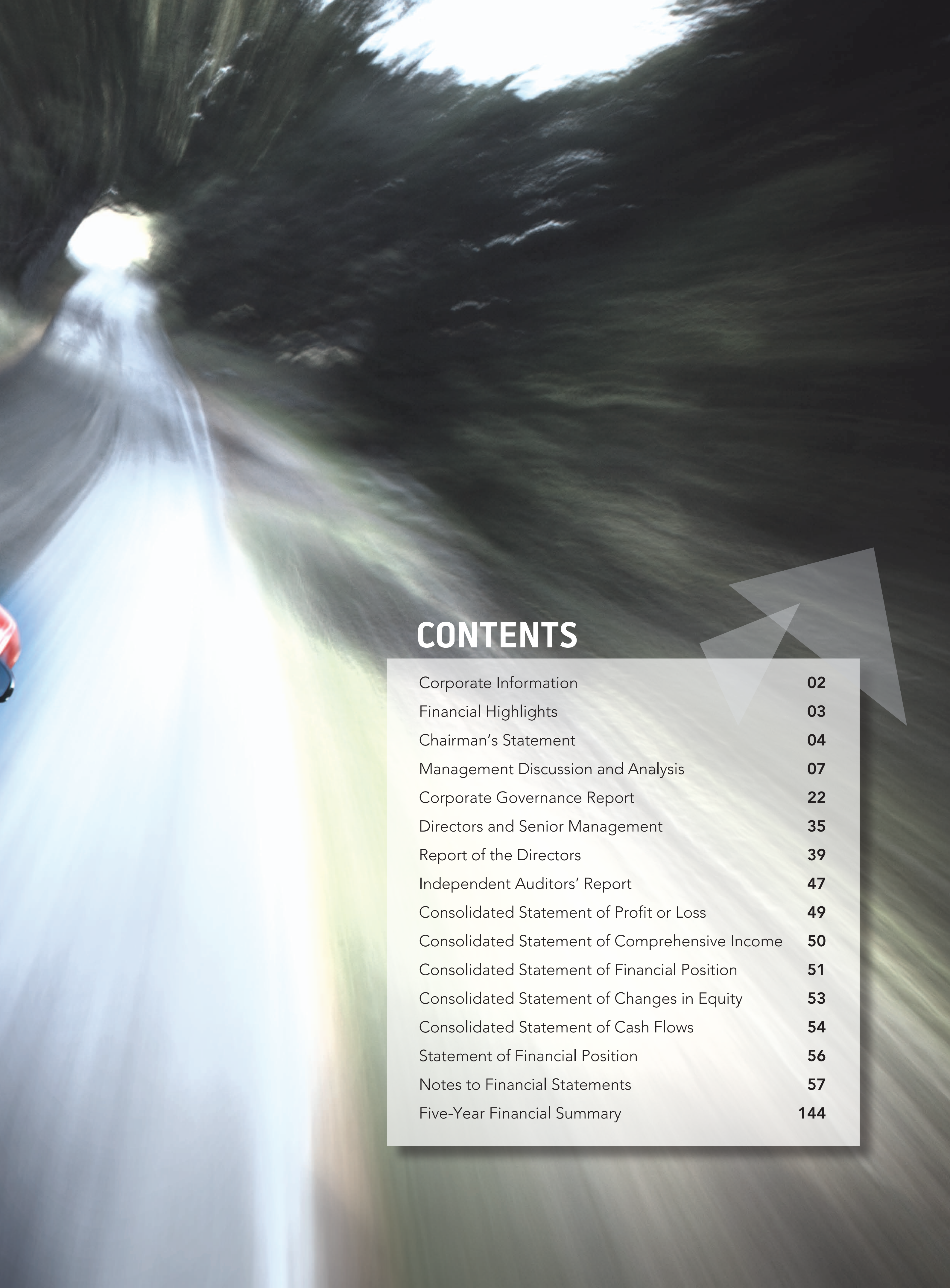
BAOXIN AUTO GROUP LIMITED
寶信汽車集團有限公司

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

Stock code 股份代號：1293

2014 年報
ANNUAL REPORT

BAOXIN AUTO GROUP LIMITED
寶信汽車集團有限公司



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. LU Linkui

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. CHEN Changdong

AUTHORISED REPRESENTATIVES

Mr. YANG Hansong
Mr. CHEN Changdong

STOCK CODE

1293

WEBSITE

www.klbaoxin.com

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Minhang District, Shanghai, PRC.

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PRINCIPAL SHARE REGISTRAR

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HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shop 1712-1716, 17th Floor, Hopewell Centre,
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COMPLIANCE ADVISER

Anglo Chinese Corporate Finance, Limited
40th Floor, Two Exchange Square,
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LEGAL ADVISERS TO HONG KONG LAW

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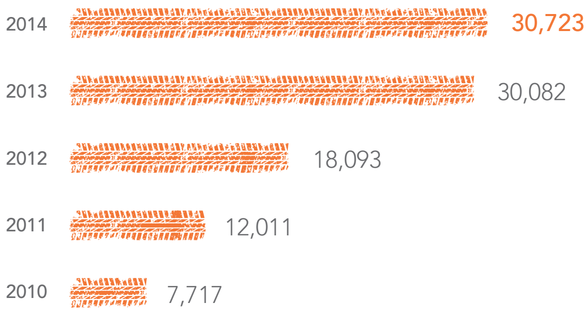
AUDITORS

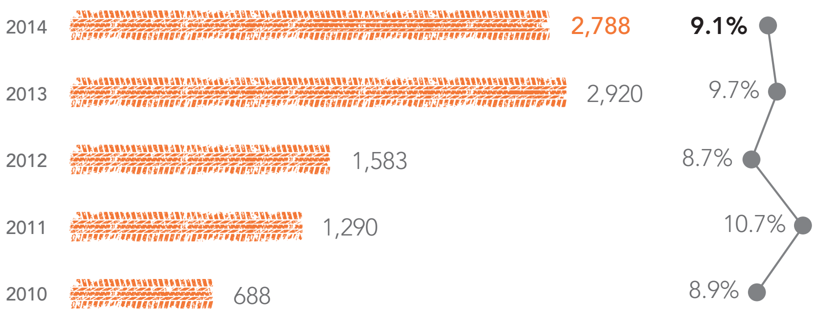
Ernst & Young
Certified Public Accountants
22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong.

FINANCIAL HIGHLIGHTS

REVENUE
(RMB million)

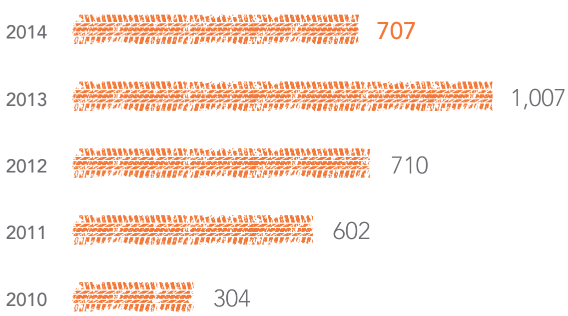


GROSS PROFIT AND GROSS PROFITS MARGIN
(RMB million)



EBITDA
(RMB million)

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT
(RMB million)



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

"On behalf of the board (the "Board") of directors (the "Directors" and each, a "Director") and the management of Baoxin Auto Group Limited (the "Company" or "our Company" and together with its subsidiaries, "Baoxin", "we", "us", "our", the "Group" or "our Group"), I am pleased to present the annual results report of the Group for the year of 2014."

CHAIRMAN'S STATEMENT

2014 was a challenging year for both the Group and the domestic automobile industry. During the year under review, China experienced continuous decline in macro-economic growth and has recorded the lowest growth rate since 1990. The weak property market, weak domestic consumption, high indebtedness of local governments and excessive production capacity of various industries have exerted greater downward pressure on the domestic macro economy. The introduction of a series of automobile policy has resulted in various adjustments of the domestic automobile industry in terms of market and structure. While various luxury brands managed to maintain high growth rate by strengthening their development of dealership network in China, increasing the localization rate and launching new models, the inventory level increased and the dealers' profit from new vehicle sales continued to decrease given the weakening demand. As automobile ownership continued to increase at a high pace as a whole, there are huge potential for development of the after-sale services market despite the slowdown of new car sales growth.

2014 is a year full of opportunities and challenges, and was a critical year for the Group's strategic reform and business transformation. As the leading group for automobile dealers in China, in addition to strengthening the development of luxury brands and enhancing its core competitiveness, Baoxin will also live up with the trend and the rapidly-changing market to formulate its long-term strategy pragmatically, so that it may capitalize the opportunities in the vast potential markets while continuing to expand steadily. During the reporting period, as at December 31, 2014, the Group sold 72,709 new cars, of which 60,767 were luxury and ultra-luxury brands, representing a year-on-year growth of 9.7%. Among which, the sales volume of BMW and Jaguar & Land Rover recorded year-on-year growth of 7.3% and 17.2%, respectively, representing 8.9% and 11.7% of BMW and Jaguar & Land Rover's market share in China. In addition, the sales volume of Ferrari/Maserati recorded significant year-on-year growth of 355.3%, representing 6.8% of its market share in China. Leveraging on its extensive management experience, the Group was able to maintain stable gross profit from its new car sales and inventory turnover days that is far lower than the market average amid the keen market competition.

With the after-sale service market business started to achieve strong growth, the Group has gradually shifted its profit center from expansion to the development of extended services and diversified sales network, and has maintained stable profit from these areas. In 2014, revenue from the after-sales services, including repair, maintenance and decoration operations, amounted to RMB3,059.5 million, an increase of 13.2% as compared to the previous year. The revenue from after-sales service of luxury and ultra-luxury brands amounted to RMB2,850.3 million, representing an increase of 15.7% as compared to the same period last year. As at the end of 2014, after-sale services business contributed 10.0% and 51.9% of the Group's total revenue and gross profit, respectively.

Our Group has always put great emphasis on the value-added services of automobiles. Meanwhile, the Group also achieved tremendous progress in auto insurance, auto financing and pre-owned car business in 2014. Commission income from these businesses increased significantly by 60.5%. For insurance business, the Group continued to work closely with the insurance companies within the strategic alliance. The launch of its own warranty extension products was well received by most customers. In consumer automobile finance and finance leasing business, the Group further enhanced the penetration rate of consumer auto financing by actively developing its strategic cooperation with automobile manufacturers and commercial banks. The finance lease company established by the Group also set up branches in 19 major cities during the relevant period, which has laid a solid foundation for the long-term development of its auto finance leasing business. At the end of 2014, the Group was honoured with the title "2014 Best Automobile Dealership Group for Financial Management in China (2014年中國最佳金融管理汽車經銷商集團)" of The 5th China Auto Gold Engine Award (中國汽車"金引擎"獎).

CHAIRMAN'S STATEMENT

The Group has also made significant progress in the expansion of new business in 2014. "Autostreets (Autostreets.com)", an O2O platform for both online and offline auto service led by the Group and co-founded by COX Group in the United States and China Merchants Bank, was officially launched in September 2014. The platform provided customers with online and offline services covering all cycles of automobile business, including searching and trading of new vehicles and pre-owned vehicles, reservation for repairs and maintenance, auto financing, auto insurance and extended warranty, etc. Moreover, the Group was also among one of the first tranche of officially authorized automobile parallel importers and was allowed to sell imported automobiles which are popular among consumers based on the market demand. While striving to boost its sales volume, the Group may also provide customers with comprehensive after-sale services at a high standard.

Looking forward, the Group will further expand its source of profits in different aspects and continue to strengthen its leading position in the automobile dealership industry by seizing the opportunities for transform and upgrade of the automobile dealership market. The Group will expand its income sources, enhance its efforts in cost control and strengthen its management of operating efficiency, so as to achieve product innovation and product diversification. The Group also aims at providing its customers with professional, efficient and cost-effective services by placing more emphasis on high quality management and providing various tailor-made services and products. Meanwhile, the Group will further explore the value of the automobile after-sales market through the integration of internet and the offline physical industry, which will also promote the development of the offline industry, enhance the transparency as well as the overall service quality of the industry and thus play a leading role in the innovation and transformation of the industry.

Leveraging on the Group's superior operational capabilities, customer-oriented expertise and well-established reputation in the market, we are confident that our increasing efforts in adding value to our business and enhancing our management will create better economic returns and social benefits. Last but not least, on behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, business partners, customers and employees for their long-term support, trust and encouragement. We are determined to use our best endeavours to pay back our shareholders with fruitful achievements and strong results.

Yang Aihua
Chairman

Hong Kong, March 31, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

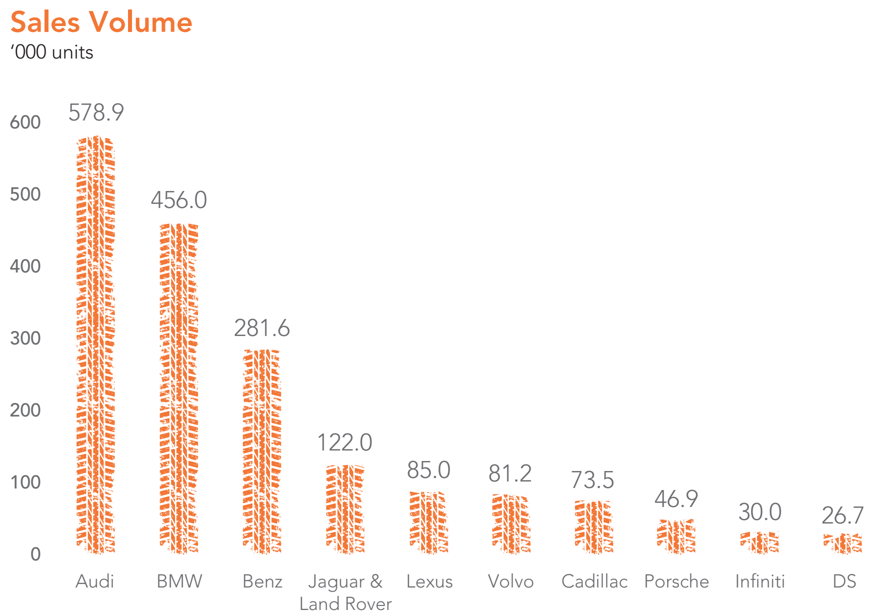
INDUSTRY OVERVIEW

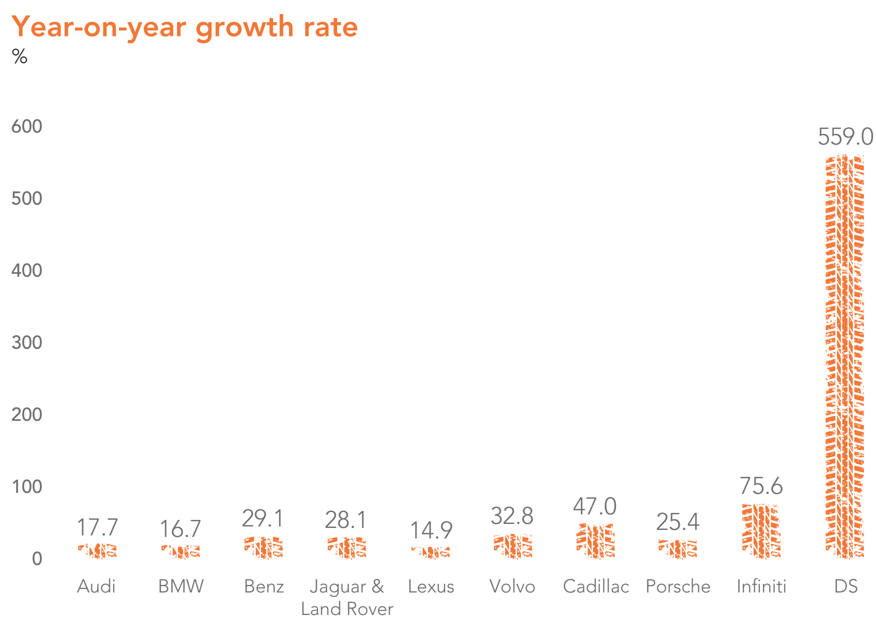
In 2014, China's macro economy grew at a slower rate as compared to the growth rate in 2013. The annual gross domestic product ("**GDP**") growth slowed down to 7.4%, which is a new low since 1990. The weak property market, weak domestic consumption, high indebtedness of local governments and excessive production capacity of various industries has exerted greater downward pressure on the domestic macro economy. Since the beginning of 2014, the automobile industry had been under pressure as a result of the introduction of a series of automobile policy, such as anti-trust investigation, revised administrative measures on automobile sales and the implementation of purchase restrictions in more cities. According to the statistics and analysis from the China Association of Automobile Manufacturers ("**CAAM**"), the automobile production and sales volumes in 2014 amounted to 23.7 million units and 23.5 million units, representing a year-on-year growth of 7.3% and 6.9%, respectively. The growth rate was lower than the estimates at the beginning of the year and was only half of that of 2013. According to the statistics of CAAM, the sales volume of passenger vehicles in 2014 was 19.7 million units, representing a year-on-year growth of 9.9%. Within this category, the sales volume of basic passenger vehicles (sedans) reached 12.4 million units, representing a year-on-year growth of 3.1%. Among different types of vehicles, SUV and MPV continued to grow rapidly, recording a year-on-year growth of 36.4% and 46.8%, respectively.

Regarding luxury automobile market, the luxury automobile brands continued to expand their distribution network in China, increase the localization rate and launch new automobile models which were tailored for the Chinese market. As a result, the sales volume of new automobiles was at an all-time high in 2014. In addition, luxury automobiles will also benefit from the implementation of purchase restrictions in Tier 1 and 2 cities indirectly, with part of the demand attributed to luxury automobiles. In 2014, China's luxury automobile sales volume reached around 1,782,000 units (Note: the aggregated sales volume of the top ten luxury automobile, in the order of Audi, BMW, Benz, Jaguar & Land Rover, Lexus, Volvo, Cadillac, Porsche, Infiniti, DS), representing a year-on-year growth of 23.8%, which is 3.4 times of the overall growth rate of the automobile market. BMW, Audi and Benz from the top echelon stayed ahead. BMW reached its highest sales record in the Chinese mainland market, with a total of 455,900 units of BMW and MINI delivered to customers, representing a year-on-year increase of 16.7%, thereby making China the largest market of the BMW Group in the world. BMW has also launched electric and hybrid drive luxury vehicles and was well prepared to capture the opportunities in the new energy automobile market in China. Sales of Audi in the Chinese market increased to 578,900 units, representing a year-on-year increase of 17.7% and making it the first luxury brand to deliver over 500,000 units in a year in China. In 2014, the sales volume of the "ABB" brands (Audi, BMW and Benz) totaled 1,313,300 units, accounting for over 70% of the sales volume of the top ten luxury automobile brands in China. The second-tier luxury automobile brand apparently grew at a fast pace as compared to the top echelon. Jaguar & Land Rover is still the top player among the second-tier brands. Its sales volume exceeded 100,000 units for the first

MANAGEMENT DISCUSSION AND ANALYSIS

time and reached 122,000 units, representing a year-on-year increase of 28.1%. Market demand for SUV was still high, providing a strong support for the rapid growth of its sales volume. In October 2014, the joint venture factory of Jaguar & Land Rover and Chery in China commenced a successful launch in production which laid a foundation for their continual growth in the future. Sales volume of Volvo also reached 81,200 units, representing a year-on-year increase of 32.8%, making China the largest market of Volvo around the globe. Cadillac grew by 47% in the Chinese market in 2014. The sales volume and year-on-year growth rate of top ten luxury brands in 2014 are set out as below:





MANAGEMENT DISCUSSION AND ANALYSIS

Although the sales of luxury automobile maintained a strong growth in 2014, the inventory level of luxury automobile dealers increased significantly with the impact of weak market demand, resulting in an increasingly fierce price competition and high financing cost. As such, the relationship of dealers and automobile manufacturers grew tenser, while the dealers became more prudent and less incentivised in opening new outlets. On the other hand, the anti-monopoly investigations and the revision of "Administrative Measures on Auto Sales" have contributed to a more balanced and equal relationship between Chinese automobile dealers and manufacturers.

As at the end of 2014, the ownership of passenger automobile in China has amounted to 154.0 million and the number of newly-registered automobile has reached 21.9 million, representing a net increase in ownership of 17.1 million. Although the growth of new automobile sales has gradually slowed down, the growth of the after-sales market and pre-owned motor-vehicle market still maintained to be strong. According to statistics from China Auto Finance magazine, regarding the automobile markets in developed countries, approximately 55% of the sales revenue derives from new automobile, 30% from pre-owned automobile, and 15% from after-sales markets. However, approximately 90% of the sales revenue derives from new automobile in China, while the after-sales and value-added services (including pre-owned automobile) only account for about 10%. From the perspective of profit structure, in mature markets, over 60% of the profits derive from repair and maintenance, finance and insurance, 10–15% from pre-owned automobile, while only 25% from new automobile sales. According to the statistics of NADA DATA Report for 2013 on the U.S. auto industry, the average turnover of a single automobile dealer outlet in the United States was USD41.3 million (RMB256 million) and the average gross profit margin was 13.4% in 2013, which was much higher than the average turnover and gross profit margin of a Chinese auto dealer outlet, illustrating that the automobile dealer network of China is still in its developing phase as the outlets are less mature and the sales and profits depend too much on the sales of new automobile.

As the general automobile industry of China is consistently developing and becoming more mature with the increasing demand for automobile ownership and replacement, the pre-owned automobile market demonstrates a trend of rapid development where sales and the average trading price of single automobile are increasing steadily and rapidly. According to the statistics of China Automobile Dealers Association, in 2014, the trade volume of pre-owned automobile throughout China was 6,052,900 units, representing a year-on-year increase of 16.3%, in which the number of basic passenger automobile was 3,514,300, marking a year-on-year increase of 15.3%; and the value of trade amounted to RMB367.6 billion, representing a year-on-year growth of 26.0%. Under the purchase restrictions policy which was implemented in more tier 1 and tier 2 cities, the cost of owning two vehicles increased significantly, and customers in these cities are more inclined to trade in or sell their old cars when upgrading.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

2014 was a critical year for the Group's strategic reform and transition. Since 2013, the Group has been carrying out reform in two aspects. First, the focus of operation and development has been extended from new car sales to the after-sales services sector such as auto repair and maintenance, auto financing, pre-owned vehicle, auto insurance and decoration. Second, the Group has gradually extended its focus from purely dealer store expansion and acquisition to a more diversified sales network and channel development to enhance the quality of customer service, launch more products and service items, and emphasize the high quality of management. The Group has seen solid breakthrough and improvement over these aspects during 2014.

Steadily developing and consolidating luxury and ultra-luxury brands to enhance core competitiveness

2014 was a challenging year for the new car business, and due to the weak market demand and greater inventory risk, the Group remained prudent towards the growth of new car sales, so as to prevent the overstock risk and maintain a stable profit. Although the growth of new car sales was lower than expected at the beginning of the year, the Group still maintained its leading position in major luxury automobile brands. As at December 31, 2014, the Group sold 72,709 new cars, of which 60,767 were luxury and ultra-luxury brands, representing a year-on-year growth of 9.7%; and 40,534 were BMW and MINI, representing a year-on-year growth of 7.3% or 8.9% of the total sales volume of the BMW Group in China market. The new car sales of Jaguar & Land Rover was 14,251, representing a year-on-year growth of 17.2% or 11.7% of the total sales volume of the Jaguar & Land Rover in the China market. Benefitted from the expansion of the new store in 2013, the Group sold a total of 642 new cars of Ferrari/Maserati during 2014, representing a year-on-year growth of 355.3% and contributed 6.8% of the brands total sales in China. This has significantly increased the brand's market share in China and made the Group become a significant partner of and leading dealership group for luxury automobile brands in China.

In comparison with luxury and ultra-luxury brands, the competition among mid-to-upper brands was more fierce, and its overall profitability was under more pressure. In 2014, the Group converted two 4S stores of two Japanese brands, namely Honda and Nissan, located at the prime locations of Shanghai, into 4S stores of luxury brands and pre-owned automobile stores, in order to leverage the geographical advantage to enhance operating efficiency and overall profitability. Under such effect, the sales volume of the Group's mid-to-upper brands for 2014 was 11,942 units, representing a decrease of 17.3% as compared to the previous year.

As at December 31, 2014, the Group's total inventory was RMB3,056.8 million, representing an average turnover days of 39.6 days, which was well below industry average level.

According to the statistics from China Automobile Dealers Association, 70% auto dealers in China had experienced a loss from sales of new vehicles in 2014. 40% of the dealers had an average inventory turnover of over 2 months. In order to achieve the sales target from manufacturers, offering favorable discount to new vehicles has been the sole strategy for most dealers, resulting in a substantial decrease in gross profit of new automobile. However, with its extensive experience of the management and successful brand strategy, the Group's gross profit margin from new vehicle sales remained relatively stable despite the impact of such market trend. For the year ended December 31, 2014, the Group's gross profit margin from new vehicle sales was 4.8%, representing a decrease of 1.2 percentage points as compared to 2013; and the Group's profit margin from new vehicle sales of luxury and ultra-luxury brands was 5.1%, representing a decrease of 1.2 percentage points as compared to 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

After-sales repair and maintenance business remained robust growth

Driven by the steady growth of new vehicle sales business, the increasing market share of luxury and ultra-luxury brands in after-sales repair and maintenance business, and the gradual ramp up of 4S stores that were newly opened in the past few years, the after-sales repair and maintenance business achieved robust growth and maintained a stable gross profit margin. For the year ended December 31, 2014, revenue from the after-sales services, including repair, maintenance and decoration operations of the Group amounted to RMB3,059.5 million, an increase of 13.2% as compared to the previous year, accounted for 10.0% of the total revenue and was 1.0 percentage point higher as compared to 2013. The revenue from after-sales service of luxury and ultra-luxury brands amounted to RMB2,850.3 million, representing an increase of 15.7% as compared to the same period in 2013 and accounted for 93.2% of the total revenue of after-sales services. Under the impact of anti-monopoly investigation, several major automobile manufacturers cut prices on components and spare parts and services, affecting the revenue and profit growth of after-sales service to some extent. In 2014, the gross profit margin of the Group's after-sales services business was 47.3% and remained a stable level as compared to the same period last year. In 2014, gross profit generated from after-sales repair and maintenance business contributed 51.9% of the Group's gross profit, and has increased by 7.9 percentage points, becoming the major pillar for the stable profit and sustained profit growth of the Group against the challenging and volatile market that affects the profitability of new vehicle sales.

Vehicle value-added services become the driver of profit growth

While steadily developing the new vehicle sales and after-sales repair and maintenance business, the Group has put more effort in the development of vehicle value-added services business, including certain break-through in the development of automobile insurance, extended warranty, automobile finance, pre-owned automobile and automobile decoration business. For the year ended December 31, 2014, the commission income from vehicle value-added services amounted to RMB371.4 million, representing a significant increase of 60.4% as compared to the same period in 2013 and a growth rate far higher than the sales of new automobile, demonstrating the potential of value-added business.

Insurance Business

In 2014, the Group continued its intensive cooperation with insurance companies as its strategic partners and enhanced its operating management over various sales stores and after-sales service division, strengthened the training for staff of insurance division and introduced more convenient services to customers. As such, the insurance renewal rate was substantially increased while maintaining a comparatively high rate of new automobile insurance. Meanwhile, the Group cooperated with a major European insurance company to introduce its own automobile extended warranty product that was well received by consumers. For the year ended December 31, 2014, the Group's automobile insurance business realized significant growth in commission income, representing a year-on-year growth of 38%. The year-on-year volume growth of extended auto insurance was 44% while growth in extended insurance premium was 32%.

MANAGEMENT DISCUSSION AND ANALYSIS

Automobile Finance Business

The automobile finance business of the Group comprises automobile finance business and automobile financial leasing business. For the year ended December 31, 2014, the automobile finance penetration rate of the Group's new automobile business was 26%, which was 3 percentage points higher as compared to the same period in 2013; the commission income derived from automobile finance was RMB102.4 million, representing a year-on-year growth of 32.5%. In consumer automobile finance business, the Group actively cooperated with automobile manufacturers, such as BMW, Jaguar & Land Rover and other manufacturers in respect of finance while expanding its strategic cooperation with commercial banks such as China Merchants Bank, China CITIC Bank, Ping An Bank and others. Leveraging on the automobile finance policy offered by the commercial banks and manufacturers, the Group can provide its customers with fast, more convenient and personalized credit finance service. As for automobile financial leasing business, following the incorporation of Shanghai Dingxin Financial Leasing Co., Ltd ("**Dingxin Leasing**") in 2013, the Group set up Dingxin Leasing branches across 19 major cities throughout China in 2014 and became the pioneer in the automobile dealer industry who successfully launched and implemented paperless management design and operation of the centralized cross-border online approval system. In addition to the traditional consumer auto loan service, the stores also offer online application and approval of finance leasing service to satisfy diversified finance demands of various customers. In 2014, Dingxin Leasing obtained accreditation from BMW Finance and became a key supplier and partner of BMW Finance.

Pre-owned Automobile Business

In line with the overall market trend, there is a significant increase in the replacement and trade volume of pre-owned automobile despite the unexpected sluggish growth of the Group's new vehicle sales in 2014. The Group set up pre-owned automobile division and engaged experienced pre-owned automobile appraisers in all our 4S stores, showrooms and after-sales maintenance stores. The Group also explored replacement demand of pre-owned automobiles during the sales process and identified customers for pre-owned mobiles from the bulk list of repair and maintenance customers. In addition, along with the expansion of dealership network, a great number of retired test-drive vehicles have become the source of certified pre-owned vehicles. In view of the low mileage, high quality and free quality assurance from manufacturers, certified pre-owned vehicles are well received by many customers. Currently, the pre-owned vehicle supply market in China still has shortage of quality automobile. As such, the Group, as a major luxury brand dealership group, has its inherent advantage in accessing to pre-owned vehicle resources. For newer vehicles with low mileage and in good condition, the Group will display them in the showroom for direct sales to customers upon maintenance and refurbishment, skipping the secondary trading process to enhance gross profit margin. For online auction, the Group will make cross-region recommendation for quality automobile and strive for the maximum gross profit by implementing region optimization with the existing network advantages of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Expanding income sources and enhancing the efforts in cost control and strengthening the management of operating efficiency

While continuing to expand revenue sources, the Group strived for delivering maximum profit for the shareholders in the volatile market through various measures on cost control. For the year ended December 31, 2014, sales and marketing costs, administrative costs and financing costs of the Group amounted to RMB2,209.2 million, representing a year-on-year growth of 8.8%; and accounted for 7.2% of total revenue, representing an increase of 0.5 percentage point as compared to that of 2013.

Regarding the control on sales and operating costs, the Group made corresponding adjustment to salesmen's commission according to the market trend, which reduced the percentage taken in new car sales while increased the salesmen's proportion of commission in value-added services so as to motivate salesmen to actively discover potential customers of value-added services during new vehicle sales. Meanwhile, the Group strictly controlled the expenses on advertisements, which decreased by 21.4% year-on-year to RMB139.6 million in 2014. To accommodate the changes in customers' consuming behaviors, the Group increased the expenses on internet advertisements and reduced the promotional expenses on traditional media. In addition, the Group launched more personal offline promotions, which were tailor-made for customers' needs, in order to enhance their brand awareness and loyalty to the Group.

As for financing costs, the Group attempted to minimize the increasing funding costs resulted from the slowdown of inventory turnover by strictly controlling the inventory level. Meanwhile, the Group further enhanced capital utilization to reduce the proportion of security deposits in bank. In August 2014, the Group successfully completed a US$216 million syndicate loan at low interest rate in Hong Kong and commenced a full cooperation with Standard Chartered Bank to conduct the two-way trade in RMB capital pool business in Shanghai Free Trade Zone. In September 2014, such project was awarded the "Best Cash Management" of The Tao Zhu Gong Awards 2014 by EuroFinance.

Establishing diversified networks and channels as well as building O2O platform for auto services

The Group has started to build an online auction platform for pre-owned vehicles since October 2013. On September 2, 2014, "Autostreets" (Autostreets.com), a fully integrated platform for both online and offline auto service led and organized by the Group, was officially launched. COX Group, parent group of several renowned online and offline auto trading companies in the United States, and China Merchants Bank have become the strategic partners and investors of "Autostreets". A number of top ranked automobile dealership groups are also in the process of becoming strategic joint ventures and investors of "Autostreets". As of January 2015, the Group holds 38% stake in "Autostreets", and "Autostreets" is an associate company of the Group. "Autostreets" will provide Chinese automobile owners with one-stop auto-related services, enabling customers to enjoy traditional offline services covering all cycles of automobile business, including searching and trading of new vehicles and pre-owned vehicles, reservation for repairs and maintenance, auto financing, auto insurance and extended warranty, etc. The off-line pre-owned vehicles centres comprise first class showrooms and driveway for on-site auction, providing customers with integrated services including assessment, trading, transfer and financing of pre-owned vehicles.

MANAGEMENT DISCUSSION AND ANALYSIS

As for the traditional networks and channels of 4S stores, in light of the market volatility of new automobile, the Group turned to be more cautious and prudent from the strategy of opening stores in a large scale, rapid expansion, mergers and acquisitions in the past. As at December 31, 2014, the Group has added 4 new luxury and ultra-luxury 4S stores and one mid-to-upper brand 4S store in respect of brands such as Rolls Royce, Jaguar & Land Rover, Volvo and FAW-Volkswagen. Moreover, three MINI showrooms were added and 13 luxury and ultra-luxury 4S stores are under construction. In addition, the Group has relocated and renovated two mid-to-upper brand 4S stores (including one Honda store and one Nissan store) located in prime region in Shanghai in 2014. The original store locations were renovated as trading and exhibition centres for pre-owned automobiles and luxury 4S stores.

Parallel importing business will be the new growth point for sales of new vehicles

On February 10, 2015, the first tranche of pilot enterprises for automobile parallel importing in the free trade zone was announced on the official website of Shanghai Municipal Commission of Commerce, and a total of 17 enterprises were included in the list. With its leading position in the industry, extensive management experience, strong after-sale service platform and sound reputation in the market, the Group was among one of the first tranche of officially authorized automobile parallel importers. As the parallel importing will not be subjected to any authorization limit of the manufacturers, the importers are allowed to sell imported automobiles which are popular among consumers based on the market demand. In addition to sale of new vehicles, the Group will also provide customers with comprehensive value-added after-sale services at a high standard, including repair and maintenance, insurance for automobile financing and replacement of pre-owned automobiles. Meanwhile, we will maintain our relationship with automobile manufacturers in order to commence our parallel importing business without prejudice to the operation of licensed brands with the manufacturers. On March 17, 2015, HSBC announced that it will release US$ funding from overseas through its free trade accounting units. This will provide the Group's subsidiaries in the free trade zone with trade financing loans of approximately US$10 million for its parallel importing business, the cost of which will be lower than that of the financing cost of borrowing funds from domestic commercial banks.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Significant Accounting Judgments and Estimates

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

	2014 RMB'000	2013 RMB'000
REVENUE	**30,723,432**	30,081,687
Cost of sales and services provided	**(27,935,772)**	(27,161,294)
Gross profit	**2,787,660**	2,920,393
Other income and gains, net	**454,574**	468,872
Selling and distribution expenses	**(983,221)**	(946,815)
Administrative expenses	**(608,813)**	(538,713)
Profit from operations	**1,650,200**	1,903,737
Finance costs	**(617,234)**	(544,601)
Share of profit of a joint venture	**6,783**	10,544
Profit before tax	**1,039,749**	1,369,680
Income tax expense	**(326,115)**	(355,345)
Profit for the year	**713,634**	1,014,335
Attributable to:		
Owners of the parent	**706,644**	1,006,805
Non-controlling interests	**6,990**	7,530
	713,634	1,014,335
Earnings per share attributable to ordinary equity holders of the parent		
Basic and diluted		
— For profit for the year (RMB)	**0.28**	0.39

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the year ended December 31, 2014, our revenue was RMB30,723.4 million, representing a slight growth of approximately 2.1%. Among which, revenue from the automobile sales increased from RMB27,378.2 million in 2013 to RMB27,663.0 million in 2014.

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

	Year ended December 31,			
	2014		2013	
Revenue source	Revenue (RMB'000)	Contribution to total Revenue (%)	Revenue (RMB'000)	Contribution to total Revenue (%)
Automobile Sales	**27,662,990**	**90.0**	**27,378,214**	**91.0**
Luxury and ultra-luxury brands	26,139,097	85.0	25,455,559	84.6
Mid-to-upper market brands	1,523,893	5.0	1,922,655	6.4
After-sales Business	**3,059,534**	**10.0**	**2,703,473**	**9.0**
Luxury and ultra-luxury brands	2,850,345	9.3	2,464,083	8.2
Mid-to-upper market brands	209,189	0.7	239,390	0.8
Finance leasing services	**908**	**0.0**	–	–
Total revenue	**30,723,432**	**100.0**	**30,081,687**	**100.0**

Automobile sales generated a substantial portion of our revenue, accounting for 90.0% of our total revenue for the year ended December 31, 2014. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 94.4% (2013: 93.0%) and 5.6% (2013: 7.0%), respectively, of our revenue from the sales of automobiles.

Revenue from our after-sales business increased by 13.2% from RMB2,703.5 million for the year ended December 31, 2013 to RMB3,059.5 million for the same period in 2014. The strong after-sales revenue growth was attributable to the Group's pro-active resources to increase our stores' after-sales capacity. The relative contribution of our after-sales business to our revenue increased from 9.0% in 2013 to 10.0% in 2014.

Cost of sales and services

For the year ended December 31, 2014, our cost of sales and services increased by 2.9%, from RMB27,161.3 million for the same period in 2013 to RMB27,935.8 million. This increase was basically consistent with the growth in our sales throughout the year ended December 31, 2014. The cost of sales and services attributable to our automobile sales business amounted to RMB26,324.3 million for the year ended December 31, 2014, representing an increase of RMB581.1 million, or 2.3%, from the same period in 2013. The cost of sales attributable to our after-sales business amounted to RMB1,611.5 million for the year ended December 31, 2014, representing an increase of RMB193.4 million, or 13.6% from the same period in 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

Gross profit for the year ended December 31, 2014 was RMB2,787.6 million, representing a decrease of RMB132.8 million or 4.5% from the same period in 2013. Gross profit from automobile sales decreased by 18.1% from RMB1,635.0 million for the year ended December 31, 2013 to RMB1,338.7 million for the same period in 2014, of which RMB1,327.4 million were from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 12.6% from RMB1,285.4 million for the year ended December 31, 2013 to RMB1,448.0 million for the same period in 2014. Automobile sales and after-sales business contributed to 48.1% (2013: 56.0%) and 51.9% (2013: 44.0%), respectively, to the total gross profit for the year ended December 31, 2014.

Gross profit margin for the year ended December 31, 2014 was 9.1% (2013: 9.7%), of which the gross profit margin of automobile sales was 4.8% (2013: 6.0%) and of after-sales business was 47.3% (2013: 47.5%). The decrease in gross profit margin from automobile sales was mainly due to the decrease in selling price of automobile as the result of weaken macro economy environment and more intense market competition. The gross profit from after-sales services remained stable over the year.

Other income and gains, net

The majority of other income is commission income from automobile sale relevant services, which increased from RMB231.5 million for the year ended December 31, 2013 to RMB371.4 million for the same period in 2014. The increase was mainly due to (i) the insurance commission income increased by RMB40.5 million compared to that of 2013; (ii) benefitting from more financial services being used by automobile purchasers, the commission income from automobile financing services increased to RMB25.1 million in 2014; and (iii) the income from pre-owned automobile sales increased significantly due to the Group had launched many promotion activities to develop the pre-owned automobile business during the year of 2014.

Selling and distribution costs and administrative expenses

For the year ended December 31, 2014, our selling and distribution costs increased by 3.8%, from RMB946.8 million for the same period in 2013 to RMB983.2 million; and our administrative expenses increased by 13.0%, from RMB538.7 million for the same period in 2013 to RMB608.8 million. These increases were mainly due to (i) the employee benefit expenses have expanded due to the increase in staff headcount and average staff salaries; and (ii) higher depreciation and amortisation costs resulted from the increase in fixed assets and intangible assets.

Profit from operations

As a result of the foregoing, our profit from operations for the year ended December 31, 2014 decreased by 13.3% from RMB1,903.7 million for the same period in 2013 to RMB1,650.2 million. The decrease was mainly attributed to the drop of the margin of automobile sales over the year of 2014.

Finance costs

Finance costs increased by 13.3% from RMB544.6 million for the year ended December 31, 2013 to RMB617.2 million for the same period in 2014, primarily due to the increase in bank loan balances and bank acceptance bills. In 2014, the Group continued to cooperate with both domestic and international banks to decrease borrowing costs and lower debt risk, by utilizing overseas financing platforms and entering into syndicated loans bearing a lower interest rate.

Profit for the year

As a result of the cumulative effect of the foregoing, our profit for the year ended December 31, 2014 decreased from RMB1,014.3 million for the same period in 2013 to RMB713.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and capital resources

Cash flow

As at December 31, 2014, our cash and cash equivalents amounted to RMB2,202.9 million, representing an increase of 9.0% from RMB2,020.9 million as at December 31, 2013.

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

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time. For the year ended December 31, 2014, our net cash generated from operating activities was RMB1,478.1 million (2013: RMB703.7 million). The significant growth in cash generated from operating activities indicates the Group's well-functioning amidst rapid development in operating activities.

Net current assets

As at December 31, 2014, we had net current assets of RMB2,494.4 million, representing an increase of RMB1,128.6 million from RMB1,365.8 million as at December 31, 2013.

Capital expenditure

Our capital expenditures primarily comprised expenditures on property, plant and equipment, land use rights and intangible assets. During the year ended December 31, 2014, our total capital expenditures amounted to RMB1,160.9 million (2013: RMB1,289.8 million).

Inventories

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

Our inventories kept stable by an increase in 1.8% from RMB3,002.3 million as at December 31, 2013 to RMB3,056.8 million as at December 31, 2014.

Our average inventory turnover days in the year ended December 31, 2014 increased to 39.6 days from 34.8 days in 2013, primarily due to the average inventory balance during the year of 2014 was higher than that of 2013.

Trade receivables

Trade receivables decreased from RMB556.9 million as at December 31, 2013 to RMB393.2 million as at December 31, 2014, primarily due to the Group strictly controlled trade receivables by reviewing and follow-up on a timely basis.

Bank loans and other borrowings

As at December 31, 2014, the Group's available and unutilized banking facilities amounted to approximately RMB8,325.6 million (December 31, 2013: RMB6,134.4 million).

Our bank loans and other borrowings as at December 31, 2014 were RMB7,728.6 million, representing an increase of RMB706.8 million from RMB7,021.8 million as at December 31, 2013. The increase was due to the working capital requirements from new stores and capital expenditures of the Group in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Interest rate risk and foreign exchange rate risk

The Group currently has not used any derivatives to hedge interest rate risk. The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB. The Group's assets and liabilities denominated in US$ and HK$ were mainly held by certain subsidiaries incorporated outside Mainland China which had US$ or HK$ as their functional currencies. The Group did not have any material foreign currency transactions in Mainland China for the year ended December 31, 2014. The Group has minimal exposure of foreign currency risk. We have not used any derivative financial instruments to hedge our exposure to the foreign exchange rate risk during the year ended December 31, 2014.

Gearing ratio

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, trade, bills and other payables, accruals, and bonds less cash and cash equivalents. Our gearing ratio for the year ended December 31, 2014 was 69.5% (December 31, 2013: 69.1%).

Human resources

As at December 31, 2014, the Group had approximately 6,744 employees (December 31, 2013: 6,646). Total staff costs for the year ended December 31, 2014, excluding Directors' remuneration were approximately RMB698.9 million (2013: RMB550.9 million).

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

Contingent liabilities

As at December 31, 2014 and 2013, the Group had no significant contingent liabilities.

Pledge of the Group's assets

Our Group had pledged our group assets, shares in certain subsidiaries and letters of credit as securities against bank loans and other borrowings and bills payable which were used to finance daily business operation and acquisition. As at December 31, 2014, the pledged group assets amounted to approximately RMB4,693.3 million (2013: RMB4,716.5 million); the pledged letters of credit with an aggregate credit amount of approximately RMB13.0 million (2013: RMB613.0 million) and the entire shares in Shanghai Baoxin Automobile Sales & Services Co., Ltd. were pledged, which was released on March 18, 2015.

Material investments held, material acquisitions and disposals of subsidiaries and associates, and future plans of material investments or acquisition of capital assets

Except as disclosed in this annual report, during the year ended December 31, 2014, the Company had no material investment held, had not carried out any material acquisition or disposal of subsidiaries and associates, and had no definite plan for material investment or acquisition of capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND STRATEGY

In 2014, the automobile ownership in China has reached 154 million and the annual sales volume, standing at 23.5 million, has been ranking top of the world for six consecutive years. We believe that the growth of sales volume of new automobiles will slow down but 25 to 30 million new automobiles will still be launched to the market every year. The scale of automobile ownership will continue to expand rapidly accordingly. On the other hand, consumer groups are changing as well. Those born in the 1980s and the 1990s gradually become the core consumer groups of automobile, and the proportion of female automobile consumers is increasing as well. All these factors will foster tremendous changes in concepts and modes of consumption. Internet power is rapidly getting access to the various fields of the automobile manufacturing chain. However, we believe that internet cannot replace the traditional offline physical automobile industry in view of its intrinsic special features. Instead, the Internet should be better integrated with the offline physical industry to promote the development of the automobile industry and to improve its general operation efficiency as well as increasing the industry transparency and users' satisfaction.

As the leading group for automobile dealers in China, the Group will live up with the trend and the rapidly-changing market, formulate our strategy prudently and pragmatically so as to seize the market opportunities for the long-term interests. We will continue to enhance our strategic cooperation relations with automobile manufacturers and strengthen the cooperation in terms of automobile finance business, pre-owned automobile market, customer service and human resource development in order to develop diversified sales and marketing channels and improve the competitiveness of the business for after-sales market. In addition, by enhancing the cooperation with major insurance companies and commercial bankers, we will expand the automobile finance and insurance businesses and continue to vigorously develop the emerging businesses such as extended automobile warranty and financial lease. Regarding the internal operation, we will endeavor to increase the retention rate of the customers by repairs and maintenance service and increase the market penetration and profit margin of the automobile finance, insurance and pre-owned automobile businesses. Facing the volatile market environment, we will continue to strictly control the inventory level and costs of operation and management and expand the income sources, aiming to enhance cost-effectiveness.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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

In the opinion of the Directors, throughout the year ended December 31, 2014, the Company has complied with all the code provisions as set out in the CG Code, save and except for code provisions A.2.1 and F.1.2.

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

Under the code provision F.1.2, a board meeting should be held to discuss the appointment of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution. The appointment of Ms. Chan Wai Ling in place of Ms. Pau Lai Mei as the joint company secretary was dealt with by a written resolution in October 2014. The Board considers that, prior to the execution of the written resolution to change the joint company secretary, all Directors were individually consulted on the matter without any dissenting opinion and there was no need to approve the matter by a physical board meeting instead of a written resolution.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended December 31, 2014.

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

CORPORATE GOVERNANCE REPORT

THE BOARD

Role of the Board

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

Matters specifically reserved for the Board include the approval of financial statements, dividend policy, significant changes in accounting policies, strategies, budgets, internal control system, risk management system, material transactions (in particular those that may involve conflicts of interests), selection of directors, changes to appointments such as company secretary and external auditors, remuneration policy for Directors and senior management, terms of reference of Board committees, as well as major corporate policies such as the code of conduct and whistle-blowing policy.

The Board has delegated to the chief executive officer, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective defined written terms of reference.

Composition

During the year ended December 31, 2014 and up to the date of this annual report, there have been the following changes to the Board:

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

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

The Board currently comprises nine members, consisting of five executive Directors, one non-executive Director and three independent non-executive Directors as detailed below:

The Board

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

The Board has met the requirements of Rules 3.10 and 3.10A of the Listing Rules of having a minimum of three independent non-executive directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications and accounting and related financial management expertise.

CORPORATE GOVERNANCE REPORT

The biographical details of the Directors are set out on pages 35 to 37 of this annual report. In addition, a list of the names of the Directors and their role and function is published on the websites of the Company and the Stock Exchange.

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

Chairman and Chief Executive Officer

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

Independent Non-executive Directors

During the year ended December 31, 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 possesses appropriate professional qualification, accounting or related financial management expertise.

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

The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years, unless terminated by not less than three months' notice in writing served by either the executive Director or the Company, with effect from their respective dates of appointment, subject to renewal.

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

In accordance with the Company's articles of association, all Directors (including non-executive Directors) are required to retire by rotation at least once every three years and are eligible for re-election at the annual general meeting.

At each annual general meeting, one-third of the current Directors shall retire from office. Any new directors appointed either to fill a casual vacancy, or as an addition to the Board during the year ended December 31, 2014 by the Board following the recommendation of the Nomination Committee, are subject to re-election by shareholders of the Company at the following general meeting after their appointment.

All of the Directors have decided to submit themselves for re-election at the forthcoming annual general meeting of the Company scheduled to be held on June 18, 2015 notwithstanding that the Company's articles of association requires merely one-third of them to be subject to annual re-election. The Nomination Committee has confirmed that the Company will support their re-election.

Board Committees

The Board has established three Board committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are also published on the websites of the Company and the Stock Exchange.

The Board committees are provided with sufficient resources to discharge their duties and are able to seek independent professional advice where appropriate and upon request. Details of these Board committees, including their compositions, major responsibilities and functions, and work performed during the year ended December 31, 2014 are set out below.

Audit Committee

The Audit Committee consists of the following members during the year ended December 31, 2014:

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

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

During the year ended December 31, 2014, the Audit Committee met twice to:

- review the consolidated financial statements, annual and interim reports before submission to the Board for approval; review any significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, any connected transactions of the Group; and

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

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

Remuneration Committee

The Remuneration Committee consists of the following members during the year ended December 31, 2014:

Independent non-executive Directors
Mr. Diao Jianshen *(Chairman)*
Mr. Wang Keyi

Executive Director
Mr. Yang Hansong

CORPORATE GOVERNANCE REPORT

The primary functions of the Remuneration Committee include (i) 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 (ii) establishing transparent procedures for developing such remuneration policy and structure to attract, retain and motivate them to run the Company successfully. The remuneration policy for non-executive Directors, mainly comprising directors' fees, is subject to annual assessment with reference to the prevailing market standard. Individual Directors and senior management are not involved in deciding their own remuneration.

During the year ended December 31, 2014, the Remuneration Committee met once to:

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

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

Nomination Committee

The Nomination Committee consists of the following members during the year ended December 31, 2014:

Independent non-executive Directors
Mr. Wang Keyi *(Chairman)*
Mr. Diao Jianshen

Executive Director
Mr. Yang Hansong

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

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

During the year ended December 31, 2014, the Nomination Committee met once to:

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

Board Meetings

During the year ended December 31, 2014, the Board has held four board meetings to review financial and operating performance of the Company and to discuss future strategies. The Directors participated in the Board meetings in person or through electronic means.

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Attendance Record of Directors and Committee Members

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

	Number of meetings attended/held in 2014				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Yang Aihua	4/4	N/A	N/A	N/A	1/1
Mr. Yang Hansong	4/4	N/A	1/1	1/1	1/1
Mr. Yang Zehua	4/4	N/A	N/A	N/A	1/1
Ms. Hua Xiuzhen	4/4	N/A	N/A	N/A	1/1
Mr. Zhao Hongliang	4/4	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Zhang Yang*	1/4	N/A	N/A	N/A	N/A
Mr. Lu Linkui**	3/4	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Diao Jianshen	4/4	2/2	1/1	1/1	0/1
Mr. Wang Keyi	4/4	2/2	1/1	1/1	1/1
Mr. Chan Wan Tsun Adrian Alan	4/4	2/2	N/A	N/A	0/1

* Mr. Zhang Yang resigned as a non-executive Director with effect from January 23, 2014, one board meeting was held before his resignation.

** Mr. Lu Linkui was appointed as a non-executive Director with effect from March 31, 2014, three board meetings were held after his appointment.

Apart from regular Board meetings, the chairman of the Board also held a meeting with the non-executive Director and independent non-executive Directors without the presence of executive Directors during the year ended December 31, 2014.

Continuous Professional Development of Directors

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

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

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary.

CORPORATE GOVERNANCE REPORT

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

During the year ended December 31, 2014, all Directors have been required to provide the Company with a record of the training they received on a half-year basis, and such records have been maintained by the Company.

A summary of the current Directors' participation in internal and other external training for the year ended December 31, 2014 is as follows:

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy in 2013 which aims at achieving optimal diversity on the Board. The Board has considered that diversity of Board members shall include areas such as gender, age, cultural and educational background, professional qualification, skills, knowledge and industry and regional experience.

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

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

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

PERFORMANCE OF THE DEED OF NON-COMPETITION

The independent non-executive Directors were delegated with the authority to review, on an annual basis, the compliance with the deed of non-competition (the "Deed of Non-Competition") executed by Baoxin Investment Management Limited, Auspicious Splendid Global Investments Limited and Mr. Yang Aihua (the "Controlling Shareholders") on November 23, 2011, in favour of the Company (for itself and for the benefit of its subsidiaries). Each of the Controlling Shareholders has confirmed that he/it had complied with the Deed of Non-Competition during the year ended December 31, 2014 and up to the date of this annual report. The independent non-executive Directors were not aware of any non-compliance of the Deed of Non-Competition given by the Controlling Shareholders during the year ended December 31, 2014 and up to the date of this annual report. Details of the Deed of Non-Competition have been set out in the section headed "Relationship with our Controlling Shareholders — Non-Competition Undertaking" of the prospectus of the Company dated December 2, 2011 (the "**Prospectus**").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditors' Report on pages 47 to 48 of this annual report.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The remuneration paid to the Group's external auditors, Ernst & Young for the year ended December 31, 2014 is set out below:

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

INTERNAL CONTROLS AND RISK MANAGEMENT

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

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

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

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

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

Based on the results of evaluations and representations made by the management and the internal auditor during the year ended December 31, 2014, the Audit Committee is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business objectives; and that an appropriate system of internal control and risk management has been in place during the year ended December 31, 2014 and up to the date of approval of this annual report.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Up to November 28, 2014, Mr. Chen Changdong ("**Mr. Chen**") was appointed as the internal joint company secretary of the Company and Ms. Chan Wai Ling ("**Ms. Chan**"), the successor of Ms. Pau Lai Mei ("Ms. Pau") (resigned on November 1, 2014), both of Tricor Services Limited, was appointed externally by the Company as the external joint company secretary. Mr. Chen was the primary contact person between the Company and both of Ms. Pau and Ms. Chan during their tenure.

Pursuant to Rule 8.17 of the Listing Rules, the Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. Pursuant to Rule 3.28 of the Listing Rules, the Company must appoint an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary as its company secretary.

Whilst taking up the position of company secretary on November 23, 2011, Mr. Chen's qualifications did not satisfy the requirements as stipulated in Rule 3.28 of the Listing Rules, the Company had applied to the Stock Exchange for, and the Stock Exchange had granted the Company, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules conditional upon the appointment of Ms. Pau as company secretary jointly with Mr. Chen. Immediately upon the resignation of Ms. Pau as a joint company secretary on November 1, 2014, the waiver was revoked. The Board then took the opportunity to re-evaluate Mr. Chen and formed the opinion that Mr. Chen has obtained relevant experience under Note 2 to Rule 3.28 of the Listing Rules and met the requirements of a company secretary under Rule 8.17 of the Listing Rules. With the endorsement of the Stock Exchange, Mr. Chen was re-designated as the company secretary with effect from November 28, 2014 following the resignation of Ms. Chan as the external joint company secretary.

Mr. Chen is the chief financial officer of the Company and has day-to-day knowledge of the Company's affairs. Mr. Chen reports to the chairman and is responsible for advising the Board on governance matters.

According to Rule 3.29 of the Listing Rules, Mr. Chen has confirmed that he has taken no less than 15 hours of professional training to update his skills and knowledge for the year ended December 31, 2014. The biographical details of Mr. Chen is set out on page 38 of this annual report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on the remuneration of senior management of the Group. Details of the remuneration of each Director for the year ended December 31, 2014 are set out in note 9 to the financial statements of this annual report.

For the year ended December 31, 2014, the aggregate emoluments payable to members of non-director senior management was within the following bands:

By Band	Number of Individuals
HK$1,000,001–HK$2,000,000	4
HK$4,000,001–HK$5,000,000	2

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

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

Procedure for Convening an Extraordinary General Meeting by Shareholders

Pursuant to the Company's articles of association, any one or more shareholders holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings may require an extraordinary general meeting by a written requisition to the Board or the Company Secretary either via personal delivery or mail (For the attention of the Board of Directors/Company Secretary, at Unit 2205, 22/F, Bank of America Tower, 12 Harcourt Road, Hong Kong) or via email (info@klbaoxin.com). The Board shall, within 21 days from the date of deposit of the requisition, duly convene a general meeting to be held within another 21 days.

Procedure for Putting Forward Proposals at General Meetings

Any shareholder who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration either via personal delivery, mail (For the attention of the Board of Directors/Company Secretary, at Unit 2205, 22/F, Bank of America Tower, 12 Harcourt Road, Hong Kong) or via email (info@klbaoxin.com).

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

Procedure for Putting Forward Enquiries to the Board

Shareholders are, at any time, welcome to send their enquires or requests to the Board via personal delivery or mail (For the attention of Shareholder Communication, at Unit 2205, 22/F, Bank of America Tower, 12 Harcourt Road, Hong Kong) or via email (info@klbaoxin.com).

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

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

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

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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 also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

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

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

CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2014, the Company has not made any changes to its articles of association. An up-to-date version of the Company's article of association is available on both the websites of the Stock Exchange and the Company.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. YANG Aihua (**楊愛華**), aged 53, is an executive Director and chairman of the Group. Mr. Yang has substantial experience in the automobile dealership industry. Mr. Yang founded the Group and has been Chairman of the Group since 1999. Prior to that, he was the chairman of Shanghai Baoxin Automobile Sales & Services Co., Ltd. from 2004 to 2007. From 1999 to 2004, he was chairman of Shanghai Kailong Automobile Trading Co., Ltd. Prior to joining the Company, he was a general manager at 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1999. From 1988 to 1995, Mr. Yang had assumed various positions in Shanghai Jinling Trading Company, a state-owned company. Mr. Yang obtained an EMBA degree from Dalian University of Technology in 2006. Mr. Yang was appointed as an executive Director of the Company on November 22, 2011. Mr. Yang Aihua is the brother of Mr. Yang Hansong and Mr. Yang Zehua.

Mr. YANG Hansong (楊漢松), aged 52, is an executive Director, vice-chairman and chief executive officer of the Group. He is currently also a director of NCGA Holdings Limited. Mr. Yang has substantial experience in the automobile dealership industry. He was appointed in 2008 as a director and president of the Group. With effect from September 18, 2013, he has been appointed as vice-chairman and chief executive officer of the Company and ceased to act as the president on the same date. From 2004 to 2008, he was an executive director of Suzhou Baoxin Automobile Sales & Services Co., Ltd. and from 2002 to 2004 he was the general manager of Shanghai Taipingyang Jinsha Automobile Sales & Services Co., Ltd. From 1999 to 2002, he was appointed as vice chairman of Shanghai Kailong Automobile Trading Co., Ltd. Prior to joining the Group, he worked as a deputy general manager at 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1999. Mr. Yang Hansong graduated with a bachelor's degree in history at the Jiangxi Normal University in 1983. He obtained an EMBA degree from Dalian University of Technology in 2006. He has completed the PhD degree in management studies at Dalian University of Technology in 2014. Mr. Yang Hansong was appointed as an executive Director of the Company on November 22, 2011. Mr. Yang Hansong is the brother of Mr. Yang Aihua and Mr. Yang Zehua.

Mr. YANG Zehua (**楊澤華**), aged 43, is an executive Director and a vice president of the Group. Mr. Yang has substantial experience in the automobile dealership industry. He joined Shanghai Kailong Automobile Trading Co., Ltd. in 1999 as deputy general manager until 2002. Mr. Yang Zehua was appointed general manager of Shanghai Xinlong Automobile Sales & Service Co., Ltd. from 2002 to 2008. He became the general manager of Shanghai Baoxin Automobile Sales & Services Co., Ltd. from 2008 to 2009. Since 2010, he has served as a vice president of the Group. Prior to joining the Group, he worked as a sales manager at 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1999. He has obtained an EMBA degree from Dalian University of Technology in 2006. Mr. Yang Zehua was appointed as an executive Director of the Company on November 22, 2011. Mr. Yang Zehua is the brother of Mr. Yang Aihua and Mr. Yang Hansong.

Ms. HUA Xiuzhen (華秀珍), aged 62, is an executive Director and the chief supervisor of the treasury department of the Group. Ms. Hua has worked in our Group for over 15 years. She joined the Group in 1999 as finance manager of Shanghai Kailong Automobile Trading Co., Ltd. until 2004. She has been appointed as the chief supervisor of the treasury department in 2004. Prior to joining the Group, Ms. Hua worked in 國泰機電設備公司 (Guotai Engineering Equipment Company Limited) in its finance department from 1990 to 1999. Ms. Hua was appointed as an executive Director of the Company on November 22, 2011.

DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHAO Hongliang (趙宏良), aged 48, is an executive Director and vice president of the Group. Mr. Zhao has substantial experience in the automobile dealership industry. He joined Shanghai Kailong Automobile Trading Co., Ltd. in 1999 as deputy general manager until 2001. Mr. Zhao was appointed general manager of Shanghai Kailong Automobile Services Co., Ltd. from 2002 to 2006. Mr. Zhao was general manager of Suzhou Baoxin Automobile Sales & Services Co., Ltd. from 2006 to 2008. Mr. Zhao was appointed vice president of the Group in 2008 and has since maintained that role. Prior to joining the Group, he was the deputy general manager of 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1998. He obtained an MBA degree from the University of Management and Technology (long distance teaching service) in 2005. Mr. Zhao was appointed as an executive Director of the Company on November 22, 2011.

Non-executive Director

Mr. LU Linkui (陸林奎), aged 69, is a non-executive Director of the Group. Mr. Lu joined the predecessor of FAW (First Automobile Works) Group Corporation ("**FAW**") in April 1970 and served various roles such as technician, deputy section chief, section chief, deputy director and later director of the quality control department. In May 1985 and November 1991, he assumed the positions of assistant factory manager and executive assistant factory manager respectively; and later became the deputy general manager of FAW. From January 1996 to December 2001, Mr. Lu was the director and general manager of FAW-Volkswagen Automotive Co. Ltd. In June 2002, he was engaged by Volkswagen and received management training, following which he assumed the position as general manager of Volkswagen Transmission (Shanghai) Co., Ltd from January 2003 to October 2008. He retired from Volkswagen in November 2008. He graduated from Beijing Mechanics College with a bachelor degree in mechanics in 1968. Mr. Lu was appointed as a non-executive Director of the Company on March 31, 2014.

Independent non-executive Directors

Mr. DIAO Jianshen (刁建申), aged 61, is an independent non-executive Director of the Group. Mr. Diao has been a vice president of the China Automobile Dealers Association since 2008. He was a director and executive deputy general manager of 華星新世界汽車服務有限公司 (Huaxing New World Auto Service Company Limited) from 2002 to 2008. From 1998 to 2002, he was a general manager of 中國汽車貿易華北公司 (China Automobile Trading (North China) Corporation). He graduated from 中共北京市委黨校 (CPC Beijing Municipal Party School) with a major in economic management in 1988 and from the Chinese Academy of Social Sciences with a major in business economics in 1998. Mr. Diao was appointed as an independent non-executive Director of the Company on November 22, 2011.

Mr. WANG Keyi (汪克夷), aged 70, is an independent non-executive Director of the Group. Since 1982, Mr. Wang has been a lecturer and professor at Dalian University of Technology. From 1992 to 1996, Mr. Wang was an assistant to the principal of Dalian University of Technology and was responsible for business management affairs. Mr. Wang was an independent director of 瓦房店軸承股份有限公司 (Wa Fang Dian Zhou Cheng Stock Company Limited) (Stock Code: 200706), a company whose shares are listed on the Shenzhen Stock Exchange, from 2009 to 2013. He was also an independent director of 遼寧紅陽能源投資股份有限公司 (Liaoning Hongyang Energy Resource Invest Co., Ltd.) (Stock Code: 600758), a company whose shares are listed on the Shanghai Stock Exchange, from 2005 to 2011. Mr. Wang graduated with an undergraduate degree in automotive control from the Dalian University of Technology in 1966. He obtained a Master's degree in systems engineering from Dalian University of Technology in 1982 and then a PhD degree in systems engineering from the same university in 1988. Mr. Wang was appointed as an independent non-executive Director of the Company on November 22, 2011.

DIRECTORS AND SENIOR MANAGEMENT

Mr. CHAN Wan Tsun Adrian Alan (**陳弘俊**), aged 36, is an independent non-executive Director of the Group. Mr. Chan has been the chief financial officer of Enviro Energy International Holdings Limited (stock code: 1102), a company whose shares are listed on the Stock Exchange, since 2009. He has over 12 years of experience in corporate finance. He was an associate director of UOB Asia (Hong Kong) Limited from 2005 to 2009, mainly responsible for the execution of financial advisory, initial public offering, merger and acquisitions, privatisation and other equity capital market transactions in the Greater China Region and Southeast Asia. He has also previously worked for the equity capital markets department of DBS Asia Capital Limited from 2002 to 2005, the corporate finance department of DBS Vickers Securities (formerly known as Vickers Ballas Holdings Limited) from 2000 to 2001, and as auditor for a top-tier international accounting firm. Mr. Chan graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree in Accounting and Finance in 2000. He is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants, respectively. Mr. Chan was appointed as an independent non-executive Director of the Company on November 22, 2011.

SENIOR MANAGEMENT

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

Mr. WANG Zhen (**王震**), aged 42, is the president of the Group. Mr. Wang was the chief executive officer and chief financial officer of 廣匯汽車服務股份有限公司 (China Grand Auto Limited) from 2008 to 2013. From 1995 to 2008, he served in the global head office and Asia Pacific office of General Electric Company (通用電氣公司) as the global executive audit manager, and the chief financial officer for Asia Pacific region of General Electric Consumer and Industrial Group. Mr. Wang graduated with a bachelor's degree at 復旦大學 (Fudan University) in 1995.

Ms. LIU Tao (**劉濤**), aged 48, is a vice president of the Group. Ms. Liu has substantial experience in the automobile dealership industry. She joined Shanghai Kailong Automobile Trading Co., Ltd. in 1999 as a general manager until 2004. Ms. Liu was appointed general manager of Shanghai Baoxin Automobile Sales & Services Co., Ltd. from 2004 to 2007. Since 2008, she has served as a vice president of the Group. Prior to joining the Group, Ms. Liu was the head of the quality management department of 吉林省吉林市糧食局江北國家糧食儲備庫 (Jiangbei Government Grains Reserve of the Jilin Grains Bureau) from 1988 to 1999. She graduated with a bachelor's degree in economics from Jilin University in 1992. Ms. Liu also holds an MBA degree in business management from the China Europe International Business School obtained in 2008.

Mr. ZHU Jieling (**朱結嶺**), aged 46, is a vice president of the Group. Mr. Zhu has substantial experience in automobile dealership industry. He joined the Group in 2000 as deputy general manager of Shanghai Kailong Automobile Trading Co., Ltd. until 2004 and has been appointed as a vice president of the Group since 2004. Prior to joining the Group, he worked as deputy head of 廣州天河進口汽車修理廠 (Guangzhou Tianhe Import Automobile Repair Factory) from 1995 to 1999. He was also a trainer at 廣州豐田汽車維修中心 (Guangzhou Toyota Automobile Repair Center) from 1989 to 1995. Mr. Zhu is currently pursuing an EMBA degree from Dalian University of Technology.

DIRECTORS AND SENIOR MANAGEMENT

Mr. CHEN Changdong (陳長東), aged 53, is the chief financial officer and company secretary of the Group. Mr. Chen has more than 25 years of experience in finance. He first joined the Group in 2002 as the financial manager of Shanghai Kailong Automobile Trading Co., Ltd. until 2004. From 2004, he was appointed as the chief financial officer of the Group. Prior to joining the Group in 2002, he worked at Alstom Shanghai Instrument Transformers Company Limited, a Sino-French joint venture, from 2001 to 2002. From 1981 to 2000, Mr. Chen worked at 上海電器集團股份有限公司 (Shanghai Electric Group Company Limited) (Stock Code: 02727), a company whose shares are listed on the Hong Kong Stock Exchange, where he assumed various positions such as the head of the finance bureau, the deputy financial manager and chief accountant of one of its subsidiaries. Mr. Chen is an accountant recognised by the Ministry of Finance of the PRC and obtained a diploma from East China Normal University majoring in economic management in 1991.

Ms. ZHOU Qizhu (周其珠), aged 59, is the chief supervisor of the audit department of the Group. Ms. Zhou has substantial experience in audit and finance. She joined the Group in 2004 as chief supervisor of the audit department and has since maintained that role. Prior to joining the Group, she held various positions in 上海愛建股份有限公司 (Shanghai Aijian Corporation) (Stock Code: 600643) from 1993 to 2003, a company listed on the Shanghai Stock Exchange. Ms. Zhou is an accountant, economist and a registered tax accountant in China. Ms. Zhou graduated from the Open University of China with a major in accounting in 2004.

Ms. LU Sharon (陸曉穎), aged 35, is a vice president of the Group. Ms. Lu joined the Group in 2013 and has substantial experience in the international capital market. From 2003–2012, Ms. Lu served at Bank of America Merrill Lynch, Macquarie Group and J.P. Morgan in both New York and Hong Kong. Prior to joining the Group, Ms. Lu served as vice president at the investment banking division of J.P. Morgan. Ms. Lu graduated from Wellesley College with a bachelor's degree in 2003.

REPORT OF THE DIRECTORS

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2014 (the "**financial statements**").

PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated in the Cayman Islands. Its principal place of business in Hong Kong is situated at Units 2205, 22/F, Bank of America Tower, 12 Harcourt Road, Hong Kong, and have been registered as a non-Hong Kong company under the Companies Ordinance on November 16, 2011.

PRINCIPAL ACTIVITIES

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

RESULTS

The Group's results for the year ended December 31, 2014 are set out in the consolidated statement of profit or loss on page 49 of this annual report.

FINANCIAL STATEMENTS

The profits of the Group for the year ended December 31, 2014 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 49 to 143 of this annual report.

A summary of the results for the year and of the assets and liabilities of the Group as at December 31, 2014 and for the last five financial years are set out on page 144 of this annual report.

RESERVES

As at December 31, 2014, distributable reserves of the Company amounted to RMB1,868.4 million (2013: RMB2,172.3 million), of which RMB101.2 million (2013: RMB303.9 million) has been proposed as a final dividend for the year. Details of movements in reserves of the Company during the year are set out in note 36 to the financial statements.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.05 per ordinary share for the year ended December 31, 2014 (the "**2014 Final Dividend**") (2013: HK$0.15). The proposed dividend payment is subject to shareholder approval. If approved by shareholders, the 2014 Final Dividend is expected to be paid on July 14, 2015 to shareholders whose names shall appear on the register of members of the Company on July 8, 2015.

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

REPORT OF THE DIRECTORS

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on June 18, 2015 (the "**2015 AGM**"). Notice of the annual general meeting will be published and issued to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

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

The register of members of the Company will be closed from June 16, 2015 to June 18, 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2015 AGM, all duly stamped share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on June 15, 2015.

(b) For determining the entitlement to the 2014 Final Dividend

The register of members of the Company will be closed from July 6, 2015 to July 8, 2015, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the 2014 Final Dividend, all duly stamped share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on July 3, 2015.

PROPERTY AND EQUIPMENT

Details of movements in property and equipment during the year ended December 31, 2014 are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 34 to the financial statements.

CONTINUING CONNECTED TRANSACTION

Save and except (i) the two lease agreements between the Group and Shanghai Kailong Automobiles Sales Co., Ltd, a company controlled by a Director of the Company, as disclosed in the Prospectus, and (ii) the amounts due from Mr. Yang Aihua, all of which are continuing connected transactions falling under Listing Rule 14A.33, all related-party transactions set out in note 42 to the financial statements did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. The above three transactions are exempted from the relevant reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

REPORT OF THE DIRECTORS

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

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

APPLICATION OF IPO PROCEEDS

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

DIRECTORS

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

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

Non-executive Directors
Mr. ZHANG Yang (resigned on January 23, 2014)
Mr. LU Linkui (appointed by the Board on March 31, 2014)

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or its subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year ended December 31, 2014.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

At December 31, 2014, the interests and short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Number of Shares or underlying Shares[4]	Approximate percentage of shareholding interest
Mr. Yang Aihua[1]	Beneficial owner	1,508,644,000 (L)	58.99%
Mr. Yang Hansong[2]	Beneficial owner	155,278,000 (L)	6.07%
Mr. Yang Zehua[3]	Beneficial owner	421,698,000 (L)	16.49%

Notes:

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

(2) Mr. Yang Hansong is deemed to be interested in the shares held by Wilfred Speedy Investment Development Limited.

(3) Mr. Yang Zehua is one of the beneficiaries of the Yang's Trust and is deemed to be interested in the shares held by Jumbo Create Investment Development Limited and Auspicious Splendid.

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

Saved as disclosed above, as at December 31, 2014 none of the Directors and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

The Share Option Scheme became effective on December 14, 2011 and will remain in force for a period of 10 years from that date.

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

As at January 1, 2014, 13,150,000 share options were granted and outstanding. As at December 31, 2014, 15,550,000 share options were outstanding. The following table shows the details of the share options under the Share Option Scheme during the year under review:

Date of grant/ cancellation	Granted/ cancelled on the date of grant/ cancellation	Closing price of the Shares on date of grant	Exercise price	Exercise period	Vesting period	Number of share options exercised	Number of share options lapsed
January 10, 2014	2,000,000 (granted)	HK$6.74	HK$6.786	January 11, 2015 – January 10, 2017	One-off basis on January 11, 2015	–	–
September 4, 2014	15,150,000 (cancelled)	–	–	–	–	–	–
September 4, 2014	15,550,000 (granted)	HK$5.724	HK$5.724	Upon acceptance of the share options by the relevant grantee till the earlier of (i) the day on which the relevant grantee ceases to be an employee of the Company and its subsidiaries and (ii) September 4, 2016	One-off basis upon acceptance of the share options by the relevant grantee	–	–

Details of the Share Option Scheme and the share options issued under the Share Option Scheme are included in note 35 to the financial statements.

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

REPORT OF THE DIRECTORS

RETIREMENT BENEFIT SCHEME

As stipulated by the PRC state regulations, the subsidiaries of Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 11% to 21% (2013: 12% to 21%) of the year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

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

None of the retirement schemes have provisions for the forfeiture of contributions made to the scheme. Contributions to these plans are expensed as incurred. The Group's contributions to the retirement benefit schemes charged to the consolidated statement of profit or loss for the year ended December 31, 2014 was RMB56 million (2013: RMB54 million).

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 5% to 15% (2013: 5% to 15%) of the salaries and wages of the employees, which is administered by the Public Accumulation Funds Administration Center. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

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

REPORT OF THE DIRECTORS

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at December 31, 2014, the interests or short positions of substantial shareholders, other than the Directors or the chief executives of the Company whose interests and short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, had 5% or more interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Name	Capacity/Nature of interest	Number of Shares[3]	Approximate percentage of shareholding interest
Baoxin Investment[1]	Beneficial owner	1,242,224,000 (L)	48.58%
Brock Nominees Limited	Interest in controlled corporation	1,242,224,000 (L)	48.58%
Credit Suisse Trust Limited[1]	Trustee	1,242,224,000 (L)	48.58%
Sunny Sky Limited[1]	Interest in controlled corporation	1,242,224,000 (L)	48.58%
Tenby Nominees Limited	Interest in controlled corporation	1,242,224,000 (L)	48.58%
Auspicious Splendid Global Investments Limited	Beneficial interest	266,420,000 (L)	10.54%
Ms. Yang Chu Yu[2]	Trustee	266,420,000 (L)	10.54%
Jumbo Create Investment Development Limited	Beneficial owner	155,278,000 (L)	6.07%
Wilfred Speedy Investment Development Limited	Beneficial owner	155,278,000 (L)	6.07%
Schroders Plc	Investment manager	153,140,053 (L)	5.98%

Notes:

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

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

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

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares or underlying shares representing 5% or more of the issued share capital of the Company as at December 31, 2014.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

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

The aggregate purchase attributable to the Group's five largest suppliers accounted for approximately 91.9% (2013: 91.4%) and the largest supplier accounted for approximately 33.5% (2013: 34.7%) of the Group's total purchases for the year ended December 31, 2014.

At no time during the year ended December 31, 2014 have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended December 31, 2014 and up to the date of this annual report, the Company has maintained the prescribed public float as required by the Listing Rules.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF FOR HOLDERS OF LISTED SECURITIES

As at December 31, 2014, holders of listed securities of the Company were not entitled to obtain any relief from taxation by reason of their holding of such securities pursuant to the laws of the Cayman Islands.

ASSESSMENT OF PROPERTY INTERESTS OR TANGIBLE ASSETS

During the year ended December 31, 2014, the Company has not valued its property interests or other tangible assets in accordance with Chapter 5 of the Listing Rules.

AUDITORS

Our external auditors, Ernst & Young, will retire and their re-appointment as the external auditors of the Company has been recommended by the Audit Committee, endorsed by the Board and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board

YANG Aihua
Chairman

Hong Kong, March 31, 2015

INDEPENDENT AUDITORS' REPORT

EY 安永

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

We have audited the consolidated financial statements of Baoxin Auto Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 49 to 143, 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.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 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
22/F, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

31 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5(a)	**30,723,432**	30,081,687
Cost of sales and services provided	6(b)	**(27,935,772)**	(27,161,294)
Gross profit		**2,787,660**	2,920,393
Other income and gains, net	5(b)	**454,574**	468,872
Selling and distribution expenses		**(983,221)**	(946,815)
Administrative expenses		**(608,813)**	(538,713)
Profit from operations		**1,650,200**	1,903,737
Finance costs	7	**(617,234)**	(544,601)
Share of profit of a joint venture	20(b)	**6,783**	10,544
Profit before tax	6	**1,039,749**	1,369,680
Income tax expense	8(a)	**(326,115)**	(355,345)
Profit for the year		**713,634**	1,014,335
Attributable to:			
Owners of the parent	11	**706,644**	1,006,805
Non-controlling interests		**6,990**	7,530
		713,634	1,014,335
Earnings per share attributable to ordinary equity holders of the parent	13		
Basic and diluted			
— For profit for the year (RMB)		**0.28**	0.39

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		**713,634**	1,014,335
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**41**	17,349
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**41**	17,349
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**41**	17,349
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**713,675**	1,031,684
Attributable to:			
Owners of the parent	11	**706,685**	1,024,154
Non-controlling interests		**6,990**	7,530
		713,675	1,031,684

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**3,788,537**	3,310,388
Prepaid land lease payment	15	**537,139**	375,619
Intangible assets	16	**922,189**	943,206
Prepayments and deposits	17	**498,084**	402,960
Finance lease receivables	18	**12,207**	–
Goodwill	19	**100,725**	75,674
Investment in a joint venture	20	**45,016**	38,233
Available-for-sale investment	21	**16,573**	16,518
Deferred tax assets	33(a)	**74,229**	59,219
Total non-current assets		**5,994,699**	5,221,817
CURRENT ASSETS			
Inventories	22	**3,056,777**	3,002,286
Trade receivables	23	**393,155**	556,939
Finance lease receivables	18	**12,731**	–
Prepayments, deposits and other receivables	24	**5,503,515**	4,168,968
Amounts due from related parties	42(b)	**41,063**	41,188
Pledged bank deposits	25	**2,436,468**	2,769,886
Cash in transit	26	**134,987**	89,716
Cash and cash equivalents	27	**2,202,892**	2,020,926
Total current assets		**13,781,588**	12,649,909
CURRENT LIABILITIES			
Bank loans and other borrowings	28	**5,107,438**	5,857,684
Trade and bills payables	29	**4,877,913**	4,364,349
Other payables and accruals	30	**779,516**	722,036
Income tax payable		**522,339**	340,055
Total current liabilities		**11,287,206**	11,284,124
NET CURRENT ASSETS		**2,494,382**	1,365,785
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,489,081**	6,587,602

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	**31 December 2014 RMB'000**	31 December 2013 RMB'000
NON-CURRENT LIABILITIES			
Bank loans	28	**2,621,136**	1,164,144
Bonds	31	**396,095**	374,632
Deferred tax liabilities	33(b)	**323,050**	325,561
Total non-current liabilities		**3,340,281**	1,864,337
NET ASSETS		**5,148,800**	4,723,265
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	**20,836**	20,836
Reserves	36	**4,966,581**	4,345,395
Proposed final dividend	12	**101,244**	303,885
		5,088,661	4,670,116
Non-controlling interests		**60,139**	53,149
Total equity		**5,148,800**	4,723,265

Mr. Yang Hansong
Director

Mr. Zhao Hongliang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent										
	Share capital RMB'000 Note 34	Share premium* RMB'000 Note 34	Share option reserve* RMB'000 Note 35	Statutory reserve* RMB'000 Note 36(i)	Merger reserve* RMB'000 Note 36(ii)	Exchange fluctuation reserve* RMB'000 Note 36(iii)	Retained profits* RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	20,836	2,172,257	–	187,491	(22,044)	(9,713)	1,317,493	207,321	3,873,641	61,010	3,934,651
Profit for the year	–	–	–	–	–	–	1,006,805	–	1,006,805	7,530	1,014,335
Other comprehensive income for the year:											
Exchange differences on translation of financial statements	–	–	–	–	–	17,349	–	–	17,349	–	17,349
Total comprehensive income for the year	–	–	–	–	–	17,349	1,006,805	–	1,024,154	7,530	1,031,684
Equity-settled share-based transactions	–	–	15,925	–	–	–	–	–	15,925	–	15,925
Acquisition of non-controlling interests	–	–	–	–	(36,283)	–	–	–	(36,283)	(15,391)	(51,674)
Final 2012 dividend declared	–	–	–	–	–	–	–	(207,321)	(207,321)	–	(207,321)
Proposed final 2013 dividend (Note 12)	–	(303,885)	–	–	–	–	–	303,885	–	–	–
Transfer from retained profits	–	–	–	83,812	–	–	(83,812)	–	–	–	–
At 31 December 2013	20,836	1,868,372	15,925	271,303	(58,327)	7,636	2,240,486	303,885	4,670,116	53,149	4,723,265
At 1 January 2014	20,836	1,868,372	15,925	271,303	(58,327)	7,636	2,240,486	303,885	4,670,116	53,149	4,723,265
Profit for the year	–	–	–	–	–	–	706,644	–	706,644	6,990	713,634
Other comprehensive income for the year:											
Exchange differences on translation of financial statements	–	–	–	–	–	41	–	–	41	–	41
Total comprehensive income for the year	–	–	–	–	–	41	706,644	–	706,685	6,990	713,675
Equity-settled share-based transactions	–	–	15,745	–	–	–	–	–	15,745	–	15,745
Final 2013 dividend declared	–	–	–	–	–	–	–	(303,885)	(303,885)	–	(303,885)
Proposed final 2014 dividend (Note 12)	–	(101,244)	–	–	–	–	–	101,244	–	–	–
Transfer from retained profits	–	–	–	78,766	–	–	(78,766)	–	–	–	–
At 31 December 2014	20,836	1,767,128	31,670	350,069	(58,327)	7,677	2,868,364	101,244	5,088,661	60,139	5,148,800

* These reserve accounts comprise the consolidated reserves of RMB4,966,581,000 (2013: RMB4,345,395,000) 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		**1,039,749**	1,369,680
Adjustments for:			
Share of profit of a joint venture		**(6,783)**	(10,544)
Depreciation of property, plant and equipment	14	**284,792**	228,495
Amortisation of prepaid land lease payment	15	**7,370**	6,281
Amortisation of intangible assets	16	**40,026**	39,385
Gain on disposal of a subsidiary		**–**	(2,212)
Interest income	5	**(33,519)**	(31,769)
Net loss/(gain) on disposal of items of property, plant and equipment	5	**5,722**	(100,476)
Net loss on disposal of items of intangible assets		**953**	259
Written-down of inventories to net realisable value	6	**11,787**	–
Finance costs	7	**617,234**	544,601
Equity-settled share option expense	35	**15,745**	15,925
		1,983,076	2,059,625
Decrease/(increase) in pledged bank deposits		**369,266**	(155,355)
Increase in cash in transit		**(44,971)**	(1,550)
Decrease in trade receivables		**170,294**	793,936
Increase in prepayments, deposits and other receivables		**(1,211,578)**	(882,426)
Increase in inventories		**(39,691)**	(828,437)
Increase/(decrease) in trade and bills payables		**456,788**	(50,249)
Decrease in other payables and accruals		**(15,236)**	(102,066)
Increase in finance lease receivables		**(24,938)**	–
Cash generated from operations		**1,643,010**	833,478
Income tax paid		**(164,950)**	(129,818)
Net cash flows generated from operating activities		**1,478,060**	703,660

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		**(945,017)**	(1,141,128)
Proceeds from disposal of items of property, plant and equipment		**230,859**	231,923
Purchase of land use rights		**(265,965)**	(81,213)
Purchase of intangible assets		**(10,930)**	(290)
Repayment of advance to a joint venture		**–**	2,000
Acquisition of subsidiaries, net of cash paid	37	**(79,762)**	(37,807)
Disposal of a subsidiary		**10,000**	(1,596)
Interest received		**33,519**	31,769
Dividends paid		**(303,885)**	(207,321)
Net cash flows used in investing activities		**(1,331,181)**	(1,203,663)
Financing activities			
Acquisition of non-controlling interests		**–**	(51,674)
Proceeds from bank loans and other borrowings		**11,240,573**	12,884,059
Repayment of bank loans and other borrowings		**(10,578,425)**	(12,399,830)
Interest paid		**(628,439)**	(586,382)
Net cash flows generated from/(used in) financing activities		**33,709**	(153,827)
Net increase/(decrease) in cash and cash equivalents		**180,588**	(653,830)
Cash and cash equivalents at the beginning of year		**2,020,926**	2,668,169
Effect of foreign exchange rate changes, net		**1,378**	6,587
Cash and cash equivalents at the end of year	27	**2,202,892**	2,020,926

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	**31 December 2014 RMB'000**	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	45	**1,447,391**	1,305,232
Total non-current assets		**1,447,391**	1,305,232
CURRENT ASSETS			
Prepayments, deposits and other receivables	24	**2,521**	3,852
Amounts due from subsidiaries	45	**4,106,450**	2,681,382
Pledged bank deposits	25	**301,979**	300,912
Cash and cash equivalents	27	**142,365**	336,361
Total current assets		**4,553,315**	3,322,507
CURRENT LIABILITIES			
Bank loans	28	**1,414,053**	1,197,610
Other payables and accruals	30	**1,862**	1,722
Amounts due to a subsidiary	45	**7,613**	7,587
Total current liabilities		**1,423,528**	1,206,919
NET CURRENT ASSETS		**3,129,787**	2,115,588
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,577,178**	3,420,820
NON-CURRENT LIABILITIES			
Bank loans	28	**2,621,136**	1,024,144
Bonds	31	**396,095**	374,632
Total non-current liabilities		**3,017,231**	1,398,776
NET ASSETS		**1,559,947**	2,022,044
EQUITY			
Share capital	34	**20,836**	20,836
Reserves	36	**1,437,867**	1,697,323
Proposed final dividend	12	**101,244**	303,885
Total equity		**1,559,947**	2,022,044

Mr. Yang Hansong
Director

Mr. Zhao Hongliang
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2014

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. These financial statements also comply with the 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 Company and its subsidiaries (together, 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.

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.

NOTES TO FINANCIAL STATEMENTS

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2.1 BASIS OF PRESENTATION *(Continued)*

Basis of consolidation *(Continued)*

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)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

The adoption of the revised standards and new interpretation has had no significant financial effect on these financial statements.

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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	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012–2014 Cycle	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 measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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 HKAS 1 Amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in HKFRSs, and do not affect recognition and measurement. The Group will the adopt HKAS 1 Amendments on 1 January 2016 and is current assessing the impact of the HKAS 1 Amendments upon adoption.

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

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 amendment most applicable to the Group are as follows:

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

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 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investments in joint ventures

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

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in joint ventures *(Continued)*

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

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5.

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 measured and subsequent settlement is accounted for within equity.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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 disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Category	Estimated useful life	Estimated residual value
Buildings	30 years	5%
Leasehold improvements	Over the shorter of the lease terms and 5 years	–
Plant and machinery	5–10 years	5%
Furniture and fixtures	3–5 years	5%
Motor vehicles	4–5 years	5%

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 on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. 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 with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

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

Category	Estimated useful life
Software	5 years
Dealership agreements	40 years
Customer relationship	15 years
Club membership	29 years
Car licence	Indefinite useful life

Leases

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

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

The Group as lessor

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

Prepaid land lease payment

All land in Mainland China is state-owned and no individual land ownership rights exist. The Group acquires the rights to use certain land and the consideration paid for such rights is recorded as prepaid land lease payment, which is amortised over the lease terms of 40 to 50 years using the straight-line method.

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31 December 2014

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets.

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Available-for-sale financial investments

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

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

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

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

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

Derecognition of financial assets

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

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

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

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

Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments

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

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

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

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans, borrowings and bonds

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

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

Derecognition of financial liabilities

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

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

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 the specific identification basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with initial terms of three months or less, which are not restricted as to use.

Income tax

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

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

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

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

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

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

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, and a joint venture, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

Government grants

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

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

Revenue recognition

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

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

(b) from the rendering of services, on the percentage of completion basis, in the period in which the services are rendered;

(c) rental income, on a time proportion basis over the lease terms;

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(f) The Group records revenue attributable to finance leases over the lease term on a systematic and national basis so as to produce a constant rate of return on the net investment in the finance lease; and

(g) finance lease income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

Vendor rebates

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

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

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 35 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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

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

Other employee benefits

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

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

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 6.82% has been applied to the expenditure on the individual assets.

Dividends

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

Foreign currencies

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

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

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

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of entities with functional currency other than RMB 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 as at 31 December 2014 was RMB80,687,000 (2013: RMB59,219,000). More details are given in Note 33(a).

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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

Estimation uncertainty

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

Useful lives of property, plant and equipment

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

Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed. There was no impairment provision for receivables during the two years ended 31 December 2014 and 2013.

Write-down of inventories to net realisable value

The Group's inventories are stated at the lower of cost and net realisable value. The assessment of impairment of inventories involves the use of estimates and judgments. These estimates are made with reference to aged inventory, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the estimated net realisable values of inventories decline below their carrying amounts. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

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.

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

Estimation uncertainty *(Continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was RMB100,725,000 (2013: RMB75,674,000). Further details are given in note 19.

4. SEGMENT INFORMATION

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

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

Information about geographical areas

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

Information about major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year, major customer information as required by HKFRS 8 *Operating Segments* is not presented.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

	2014 RMB'000	2013 RMB'000
Revenue from the sale of motor vehicles	**27,662,990**	27,378,214
Finance leasing services	**908**	–
Others	**3,059,534**	2,703,473
	30,723,432	30,081,687

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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

(b) Other income and gains, net:

	2014 RMB'000	2013 RMB'000
Commission income	**371,438**	231,473
Advertisement support received from motor vehicle manufacturers	**19,696**	25,596
Rental income	**1,569**	1,352
Government grants	**19,679**	28,436
Interest income	**33,519**	31,769
Net (loss)/gain on disposal of items of property, plant and equipment	**(5,722)**	100,476
Foreign exchange differences, net	**(80)**	24,952
Gains on disposal of a subsidiary	**–**	2,212
Others	**14,475**	22,606
Total	**454,574**	468,872

6. PROFIT BEFORE TAX

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

	2014 RMB'000	2013 RMB'000
(a) Employee benefit expense (including directors' and chief executive's remuneration (Note 9)):		
Wages and salaries	**507,223**	379,859
Other welfare	**186,124**	165,041
Equity-settled share option expense	**15,745**	15,925
	709,092	560,825
(b) Cost of sales and services:		
Cost of sales of motor vehicles	**26,324,311**	25,743,204
Others	**1,611,461**	1,418,090
	27,935,772	27,161,294

NOTES TO FINANCIAL STATEMENTS

31 December 2014

6. PROFIT BEFORE TAX *(Continued)*

	Notes	2014 RMB'000	2013 RMB'000
(c) Other items:			
Depreciation of items of property, plant and equipment	14	**284,792**	228,495
Amortisation of prepaid land lease payment	15	**7,370**	6,281
Amortisation of intangible assets	16	**40,026**	39,385
Advertisement and business promotion expenses		**139,572**	177,545
Auditors' remuneration		**4,300**	4,300
Bank charges		**61,443**	60,062
Foreign exchange differences, net		**80**	(24,952)
Lease expenses		**173,827**	156,171
Logistics and petroleum expenses		**57,062**	94,210
Office expenses		**23,101**	23,562
Write-down of inventories to net realisable value		**11,787**	–
Gain on disposal of a subsidiary		**–**	(2,212)
Net loss/(gain) on disposal of items of property, plant and equipment		**5,722**	(100,476)
Net loss on disposal of items of intangible assets		**953**	259

7. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest expense on bank borrowings wholly repayable within five years	**623,381**	545,456
Interest expense on other borrowings	**5,301**	7,337
Interest expense on bonds	**20,069**	20,345
Less: Interest capitalised	**(31,517)**	(28,537)
	617,234	544,601

For the year ended 31 December 2014, the arrangement fees charged by the banks amounting to RMB51,263,000 (2013: RMB41,185,000) were included in the interest expense on bank borrowings.

8. 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	**346,169**	301,436
Deferred tax (Note 33)	**(20,054)**	53,909
Total tax charge for the year	**326,115**	355,345

NOTES TO FINANCIAL STATEMENTS

31 December 2014

8. INCOME TAX *(Continued)*

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

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

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

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% (2013: 16.5%) during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rate is 25% (2013: 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 jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2014 **RMB'000**	2013 RMB'000
Profit before tax	**1,039,749**	1,369,680
Tax at applicable tax rate (25%)	**259,937**	342,420
Lower tax rates enacted by local authority	**52,690**	27,954
Income not subject to tax	**(2,332)**	(4,750)
Tax losses not recognised	**9,273**	5,650
Tax losses utilised from previous periods	**–**	(30,871)
Recognition of deferred tax assets not recognised previous periods	**–**	(8,707)
Tax effect of non-deductible expenses	**8,243**	26,285
Profit attributable to a joint venture	**(1,696)**	(2,636)
Tax charge	**326,115**	355,345

The share of tax attributable to a joint venture amounting to RMB2,262,000 (2013: RMB3,495,000) is included in "Share of profit of a joint venture" in the consolidated statement of profit or loss.

9. 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			
	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to defined contribution retirement scheme RMB'000	Total RMB'000
Independent non-executive directors				
— Diao Jianshen	240	–	–	240
— Wang Keyi	240	–	–	240
— Chan Wan Tsun Adrian Alan	240	–	–	240
Executive directors				
— Yang Aihua	–	2,800	74	2,874
— Yang Hansong[(1)]	–	1,800	74	1,874
— Yang Zehua	–	1,600	74	1,674
— Zhao Hongliang	–	1,500	74	1,574
— Hua Xiuzhen	–	1,200	–	1,200
Non-executive directors				
— Zhang Yang#	–	–	–	–
— Lu Linkui*	240	–	–	240
	960	8,900	296	10,156

\# Zhang Yang resigned as a non-executive director on 23 January 2014.

* Lu Linkui was appointed as a non-executive director on 31 March 2014.

(1) Mr. Yang Hansong is also the chief executive officer of the Company and his remuneration disclosed above includes the remuneration for his services rendered by him as the chief executive officer of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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

	Year ended 31 December 2013			
	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to defined contribution retirement scheme RMB'000	Total RMB'000
Independent non-executive directors				
— Diao Jianshen	240	–	–	240
— Wang Keyi	240	–	–	240
— Chan Wan Tsun Adrian Alan	240	–	–	240
Executive directors				
— Yang Aihua	–	2,800	70	2,870
— Yang Hansong	–	1,800	70	1,870
— Yang Zehua	–	1,600	70	1,670
— Zhao Hongliang	–	1,500	70	1,570
— Hua Xiuzhen	–	1,200	–	1,200
Non-executive director				
— Zhang Yang	–	–	–	–
	720	8,900	280	9,900

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

No emoluments were paid to the non-executive directors of the Company during the year (2013: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2014

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three directors (2013: five), details of whose remuneration are detailed in Note 9 above. Detail of the remuneration for the year of the remaining two (2013: nil) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	3,888	–
Equity-settled share option expense	2,638	–
Pension scheme contributions	74	–
	6,600	–

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

	Number of employees 2014	2013
HK$4,000,001 to HK$4,500,000	2	0

During the year and in prior years, share options were granted to these two non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 35 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

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 RMB181,632,000 (2013: a loss of RMB114,657,000) which has been dealt with in the financial statements of the Company (Note 36).

12. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Proposed final HK$0.05 (2013: HK$0.15) (approximately RMB0.04) per ordinary share	101,244	303,885

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

NOTES TO FINANCIAL STATEMENTS

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,557,311,429 (2013: 2,557,311,429) in issue during the year.

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

Earnings	2014 RMB'000	2013 RMB'000
Profit attributable to ordinary equity holders of the parent	**706,644**	1,006,805

Shares	2014	2013
Weighted average number of ordinary shares in issue during the year	**2,557,311,429**	2,557,311,429

Earnings per share	2014 RMB	2013 RMB
Basic and diluted	**0.28**	0.39

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2014							
At 31 December 2013 and at 1 January 2014:							
Cost	1,855,142	388,379	203,914	169,830	636,227	654,483	3,907,975
Accumulated depreciation	(246,934)	(54,159)	(78,277)	(78,205)	(140,012)	–	(597,587)
Net carrying amount	1,608,208	334,220	125,637	91,625	496,215	654,483	3,310,388
At 1 January 2014, net of accumulated depreciation	1,608,208	334,220	125,637	91,625	496,215	654,483	3,310,388
Additions	113,990	10,130	–	–	–	853,538	977,658
Acquisition of a subsidiary (Note 37)	891	5,752	3,214	969	11,038	–	21,864
Disposals	(134)	(13,045)	(2,326)	(706)	(220,370)	–	(236,581)
Depreciation provided during the year	(56,612)	(50,217)	(25,847)	(28,340)	(123,776)	–	(284,792)
Transfers	120,002	23,636	29,912	50,122	383,864	(607,536)	–
At 31 December 2014, net of accumulated depreciation	1,786,345	310,476	130,590	113,670	546,971	900,485	3,788,537
At 31 December 2014:							
Cost	2,089,468	407,834	235,938	220,894	743,310	900,485	4,597,929
Accumulated depreciation	(303,123)	(97,358)	(105,348)	(107,224)	(196,339)	–	(809,392)
Net carrying amount	1,786,345	310,476	130,590	113,670	546,971	900,485	3,788,537

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013							
At 1 January 2013:							
Cost	1,831,666	136,978	157,566	140,712	540,630	383,214	3,190,766
Accumulated depreciation	(212,283)	(40,234)	(56,695)	(58,076)	(103,214)	–	(470,502)
Net carrying amount	1,619,383	96,744	100,871	82,636	437,416	383,214	2,720,264
At 1 January 2013, net of accumulated depreciation	1,619,383	96,744	100,871	82,636	437,416	383,214	2,720,264
Additions	78,896	92,324	–	–	–	1,012,211	1,183,431
Disposals	(78,999)	(27,341)	(315)	(3,215)	(237,577)	–	(347,447)
Disposal of subsidiaries	(15,597)	–	(23)	(244)	(180)	(1,321)	(17,365)
Depreciation provided during the year	(60,263)	(20,877)	(21,632)	(23,422)	(102,301)	–	(228,495)
Transfers	64,788	193,370	46,736	35,870	398,857	(739,621)	–
At 31 December 2013, net of accumulated depreciation	1,608,208	334,220	125,637	91,625	496,215	654,483	3,310,388
At 31 December 2013:							
Cost	1,855,142	388,379	203,914	169,830	636,227	654,483	3,907,975
Accumulated depreciation	(246,934)	(54,159)	(78,277)	(78,205)	(140,012)	–	(597,587)
Net carrying amount	1,608,208	334,220	125,637	91,625	496,215	654,483	3,310,388

As at 31 December 2014, the application for the property ownership certificates for certain buildings with a net book value of approximately RMB146,303,000 (2013: RMB246,145,000) was still in progress.

15. PREPAID LAND LEASE PAYMENT

	2014 RMB'000	2013 RMB'000
Cost:		
At the beginning of the year	**400,199**	294,074
Additions	**172,308**	106,125
At the end of the year	**572,507**	400,199
Accumulated amortisation:		
At the beginning of the year	**24,580**	16,898
Charge for the year	**7,370**	6,281
Amortisation capitalised	**3,418**	1,401
At the end of the year	**35,368**	24,580
Net book value:		
At the end of the year	**537,139**	375,619

As at 31 December 2014, the application for the land use right certificates for certain land with a net book value of approximately RMB154,850,000 (2013: RMB116,934,000) was still in progress.

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

Certain of the Group's land use rights with an aggregate net book value of RMB4,968,000 (2013: RMB5,110,000) as at 31 December 2014 were pledged as security for the Group's banking facilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

16. INTANGIBLE ASSETS

	Software RMB'000	Dealership agreements RMB'000	Customer relationship RMB'000	Car licence RMB'000	Club membership RMB'000	Total RMB'000
Cost:						
At 1 January 2014	**15,293**	**675,650**	**297,900**	**–**	**2,454**	**991,297**
Additions	**4,030**	**–**	**–**	**6,900**	**–**	**10,930**
Acquisition of a subsidiary (Note 37)	**–**	**7,038**	**1,994**	**–**	**–**	**9,032**
Disposal	**(1,029)**	**–**	**–**	**–**	**–**	**(1,029)**
At 31 December 2014	**18,294**	**682,688**	**299,894**	**6,900**	**2,454**	**1,010,230**
Accumulated amortisation:						
At 1 January 2014	**6,950**	**17,844**	**23,198**	**–**	**99**	**48,091**
Charge for the year	**3,768**	**16,456**	**19,717**	**–**	**85**	**40,026**
Disposal	**(76)**	**–**	**–**	**–**	**–**	**(76)**
At 31 December 2014	**10,642**	**34,300**	**42,915**	**–**	**184**	**88,041**
Net book value:						
At 31 December 2014	**7,652**	**648,388**	**256,979**	**6,900**	**2,270**	**922,189**

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

NOTES TO FINANCIAL STATEMENTS

31 December 2014

16. INTANGIBLE ASSETS *(Continued)*

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

17. PREPAYMENTS AND DEPOSITS

	31 December 2014 RMB'000	31 December 2013 RMB'000
Prepayments for purchase of items of property, plant and equipment	**251,392**	237,674
Long term deposits	**55,721**	53,489
Prepaid rental	**77,911**	67,300
Prepayments for land use rights	**113,060**	44,497
	498,084	402,960

18. FINANCE LEASE RECEIVABLES

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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Analysed as:		
Current	**12,731**	–
Non-current	**12,207**	–
	24,938	–

NOTES TO FINANCIAL STATEMENTS

31 December 2014

18. FINANCE LEASE RECEIVABLES *(Continued)*

	Minimum lease receivables 31 December 2014	Present value of minimum lease receivables 31 December 2014
Finance lease receivables comprise:		
Within one year	**15,413**	**12,731**
Later than one year and not later than five years	**13,497**	**12,207**
	28,910	**24,938**
Less: unearned finance income	**3,972**	**N/A**
Present value of minimum lease payment receivables	**24,938**	**24,938**

19. GOODWILL

	31 December 2014 RMB'000	31 December 2013 RMB'000
Cost:		
At the beginning of the year	**75,674**	75,674
Acquisition of a subsidiary (Note 37)	**25,051**	–
	100,725	75,674

Impairment testing of goodwill

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

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

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period from the end of the reporting period is 3% for all years. The pre-tax discount rate applied to the cash flow projections beyond the one-year period is 19.3%.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

19. GOODWILL *(Continued)*

Key assumptions used in the value in use calculation

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

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

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

Sensitivity to changes in assumptions

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

20. INVESTMENT IN A JOINT VENTURE

	31 December 2014 RMB'000	31 December 2013 RMB'000
Share of net assets	**45,016**	38,233

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

(a) Particulars of a joint venture

Joint venture	Place of registration and business	Registered and paid-in capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Shenyang Xinbaohang	Shenyang, the PRC	RMB10,000,000	50%	50%	50%	Sale and service of motor vehicles

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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

(b) The following table illustrates the summarised financial information of the Group's joint venture:

	31 December 2014 RMB'000	31 December 2013 RMB'000
Share of the joint venture's profit for the year	**6,783**	10,544
Share of the joint venture's total comprehensive income for the year	**6,783**	10,544
Aggregate carrying amount of the Group's investments in the joint venture	**45,016**	38,233

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

21. AVAILABLE-FOR-SALE INVESTMENT

	31 December 2014 RMB'000	31 December 2013 RMB'000
Unlisted equity investment, at cost	**16,573**	16,518

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

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

22. INVENTORIES

	31 December 2014 RMB'000	31 December 2013 RMB'000
Motor vehicles	**2,752,913**	2,694,793
Spare parts and accessories	**303,864**	307,493
	3,056,777	3,002,286

Certain of the Group's inventories with an aggregate carrying amount of RMB327,959,000 (2013: RMB177,304,000) as at 31 December 2014 were pledged as security for the Group's bank loans and other borrowings (Note 28(a)).

22. INVENTORIES *(Continued)*

Certain of the Group's inventories with an aggregate carrying amount of RMB1,709,262,000 (2013: RMB1,764,229,000) as at 31 December 2014 were pledged as security for the Group's bills payable.

As at 31 December 2014, the carrying amount of inventories carried at fair value less costs to sell was RMB105,237,000 (2013: Nil).

23. TRADE RECEIVABLES

	31 December 2014 RMB'000	31 December 2013 RMB'000
Trade receivables	**393,155**	556,939

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

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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Within 3 months	**343,982**	500,320
More than 3 months but less than 1 year	**47,211**	47,026
Over 1 year	**1,962**	9,593
	393,155	556,939

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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Neither past due nor impaired	**391,193**	547,346
Over 1 year past due	**1,962**	9,593
	393,155	556,939

NOTES TO FINANCIAL STATEMENTS

31 December 2014

23. TRADE RECEIVABLES *(Continued)*

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

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2014 RMB'000	31 December 2013 RMB'000
Group		
Prepayments to suppliers	**2,216,373**	1,691,508
Rebate receivables	**2,911,494**	2,192,432
VAT recoverable (i)	**162,759**	136,475
Staff loans	**8,979**	11,519
Prepaid interest expense	**44,539**	41,491
Receivable from disposal of a subsidiary	**–**	10,000
Others	**159,371**	85,543
	5,503,515	4,168,968
Company		
Prepaid interest expense	**1,877**	2,802
Others	**644**	1,050
	2,521	3,852

Note:

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

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

NOTES TO FINANCIAL STATEMENTS

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25. PLEDGED BANK DEPOSITS

Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Deposits pledged with banks as collateral against		
— letters of credit granted by the banks	**81,021**	89,679
— bill facilities granted by the banks	**1,785,182**	2,169,187
— short term bank loans granted by the banks	**570,265**	511,020
	2,436,468	2,769,886

Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Deposits pledged with banks as collateral against		
— short term bank loans granted by the banks	**301,979**	300,912

Pledged bank deposits, of which RMB2,230,228,000 (31 December 2013: RMB2,759,237,000) are denominated in RMB at the end of the reporting period, earn interest at interest rates stipulated by respective finance institutions.

NOTES TO FINANCIAL STATEMENTS

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26. CASH IN TRANSIT

	31 December 2014 RMB'000	31 December 2013 RMB'000
Cash in transit	**134,987**	89,716

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

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000
Cash and bank balances	**2,202,892**	2,016,628	**142,365**	336,361
Short term deposits	**–**	4,298	**–**	–
Cash and cash equivalents	**2,202,892**	2,020,926	**142,365**	336,361

At the end of the reporting period, the cash and bank balances and short term deposits of the Group denominated in Renminbi ("RMB") amounted to RMB1,845,695,000 (2013: RMB1,330,308,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods ranging from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and term deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

NOTES TO FINANCIAL STATEMENTS

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28. BANK LOANS AND OTHER BORROWINGS

Group

		31 December 2014		
		Effective interest rate (%)	Original maturity	RMB'000
Current				
Bank loans				
— guaranteed	(b)	6.60	On demand	29,000
— unsecured		Hibor**+2.2%	On demand	299,433
— unsecured		Libor*+2.67%	On demand	184,869
— secured	(a)	6.16–6.83	2015	251,292
— secured	(a)	Libor*+2.2%	2015	198,014
— unsecured		5.60–6.72	2015	2,962,874
Other borrowings				
— secured	(a)	7.74–9.14	2015	112,205
Current portion of long term bank loans				
— secured	(a)	6.77	2015	140,000
— secured	(a)	Libor*+3%	2015	11,901
— secured	(a)	Libor*+3.5%	2015	917,850
				5,107,438
Non-current				
Bank loans				
— secured	(a)	Libor*+3.5%	2016	302,207
— unsecured		Libor*+3.7%	2016	1,028,116
— unsecured		Libor*+3.7%	2017	1,290,813
				2,621,136
				7,728,574

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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

Group *(Continued)*

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

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

Company

		31 December 2014		
		Effective interest rate (%)	Original maturity	RMB'000
Current				
Bank loans				
— unsecured		Hibor**+2.2%	On demand	299,433
— unsecured		Libor*+2.67%	On demand	184,869
Current portion of long term bank loans				
— secured	(a)	Libor*+3%	2015	11,901
— secured	(a)	Libor*+3.5%	2015	917,850
				1,414,053
Non-current				
Bank loans				
— secured	(a)	Libor*+3.5%	2016	302,207
— unsecured		Libor*+3.7%	2016	1,028,116
— unsecured		Libor*+3.7%	2017	1,290,813
				2,621,136
				4,035,189

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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

Company *(Continued)*

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

* London Inter-Bank Offered Rate

** Hong Kong Inter-Bank Offered Rate

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

(i) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB327,959,000 (2013: RMB177,304,000) as at 31 December 2014;

(ii) letters of credit, issued by banks in Mainland China with a total amount of approximately RMB13,000,000 (2013: RMB613,000,000) as at 31 December 2014. The letters of credit were secured by the pledged bank deposits, which amounted to RMB13,000,000 (2013: entire shares of Suzhou Baoxin Automobile Sales & Services Co., Ltd. and Shanghai Baoxin Automobile Sales & Services Co., Ltd., and pledged bank deposits of RMB13,000,000);

(iii) mortgages over the entire shares of Shanghai Baoxin Automobile Sales & Services Co., Ltd. held by Suzhou Baoxin Automobile Sales & Services Co., Ltd. as at 31 December 2014, which have been released with the repayment of the bank loans in March 2015 (2013: entire shares of Shanghai Baoxin Automobile Sales & Services Co., Ltd. held by Suzhou Baoxin Automobile Sales & Services Co., Ltd.);

(iv) the pledge of certain of the Group's time deposits amounting to RMB570,265,000 (2013: RMB511,020,000); and

(v) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB5,110,000 as at 31 December 2013.

(b) Certain of the Group's bank loans which amounted to RMB29,000,000 (2013: Nil) were guaranteed by a third party as at 31 December 2014.

29. TRADE AND BILLS PAYABLES

	31 December 2014 RMB'000	31 December 2013 RMB'000
Trade payables	**125,299**	120,040
Bills payable	**4,752,614**	4,244,309
Trade and bills payables	**4,877,913**	4,364,349

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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Within 3 months	**4,784,702**	4,227,539
3 to 6 months	**82,650**	131,677
6 to 12 months	**930**	300
Over 12 months	**9,631**	4,833
	4,877,913	4,364,349

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

NOTES TO FINANCIAL STATEMENTS

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30. OTHER PAYABLES AND ACCRUALS

	31 December 2014 RMB'000	31 December 2013 RMB'000
Group		
Advances from customers	**531,993**	513,512
Advances and deposits from distributors	**7,977**	7,873
Taxes payable (other than income tax)	**91,493**	54,084
Payables for purchase of items of property, plant and equipment	**22,289**	10,990
Payables for purchase of land use rights	**–**	25,094
Lease payables	**30,663**	25,292
Interest payables	**15,099**	11,810
Staff payroll and welfare payables	**34,864**	26,230
Others	**45,138**	47,151
	779,516	722,036
Company		
Interest payables	**1,859**	603
Others	**3**	1,119
	1,862	1,722

31. BONDS

Group and Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Non-current	**396,095**	374,632

NOTES TO FINANCIAL STATEMENTS

31 December 2014

31. BONDS *(Continued)*

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

	31 December 2014 RMB'000	31 December 2013 RMB'000
At the beginning of the year	**374,632**	365,566
Interest expense	**20,071**	20,345
Exchange realignment	**1,392**	(11,279)
At the end of the year	**396,095**	374,632

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

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

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

32. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the People's Republic of China (the "PRC") state regulations, the subsidiaries of Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 11% to 21% (2013: 12% to 21%) of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries. The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 5% to 15% (2013: 5% to 15%) of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

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

NOTES TO FINANCIAL STATEMENTS

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33. DEFERRED TAX

(a) 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 and other accruals RMB'000	Deferred rental expenses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	36,684	13,451	2,071	3,280	55,486
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	6,749	(1,540)	219	(1,022)	4,406
Disposal of a subsidiary	(673)	–	–	–	(673)
At 31 December 2013 and 1 January 2014	42,760	11,911	2,290	2,258	59,219
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	22,102	(4,861)	2,136	2,091	21,468
At 31 December 2014	64,862	7,050	4,426	4,349	80,687

33. DEFERRED TAX *(Continued)*

(b) Deferred tax liabilities

	Depreciation allowances in excess of related depreciation RMB'000	Capitalisation of adjustment costs in relation to construction in progress RMB'000	Fair value arising from acquisition of subsidiaries RMB'000	Gain on exchange of assets RMB'000	Total RMB'000
At 1 January 2013	–	10,865	256,381	–	267,246
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	3,403	10,550	(9,638)	54,000	58,315
At 31 December 2013 and 1 January 2014	3,403	21,415	246,743	54,000	325,561
Acquisition of a subsidiary (Note 37)	–	–	2,533	–	2,533
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	1,880	9,302	(9,768)	–	1,414
At 31 December 2014	5,283	30,717	239,508	54,000	329,508

NOTES TO FINANCIAL STATEMENTS

31 December 2014

33. DEFERRED TAX *(Continued)*

(b) Deferred tax liabilities *(Continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December 2014	31 December 2013
Net deferred tax assets recognised in the consolidated statement of financial position	**74,229**	59,219
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(323,050)**	(325,561)
	(248,821)	(266,342)

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. Under the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, or the China-HK Tax Arrangement, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from retained earnings as at 31 December 2007 are exempted from withholding tax.

At 31 December 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and a joint venture established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and the joint venture will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and the joint venture in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB3,902,382,000 at 31 December 2014 (2013: RMB2,880,524,000).

Deferred tax assets have not been recognised in respect of tax losses arising in Mainland China of RMB107,959,000 (2013: RMB70,867,000) 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. These tax losses will expire in two to five years.

NOTES TO FINANCIAL STATEMENTS

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34. SHARE CAPITAL

Shares	2014
Authorised:	
Ordinary shares	**5,000,000,000 shares of HK$0.01 each**
Issued and fully paid:	
Ordinary shares	**2,557,311,429 shares of HK$0.01 each**
Equivalent to RMB'000	**20,836**

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

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares HK$'000	Share premium HK$'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000
At 1 January 2013	2,557,311,492	25,573	2,666,124	20,836	2,172,257
Proposed final 2013 dividend	–	–	(383,597)	–	(303,885)
At 31 December 2013 and 1 January 2014	2,557,311,492	25,573	2,282,527	20,836	1,868,372
Proposed final 2014 dividend	–	–	(127,866)	–	(101,244)
At 31 December 2014	2,557,311,492	25,573	2,154,661	20,836	1,767,128

Note:

Details of the Company's share option scheme and the share options issued under the scheme are included in note 35 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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35. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include employees of the Company and its subsidiaries. The Scheme became effective on 14 December 2011, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the listing date. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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35. SHARE OPTION SCHEME *(Continued)*

	2014 Weighted average exercise price HK$ per share	Number of options
At 1 January	**6.830**	**13,150,000**
Granted on 10 January 2014 ("Option B")	**6.786**	**2,000,000**
Option A cancelled on 4 September 2014	**6.830**	**(13,150,000)**
Option B cancelled on 4 September 2014	**6.786**	**(2,000,000)**
Granted on 4 September 2014 as modification to the cancelled Option A and Option B on 4 September 2014	**5.724**	**15,150,000**
Granted on 4 September 2014 ("Option C")	**5.724**	**400,000**
At 31 December	**5.724**	**15,550,000**

	2013 Weighted average exercise price HK$ per share	Number of options
Granted during the year ("Option A")	6.830	13,150,000
At 31 December	6.830	13,150,000

No share options were exercised during the year.

The exercise period of the share options outstanding as at 31 December 2014 is from 4 September 2014 to 4 September 2016.

The fair value of Option A was RMB23,020,000 (RMB1.75 each), of which the Group recognised a share option expense of RMB7,095,000 during the year ended 31 December 2014 (2013: RMB15,925,000).

The fair value of Option B was RMB3,234,000 (RMB1.62 each), of which the Group recognised a share option expense of RMB3,234,000 during the year ended 31 December 2014.

The incremental fair value of the share options granted on 4 September 2014 as modification to the cancelled Option A and Option B was RMB4,846,000 (RMB0.37 each) and RMB226,000 (RMB0.11 each), respectively, of which the Group recognised a share option expense of RMB5,072,000 during the year ended 31 December 2014.

NOTES TO FINANCIAL STATEMENTS

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35. SHARE OPTION SCHEME *(Continued)*

The fair value of the share options granted on 4 September 2014 ("Option C") was RMB344,000 (RMB0.86 each), of which the Group recognised a share option expense of RMB344,000 during the year ended 31 December 2014.

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

2014 Option A		Before modification	After modification
Dividend yield (%)		2.65%	2.21%
Expected volatility (%)		40.2%	38.9%
Risk-free interest rate (%)		0.38%	0.54%
Underlying price (HK$ per share)		6.830	5.724
Option B	**On grant date**	**Before modification**	**After modification**
Dividend yield (%)	2.33%	2.65%	2.21%
Expected volatility (%)	49.0%	47.2%	38.9%
Risk-free interest rate (%)	0.77%	0.71%	0.54%
Underlying price (HK$ per share)	6.786	6.786	5.724
Option C			
Dividend yield (%)			2.65%
Expected volatility (%)			42.3%
Risk-free interest rate (%)			0.54%
Underlying price (HK$ per share)			5.724
2013 **Option A**			
Dividend yield (%)			1.59%
Expected volatility (%)			52.69%
Risk-free interest rate (%)			0.17%
Underlying price (HK$ per share)			6.83

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

35. SHARE OPTION SCHEME *(Continued)*

At the end of the reporting period, the Company had 15,550,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 15,550,000 additional ordinary shares of the Company and additional share capital of HK$89,008,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 15,550,000 share options outstanding under the Scheme, which represented approximately 0.61% of the Company's shares in issue as at that date.

36. RESERVES

Group

(i) Statutory reserve

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

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company and the excess of the consideration over the carrying amount of the non-controlling interests acquired.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of the Company and certain overseas subsidiaries of which the functional currencies are other than the RMB.

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31 December 2014

36. RESERVES *(Continued)*

Company

	Share premium RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2013	2,172,257	–	(14,159)	–	2,158,098
Total comprehensive income for the year	–	–	(58,158)	(114,657)	(172,815)
Equity-settled share-based transactions	–	15,925	–	–	15,925
Proposed final dividend	(303,885)	–	–	–	(303,885)
As at 31 December 2013 and 1 January 2014	1,868,372	15,925	(72,317)	(114,657)	1,697,323
Total comprehensive income for the year	–	–	7,675	(181,632)	(173,957)
Equity-settled share-based transactions	–	15,745	–	–	15,745
Proposed final dividend	(101,244)	–	–	–	(101,244)
As at 31 December 2014	1,767,128	31,670	(64,642)	(296,289)	1,437,867

37. BUSINESS COMBINATION

As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired 100% of the equity interests of Jincheng Tangdi Auto Sales and Services Co., Ltd. (晉城市唐迪汽車銷售服務有限公司, "Jincheng Tangdi"), which is engaged in the motor vehicle sales and service business in Mainland China, from two third parties on 14 March 2014 at a total consideration of RMB80,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB80,000,000 paid during the year.

37. BUSINESS COMBINATION *(Continued)*

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

	Notes	Fair values recognised on acquisition RMB'000
Property, plant and equipment	14	21,864
Intangible assets	16	9,032
Inventories		26,587
Trade receivables		6,510
Prepayments, deposits and other receivables		142,764
Pledged bank deposits		35,848
Cash in transit		300
Cash and cash equivalents		238
Banks loans and other borrowings		(44,598)
Trade and bills payables		(56,776)
Other payables and accruals		(83,222)
Income tax payable		(1,065)
Deferred tax liabilities	33(b)	(2,533)
Total identifiable net assets		54,949
Goodwill on acquisition	19	25,051
Total purchase consideration		80,000

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

	RMB'000
Cash consideration paid	(80,000)
Cash and cash equivalents acquired	238
Net cash outflow	(79,762)

Since the acquisition, the acquired business contributed RMB82,494,000 to the Group's revenue and a loss of RMB9,317,000 to the consolidated profit for the year ended 31 December 2014.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB30,731,400,000 and RMB709,481,000, respectively.

NOTES TO FINANCIAL STATEMENTS

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38. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

Financial assets

As at 31 December 2014

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	**–**	**16,573**	**16,573**
Trade receivables	**393,155**	**–**	**393,155**
Finance lease receivables	**24,938**	**–**	**24,938**
Financial assets included in prepayments, deposits and other receivables	**3,079,844**	**–**	**3,079,844**
Amounts due from related parties	**41,063**	**–**	**41,063**
Pledged bank deposits	**2,436,468**	**–**	**2,436,468**
Cash in transit	**134,987**	**–**	**134,987**
Cash and cash equivalents	**2,202,892**	**–**	**2,202,892**
	8,313,347	**16,573**	**8,329,920**

As at 31 December 2013

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	16,518	16,518
Trade receivables	556,939	–	556,939
Financial assets included in prepayments, deposits and other receivables	2,314,494	–	2,314,494
Amounts due from related parties	41,188	–	41,188
Pledged bank deposits	2,769,886	–	2,769,886
Cash in transit	89,716	–	89,716
Cash and cash equivalents	2,020,926	–	2,020,926
	7,793,149	16,518	7,809,667

NOTES TO FINANCIAL STATEMENTS
31 December 2014

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost	
	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Trade and bills payables	**4,877,913**	4,364,349
Financial liabilities included in other payables and accruals	**121,166**	103,116
Bank loans and other borrowings	**7,728,574**	7,021,828
Bonds	**396,095**	374,632
	13,123,748	11,863,925

Company

Financial assets

	Loans and receivables	
	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Amounts due from subsidiaries	**4,106,450**	2,681,382
Pledged bank deposits	**301,979**	300,912
Cash and cash equivalents	**142,365**	336,361
	4,550,794	3,318,655

NOTES TO FINANCIAL STATEMENTS

31 December 2014

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost	
	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Financial liabilities included in other payables and accruals	**1,862**	1,722
Amount due to a subsidiary	**7,613**	7,587
Bank loans	**4,035,189**	2,221,754
Bonds	**396,095**	374,632
	4,440,759	2,605,695

39. CONTINGENT LIABILITIES

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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Guarantees given to banks in connection with facilities granted to third parties	**–**	4,800

40. COMMITMENTS

(a) Capital commitments

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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Contracted, but not provided for:		
Land use rights and buildings	**212,500**	354,900
Authorised, but not contracted for:		
Land use rights and buildings	**270,000**	410,000
	482,500	764,900

NOTES TO FINANCIAL STATEMENTS

31 December 2014

40. COMMITMENTS *(Continued)*

(b) Operating lease commitments

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

	At 31 December 2014			At 31 December 2013		
	Properties RMB'000	Land RMB'000	Vehicles RMB'000	Properties RMB'000	Land RMB'000	Vehicles RMB'000
Within 1 year	**111,742**	**65,307**	**9,090**	85,297	55,399	8,884
After 1 year but within 5 years	**322,807**	**229,553**	**35,721**	236,501	146,170	35,538
After 5 years	**373,137**	**523,619**	**35,666**	327,630	513,244	44,422
	807,686	**818,479**	**80,477**	649,428	714,813	88,844

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

41. PLEDGE OF ASSETS

Details of the Group's and the Company's assets pledged for its bank loans and other borrowings and bills payable are disclosed in Note 14, Note 15, Note 22 and Note 25 to the consolidated financial statements.

42. RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Transactions with related parties

Shanghai Zhongchuang Automobile Sales Co., Ltd. and Shanghai Minhang Kailong Automobile Sales Co., Ltd. entered into lease agreements with Shanghai Kailong Automobiles Sales Co., Ltd. ("Shanghai Kailong"), a company controlled by the Controlling Shareholder, as landlord, pursuant to which each of these subsidiaries leases from Shanghai Kailong the premises currently used by them. The rental expenses of Shanghai Zhongchuang Automobile Sales Co., Ltd. and Shanghai Minhang Kailong Automobile Sales Co., Ltd. were RMB800,000 and RMB800,000, respectively, in 2014 (2013: RMB800,000 and RMB800,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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

(b) Balances with related parties

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

Amounts due from related parties:

	31 December 2014 RMB'000	31 December 2013 RMB'000
Non-trade related:		
The Controlling Shareholder — Mr. Yang Aihua	**228**	353
A joint venture — Shenyang Xinbaohang	**40,835**	40,835
	41,063	41,188

As at 31 December 2014, balances with related parties were unsecured and non-interest-bearing, and had no fixed repayment terms.

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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Short term employee benefits	**16,038**	13,575
Equity-settled share option expense	**2,638**	–
Post-employee benefits	**588**	580
Total compensation paid to key management personnel	**19,264**	14,155

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

NOTES TO FINANCIAL STATEMENTS

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43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Group

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Bonds	**396,095**	374,632	**418,646**	379,276
Banks loans with fixed interest rate	**–**	140,000	**–**	140,337

Company

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Bonds	**396,095**	374,632	**418,646**	379,276

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

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

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

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43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

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

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

Fair value hierarchy

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

Liabilities for which fair values are disclosed:

Group

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bonds	–	–	**418,646**	**418,646**

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bonds	–	–	379,276	379,276
Banks loans with fixed interest rate	–	–	140,337	140,337
	–	–	519,613	519,613

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43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed: *(Continued)*

Company

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bonds	–	–	**418,646**	**418,646**

As at 31 December 2013

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

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group has no significant interest-bearing assets other than pledged bank deposits (Note 25) and cash and cash equivalents (Note 27).

The Group's interest rate risk arises from its bank loans and other borrowings, details of which are set out in Note 28. Borrowings at variable rates expose the Group to the risk of changes in market interest rates.

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

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2014		
US$	**50**	**7,362**
US$	**(50)**	**(7,362)**
2013		
US$	50	73,982
US$	(50)	(73,982)

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

Credit risk

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

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 23 to the financial statements.

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

Liquidity risk

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

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

As at 31 December 2014

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	**513,302**	**1,264,402**	**2,633,441**	**3,652,801**	**–**	**8,063,946**
Bonds	**–**	**–**	**–**	**454,770**	**–**	**454,770**
Trade and bills payables	**125,299**	**4,073,844**	**678,770**	**–**	**–**	**4,877,913**
Financial liabilities in other payables and accruals	**121,166**	**–**	**–**	**–**	**–**	**121,166**
	759,767	**5,338,246**	**3,312,211**	**4,107,571**	**–**	**13,517,795**

As at 31 December 2013

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	222,068	1,739,943	3,846,153	1,498,787	–	7,306,951
Bonds	–	–	–	454,770	–	454,770
Trade and bills payables	120,040	3,749,485	494,824	–	–	4,364,349
Financial liabilities in other payables and accruals	103,116	–	–	–	–	103,116
	445,224	5,489,428	4,340,977	1,953,557	–	12,229,186

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

Liquidity risk *(Continued)*

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

As at 31 December 2014

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Banks loans	484,302	34,267	116,572	3,652,801	–	4,287,942
Bonds	–	–	–	454,770	–	454,770
Financial liabilities in other payables and accruals	1,862	–	–	–	–	1,862
Amount due to a subsidiary	7,613	–	–	–	–	7,613
	493,777	34,267	116,572	4,107,571	–	4,752,187

As at 31 December 2013

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Banks loans	225,585	15,631	1,016,162	1,124,954	–	2,382,332
Bonds	–	–	–	454,770	–	454,770
Financial liabilities in other payables and accruals	1,722	–	–	–	–	1,722
Amount due to a subsidiary	7,587	–	–	–	–	7,587
	234,894	15,631	1,016,162	1,579,724	–	2,846,411

Foreign currency risk

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

Capital management

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

NOTES TO FINANCIAL STATEMENTS

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

Capital management *(Continued)*

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Bank loans and other borrowings	**7,728,574**	7,021,828
Trade and bills payables	**4,877,913**	4,364,349
Other payables and accruals	**779,516**	722,036
Bonds	**396,095**	374,632
Less: Cash and cash equivalents	**(2,202,892)**	(2,020,926)
Net debt	**11,579,206**	10,461,919
Equity attributable to owners of the parent	**5,088,661**	4,670,116
Gearing ratio	**69.5%**	69.1%

45. INVESTMENTS IN SUBSIDIARIES

Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Unlisted shares, at cost	**1,415,721**	1,289,307
Capital contributions in respect of employee share-based compensation	**31,670**	15,925
	1,447,391	1,305,232

45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The amounts due from subsidiaries and amount due to a subsidiary included in the Company's current assets and current liabilities of RMB4,106,450,000 (2013: RMB2,681,382,000) and RMB7,613,000 (2013: RMB7,587,000), respectively, are unsecured, interest-free, and are repayable on demand. The carrying amounts of these amounts due from subsidiaries and amount due to a subsidiary approximate to their fair values.

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

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

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45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Ownership interest Held by the Company	Ownership interest Held by a subsidiary	Principal activities
上海開隆汽車裝潢服務有限公司 (Shanghai Kailong Automobile Decoration Services Co., Ltd.)	Shanghai, the PRC 2003	Registered and paid-in capital of RMB500,000	–	100%	Sale of spare parts and accessories
上海徐匯寶信汽車服務有限公司 (Shanghai Xuhui Baoxin Automobile Services Co., Ltd.)	Shanghai, the PRC 2008	Registered and paid-in capital of RMB10,000,000	–	100%	Sale of spare parts and accessories
蘇州寶信汽車銷售服務有限公司 (Suzhou Baoxin Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2004	Registered and paid-in capital of RMB500,000,000	–	100%	Sale and service of motor vehicles
青島信寶行汽車銷售服務有限公司 (Qingdao Xinbaohang Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2008	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
天津寶信汽車銷售服務有限公司 (Tianjin Baoxin Automobile Sales & Services Co., Ltd.)	Tianjin, the PRC 2008	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
寧波寶信汽車銷售服務有限公司 (Ningbo Baoxin Automobile Sales & Services Co., Ltd.)	Ningbo, the PRC 2008	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
寧海寶信汽車銷售服務有限公司 (Ninghai Baoxin Automobile Sales & Services Co., Ltd.)	Ninghai, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
泰州信寶行汽車銷售服務有限公司 (Taizhou Xinbaohang Automobile Sales & Services Co., Ltd.)	Taizhou, the PRC 2010	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
北京信寶行置業有限公司 (Beijing Xinbaohang Real Estate Co., Ltd.)	Beijing, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	51%	Dormant
上海天華汽車銷售有限公司 (Shanghai Tianhua Automobile Sales Co., Ltd.)	Shanghai, the PRC 2002	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles

45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Ownership interest Held by the Company	Ownership interest Held by a subsidiary	Principal activities
杭州寶信汽車銷售服務有限公司 (Hangzhou Baoxin Automobile Sales & Services Co., Ltd.)	Hangzhou, the PRC 2008	Registered and paid-in capital of RMB10,000,000	–	90%	Sale and service of motor vehicles
常熟寶信汽車銷售服務有限公司 (Changshu Baoxin Automobile Sales & Services Co., Ltd.)	Changshu, the PRC 2006	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
上海太平洋金沙汽車銷售服務有限公司 (Shanghai Pacific Jinsha Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2002	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
上海太平洋申隆汽車銷售服務有限公司 (Shanghai Pacific Shenlong Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2005	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
上海徐匯開隆汽車銷售服務有限公司 (Shanghai Xuhui Kailong Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2006	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
上海信隆汽車銷售服務有限公司 (Shanghai Xinlong Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2002	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
上海亞歐汽車銷售服務有限公司 (Shanghai Ya'ou Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2004	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
上海中創汽車銷售有限公司 (Shanghai Zhongchuang Automobile Sales Co., Ltd.)	Shanghai, the PRC 2003	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
揚州信寶行汽車銷售服務有限公司 (Yangzhou Xinbaohang Automobile Sales & Services Co., Ltd.)	Yangzhou, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	70%	Sale and service of motor vehicles
揚州名凱汽車銷售服務有限公司 (Yangzhou Mingkai Automobile Sales & Services Co., Ltd.)	Yangzhou, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles

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45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

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45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Ownership interest Held by the Company	Ownership interest Held by a subsidiary	Principal activities
煙台寶信汽車銷售服務有限公司 (Yantai Baoxin Auto Sales & Services Co., Ltd.)	Yantai, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
上海普陀寶信汽車銷售服務有限公司 (Shanghai Putuo Baoxin Auto Sales and Services Co., Ltd.)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB3,000,000	–	100%	Dormant
瑞安市寶隆汽車銷售服務有限公司 (Rui'an Baolong Auto Sales and Services Co., Ltd.)	Rui'an, the PRC 2012	Registered and paid-in capital of RMB43,800,000	–	90%	Sale and service of motor vehicles
上海寶信行汽車銷售服務有限公司 (Shanghai Baoxinhang Auto Sales and Services Co., Ltd.)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
常熟寶鼎汽車服務有限公司 (Changshu Baoding Automobile Sales & Services Co., Ltd.)	Changshu, the PRC 2012	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
無錫信寶行汽車銷售服務有限公司 (Wuxi Xinbaohang Auto Sales and Services Co., Ltd.)	Wuxi, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	90%	Dormant
上海晨隆汽車銷售有限公司 (Shanghai Chenlong Auto Sales Co., Ltd.)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
上海寶信同嘉汽車銷售有限公司 (Shanghai Baoxin Tongjia Auto Sales Co., Ltd.)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
上海寶信實嘉汽車銷售有限公司 (Shanghai Baoxin Shijia Auto Sales Co., Ltd.)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB300,000,000	–	100%	Sale and service of motor vehicles
揚州天華汽車銷售服務有限公司 (Yangzhou Tianhua Auto Sales and Services Co., Ltd.)	Yangzhou, the PRC 2012	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles

45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Ownership interest Held by the Company	Ownership interest Held by a subsidiary	Principal activities
陝西天華汽車銷售服務有限公司 (Shaanxi Tianhua Auto Sales and Services Co., Ltd.)	Shaanxi, the PRC 2012	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
深圳申隆汽車銷售服務有限公司 (Shenzhen Shenglong Auto Sales and Services Co., Ltd.)	Shenzhen, the PRC 2012	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
江陰天華汽車銷售有限公司 (Jiangyin Tianhua Auto Sales Co., Ltd.)	Jiangyin, the PRC 2012	Registered and paid-in capital of RMB5,000,000	–	70%	Sale of motor vehicles
寧波博駿汽車銷售服務有限公司 (Ningbo Bojun Auto Sales and Services Co., Ltd.)	Ningbo, the PRC 2012	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
寧波博駿甬城汽車銷售服務有限公司 (Ningbo Bojun Yongcheng Auto Sales and Services Co., Ltd.)	Ningbo, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
上海開隆金滬汽車技術服務有限公司 (Shanghai Kailong Jinhu Auto Technology Services Co., Ltd.)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB2,000,000	–	100%	Rendering of car repair and maintenance services
青島恒駿廣告有限公司 (Qingdao Hengjun Advertising Co., Ltd.)	Qingdao, the PRC 2012	Registered and paid-in capital of RMB1,000,000	–	100%	Advertising services
蘇州榮嘉廣告有限公司 (Suzhou Rongjia Advertising Co., Ltd.)	Suzhou, the PRC 2012	Registered and paid-in capital of RMB1,000,000	–	100%	Advertising services
上海信頤廣告有限公司 (Shanghai Xinyi Advertising Co., Ltd)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB1,000,000	–	100%	Advertising services
上海鵬捷投資管理有限公司 (Shanghai Pengjie Investing Management Co., Ltd.)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB1,000,000	–	100%	Investment holding

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45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Ownership interest Held by the Company	Ownership interest Held by a subsidiary	Principal activities
蘇州寶鼎行汽車銷售服務有限公司 (Suzhou Baodinghang Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2012	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
NCGA Holdings Limited	Hong Kong, the PRC 2006	Registered and paid-in capital of US$93,181,961	100%	–	Investment holding
燕駿汽車有限公司 (Yan Jun Auto Co., Limited)	Hong Kong, the PRC 1993	Registered and paid-in capital of HK$59,900,000	–	100%	Investment holding
燕駿(中國)投資有限公司 (YanJun (China) Investment Co., Ltd.)	Beijing, the PRC 2011	Registered capital of US$30,000,000, paid-in capital of US$7,500,000	–	100%	Investment holding and consulting service
Mclarty Consulting Hong Kong Limited	Hong Kong, the PRC 2010	Registered and paid-in capital of HK$100	–	100%	Consulting services
北京燕寶汽車服務有限公司 (Beijing Yanbao Auto Service Co., Ltd.)	Beijing, the PRC 1995	Registered and paid-in capital of RMB89,350,000	–	100%	Rendering of car repair and maintenance services
北京東寶金龍經貿發展有限公司 (Beijing Dong Bao Jin Long Economy & Trade Development Co., Ltd.)	Beijing, the PRC 2002	Registered and paid-in capital of RMB80,600,000	–	100%	Sale of motor vehicles
陝西金花汽車貿易有限責任公司 (Shanxi Gin Wa Auto Trade Co., Ltd.)	Xi'an, the PRC 2001	Registered and paid-in capital of RMB52,000,000	–	100%	Sale of motor vehicles
大連燕寶汽車有限公司 (Dalian Yanbao Auto Co., Ltd.)	Dalian, the PRC 1995	Registered and paid-in capital of US$7,920,000	–	100%	Rendering of motor vehicles maintenance services
北京燕德寶汽車銷售有限公司 (Beijing Yan De Bao Auto Sales Co., Ltd.)	Beijing, the PRC 2002	Registered and paid-in capital of RMB120,475,296	–	100%	Sale of motor vehicles

45. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Ownership interest Held by the Company	Ownership interest Held by a subsidiary	Principal activities
北京燕豪汽車銷售服務有限公司 (Beijing YanHao Auto Sales & Service Co., Ltd.)	Beijing, the PRC 2010	Registered capital of RMB44,130,000, paid-in capital of RMB43,922,120	–	100%	Sale of motor vehicles
北京燕英捷汽車銷售服務有限公司 (Beijing YanYingJie Auto Sales & Service Co., Ltd.)	Beijing, the PRC 2010	Registered and paid-in capital of US$10,000,000	–	100%	Sale of motor vehicles
天津燕英捷汽車銷售服務有限公司 (Tianjin YanYingJie Auto Sales & Service Co., Ltd.)	Tianjin, the PRC 2010	Registered and paid-in capital of US$5,000,000	–	100%	Sale of motor vehicles
天津燕鵬捷汽車銷售服務有限公司 (Tianjin YanPengJie Auto Sales & Service Co., Ltd.)	Tianjin, the PRC 2011	Registered and paid-in capital of RMB500,000	–	100%	Rendering of motor vehicles repair and maintenance services
大連燕德寶汽車銷售有限公司 (Dalian Yan De Bao Auto Sales Co., Ltd.)	Dalian, the PRC 2002	Registered and paid-in capital of RMB36,000,000	–	100%	Sale of motor vehicles
烏魯木齊燕寶汽車銷售服務有限公司 (Urumqi Yanbao Auto Sales & Service Co., Ltd.)	Urumqi, the PRC 2005	Registered and paid-in capital of RMB35,600,000	–	100%	Rendering of motor vehicles repair and maintenance services
西安金花寶馬汽車服務有限公司 (Xi'an Gin Wi BMW Auto Service Co., Ltd.)	Xi'an, the PRC 2001	Registered and paid-in capital of RMB26,000,000	–	100%	Rendering of motor vehicles repair and maintenance services
北京燕盛豪汽車銷售服務有限公司 (Beijing Yanshenghao Auto Sales & Service Co., Ltd.)	Beijing, the PRC 2011	Registered and paid-in capital of RMB25,000,000	–	100%	Rendering of motor vehicles repair and maintenance services
北京晨德寶汽車銷售服務有限公司 (Beijing Chen De Bao Auto Sales and Service Co., Ltd.)	Beijing, the PRC 2003	Registered and paid-in capital of RMB94,500,000	–	100%	Sale of motor vehicles

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45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Ownership interest Held by the Company	Ownership interest Held by a subsidiary	Principal activities
營口燕德寶汽車銷售服務有限公司 (Yingkou Yan De Bao Auto Sales & Service Co., Ltd.)	Yingkou, the PRC 2010	Registered and paid-in capital of RMB13,000,000	–	100%	Sale of motor vehicles
北京燕寶汽車租賃有限公司 (Beijing Yanbao Auto Leasing Co., Ltd.)	Beijing, the PRC 1995	Registered and paid-in capital of US$1,000,000	–	100%	Leasing of motor vehicles
唐山燕時達汽車銷售服務有限公司 (Tangshan Yanshida Auto Sales & Service Co., Ltd.)	Tangshan, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	100%	Sale of motor vehicles
克拉瑪依燕寶汽車銷售服務有限公司 (Karamai Yanbao Auto Sales & Service Co., Ltd.)	Karamai, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	100%	Sale of motor vehicles
廊坊燕寶汽車銷售服務有限公司 (Langfang Yanbao Auto Sales & Service Co., Ltd.)	Langfang, the PRC 2011	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles
北京燕英捷燕順捷汽車銷售服務有限公司 (Beijing YanYingJie & YanShunJie Auto Sales & Service Co., Ltd.)	Beijing, the PRC 1998	Registered and paid-in capital of RMB4,000,000	–	100%	Sale and service of motor vehicles
唐山銀華汽車銷售服務有限公司 (Tangshan Yinhua Auto Sales & Service Co., Ltd.)	Tangshan, the PRC 2010	Registered and paid-in capital of RMB 21,000,000	–	100%	Dormant
克拉瑪依鑫德寶經貿發展有限公司 (Karamai Xindebao Economy & Trade Development Co., Ltd.)	Karamai, the PRC 2011	Registered and paid-in capital of RMB1,000,000	–	100%	Dormant
天津燕順捷投資有限公司 (Tianjin YanShunJie Investment Co., Ltd.)	Tianjin, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	100%	Dormant
寶雞燕德寶汽車銷售服務有限公司 (Baoji Yan De Bao Auto Sales & Service Co., Ltd.)	Baoji, the PRC 2012	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles

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45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

			Ownership interest		
Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Held by the Company	Held by a subsidiary	Principal activities
烏魯木齊中油航榮德寶貿易有限公司 (Urumqi Zhong You Hang Rong De Bao Trade Co., Ltd.)	Urumqi, the PRC 2011	Registered capital of RMB30,000,000, paid-in capital of RMB6,000,000	–	100%	Dormant
烏魯木齊中油航鑫德寶貿易發展有限公司 (Urumqi Zhong You Hang Xin De Bao Trade Development Co., Ltd.)	Urumqi, the PRC 2011	Registered capital of RMB30,000,000, paid-in capital of RMB6,000,000	–	100%	Dormant
北京尊馭廣告有限公司 (Beijing ZunYu Advertise Co., Ltd.)	Beijing, the PRC 2011	Registered and paid-in capital of RMB100,000	–	100%	Advertising services
金花企業集團(香港)有限公司 (Gin Wi Enterprises Group (HK) Limited)	Hong Kong, the PRC 1999	Registered and paid-in capital of HK$10,000	–	100%	Investment holding
上海天華路捷汽車貿易有限公司 (Shanghai Tianhua Lujie Automobile Trading Co., Ltd.)	Shanghai, the PRC 2013	Registered and paid-in capital of US$1,000,000	–	100%	Dormant
上海集達投資管理有限公司 (Shanghai Jida Investing Management Co., Ltd.)	Shanghai, the PRC 2013	Registered and paid-in capital of US$2,000,000	–	100%	Dormant
上海呈嘉投資管理有限公司 (Shanghai Chengjia Investing Management Co., Ltd.)	Shanghai, the PRC 2013	Registered and paid-in capital of US$2,000,000	–	100%	Dormant
北京寶信行汽車銷售服務有限公司 (Baoxinhang Auto Sales and Services Co., Ltd.)	Beijing, the PRC 2013	Registered and paid-in capital of RMB10,000,000	–	100%	Dormant
寧波天華路捷汽車銷售服務有限公司 (Ningbo Tianhua Lujie Auto Sales and Services Co., Ltd.)	Ningbo, the PRC 2013	Registered capital of US$10,000,000 and paid-in capital of US$0	–	100%	Dormant
義烏市博駿汽車銷售服務有限公司 (Yiwu Bojun Auto Sales and Services Co., Ltd.)	Yiwu, the PRC 2013	Registered and paid-in capital of RMB50,000,000	–	100%	Sale of motor vehicles

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45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Ownership interest Held by the Company	Ownership interest Held by a subsidiary	Principal activities
嘉興恒駿汽車銷售服務有限公司 (Jiaxing Hengjun Auto Sales and Services Co., Ltd.)	Jiaxing, the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale of motor vehicles
紹興博駿汽車銷售服務有限公司 (Shaoxing Bojun Auto Sales and Services Co., Ltd.)	Shaoxing, the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale of motor vehicles
杭州納通汽車貿易有限公司 (Hangzhou Natong Automobile Trading Co., Ltd.)	Hangzhou, the PRC 2013	Registered and paid-in capital of RMB2,000,000	–	100%	Dormant
上海鼎信融資租賃有限公司 (Shanghai Dingxin Financial Leasing Co. Ltd.)	Shanghai, the PRC 2013	Registered and paid-in capital of US$30,000,000	100%	–	Investment Services
上海博駿保險代理有限公司 (Shanghai Bojun Insurance Agency Ltd.)	Shanghai, the PRC 2013	Registered and paid-in capital of RMB50,000,000	–	100%	Dormant
杭州榮嘉廣告有限公司 (Hangzhou Rongjia Advertising Co., Ltd.)	Hangzhou, the PRC 2013	Registered and paid-in capital of RMB1,000,000	–	100%	Advertising services
上海鑫然廣告有限公司 (Shanghai Xinran Advertising Co., Ltd.)	Shanghai, the PRC 2013	Registered and paid-in capital of RMB1,000,000	–	100%	Advertising services
無錫開隆置業有限公司 (Wuxi Kailong Real Estate Co., Ltd.)	Wuxi, the PRC 2013	Registered and paid-in capital of RMB120,000,000	–	100%	Investment services
聯鷹集團有限公司 (Eagle Reach Group Ltd.)	Tortola, British Virgin Islands 2013	Registered capital of nil	100%	–	Investment holding, trading and consulting
泰州寶晟行汽車銷售服務有限公司 (Taizhou Baoshenghang Auto Sales and Services Co., Ltd.)	Taizhou, the PRC 2014	Registered and paid-in capital of RMB500,000	–	100%	Dormant

45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Ownership interest Held by the Company	Ownership interest Held by a subsidiary	Principal activities
晉城市唐迪汽車銷售服務有限公司 (Jincheng Tangdi Auto Sales and Services Co., Ltd.)	Jincheng, the PRC 2014	Registered and paid-in capital of RMB15,000,000	–	100%	Dormant
上海松江恒駿汽車銷售服務有限公司 (Shanghai Songjiang Hengjun Auto Sales and Services Co., Ltd.)	Shanghai, the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Dormant
上海真北天華汽車銷售服務有限公司 (Shanghai Zhenbei Tianhua Auto Sales and Services Co., Ltd.)	Shanghai, the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
上海信寶天華汽車銷售服務有限公司 (Shanghai Xinbao Tianhua Auto Sales and Services Co., Ltd.)	Shanghai, the PRC 2014	Registered and paid-in capital of nil	–	100%	Dormant
東營天華汽車銷售服務有限公司 (Dongying Xinbao Tianhua Auto Sales and Services Co., Ltd.)	Dongying, the PRC 2014	Registered and paid-in capital of RMB16,000,000	–	100%	Dormant
烏魯木齊博駿汽車銷售服務有限公司 (Urumchi Bojun Auto Sales and Services Co., Ltd.)	Urumchi, the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Dormant
烏魯木齊燕駿汽車銷售服務有限公司 (Urumchi Yanjun Auto Sales and Services Co., Ltd.)	Urumchi, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Dormant
天津尊沃汽車銷售服務有限公司 (Tianjin Zunwo Auto Sales and Services Co., Ltd.)	Urumchi the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Dormant
上海迪晟行汽車服務有限公司 (Shanghai Dishenghang Auto Sales and Services Co., Ltd.)	Shanghai, the PRC 2014	Registered and paid-in capital of RMB160,000	–	100%	Dormant
天津寶迪汽車銷售服務有限公司 (Tianjin Baodi Auto Sales and Services Co., Ltd.)	Tianjin, the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Dormant

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45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Ownership interest Held by the Company	Ownership interest Held by a subsidiary	Principal activities
上海澍勳電子商務有限公司 (Shanghai Shuxun Electric Business Co., Ltd.)	Tianjin, the PRC 2014	Registered and paid-in capital of RMB50,000,000	–	100%	Dormant
北京晨德寶舊機動車經紀有限公司 (Beijing Chendebao Agency of Used Vehicles Co., Ltd.)	Beijing, the PRC 2005	Registered and paid-in capital of RMB100,000	–	100%	Dormant
上海尊沃汽車銷售服務有限公司 (Shanghai Zunwo Auto Sales and Services Co., Ltd.)	Shanghai, the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Dormant
溫州尊沃汽車銷售服務有限公司 (Wenzhou Zunwo Auto Sales and Services Co., Ltd.)	Wenzhou, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Dormant
蘇州寶軒汽車銷售服務有限公司 (Suzhou Baoxuan Auto Sales and Services Co., Ltd.)	Suzhou, the PRC 2014	Registered and paid-in capital of RMB25,000,000	–	100%	Dormant
常熟捷思企業管理諮詢有限公司 (Changshu Jiesi Enterprise Management & Consulting Co., Ltd.)	Changshu, the PRC 2014	Registered and paid-in capital of RMB500,000	–	100%	Dormant
深圳路捷汽車銷售服務有限公司 (Shenzhen Lujie Auto Sales and Services Co., Ltd.)	Shenzhen, the PRC 2014	Registered and paid-in capital of nil	–	100%	Dormant
西安祺語廣告有限公司 (Xi'an Qiyu Advertising Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB1,000,000	–	100%	Advertising services
上海信寶博通電子商務有限公司 (Shanghai Xinbao Botong Electric Business Co., Ltd.)	Shanghai, the PRC 2014	Registered and paid-in capital of RMB200,000,000	–	100%	Dormant
上海劭勳智能科技有限公司 (Shanghai Shaoxun Intellectual Technology Co., Ltd.)	Shanghai, the PRC 2014	Registered and paid-in capital of RMB2,000,000	–	100%	Dormant

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45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Ownership interest Held by the Company	Ownership interest Held by a subsidiary	Principal activities
上海常信拍賣有限公司 (Shanghai Changxin Auction Co., Ltd.)	Shanghai, the PRC 2014	Registered and paid-in capital of RMB1,000,000	–	100%	Dormant
上海晟創二手車經銷有限公司 (Shanghai Shengchuang Agency of Used Car Co., Ltd.)	Shanghai, the PRC 2014	Registered and paid-in capital of RMB30,000,000	–	100%	Dormant
上海歐晟二手車經營有限公司 (Shanghai Ousheng Agency of Used Car Co., Ltd.)	Shanghai, the PRC 2014	Registered and paid-in capital of RMB2,000,000	–	100%	Dormant
溫州澍勳電子商務有限公司 (Wenzhou Shuxun Electric Business Co., Ltd.)	Wenzhou, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Dormant
昌廣投資有限公司 (Changguang Investment Co., Ltd.)	Virgin Islands Britain 2014	Registered and paid-in capital of Nil	–	100%	Dormant
汽車街發展有限公司 (Auto Street Development Co., Ltd.)	Cayman Islands Britain 2014	Registered and paid-in capital of Nil	–	100%	Dormant
安達資本有限公司 (Anda Capital Co., Ltd.)	Hong Kong, the PRC 2014	Registered and paid-in capital of Nil	–	100%	Dormant

46. EVENTS AFTER THE REPORTING PERIOD

There is no significant subsequent event undertaken by the Company or by the Group after 31 December 2014.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2015.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended December 31,				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**30,723,432**	30,081,687	18,092,903	12,010,929	7,716,564
Cost of sales and services provided	**(27,935,772)**	(27,161,294)	(16,510,006)	(10,721,181)	(7,028,566)
Gross profit	**2,787,660**	2,920,393	1,582,897	1,289,748	687,998
Other income and gains, net	**454,574**	468,872	373,793	93,756	37,482
Selling and distribution expenses	**(983,221)**	(946,815)	(461,187)	(256,629)	(177,100)
Administrative expenses	**(608,813)**	(538,713)	(261,411)	(166,977)	(90,985)
Profit from operations	**1,650,200**	1,903,737	1,234,092	959,898	457,395
Finance costs	**(617,234)**	(544,601)	(336,906)	(128,397)	(48,378)
Share of profit of a joint venture	**6,783**	10,544	14,443	5,372	2,907
Profit before tax	**1,039,749**	1,369,680	911,629	836,873	411,924
Income tax expense	**(326,115)**	(355,345)	(190,743)	(221,041)	(104,266)
Profit for the year	**713,634**	1,014,335	720,886	615,832	307,658
Attributable to:					
Owners of the parent	**706,644**	1,006,805	709,699	601,905	303,940
Non-controlling interests	**6,990**	7,530	11,187	13,927	3,718
	713,634	1,014,335	720,886	615,832	307,658
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**19,776,287**	17,871,726	16,567,725	7,780,400	3,257,695
TOTAL LIABILITIES	**(14,627,487)**	(13,148,461)	(12,633,074)	(4,726,575)	(1,719,457)
NON-CONTROLLING INTEREST	**(60,139)**	(53,149)	(61,010)	(36,072)	(72,665)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**5,088,661**	4,670,116	3,873,641	3,017,753	1,465,573

BAOXIN AUTO GROUP LIMITED
寶信汽車集團有限公司