润东汽车

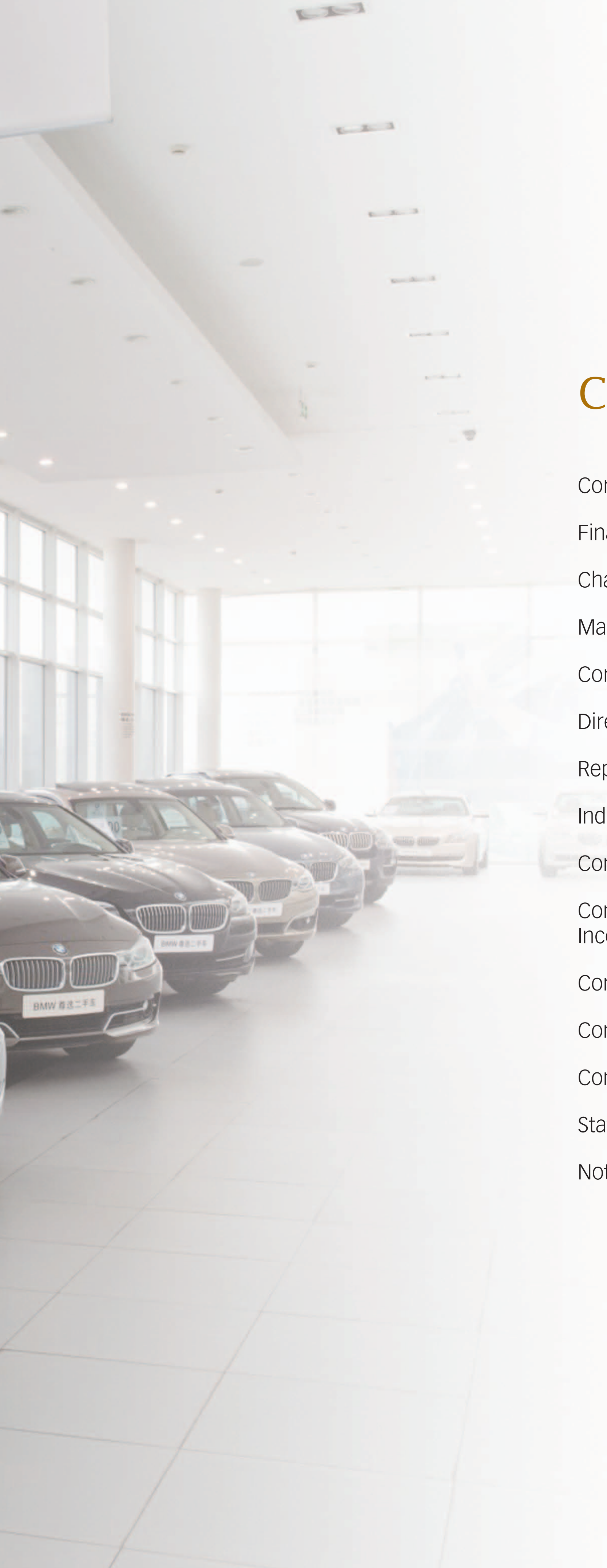
CHINA RUNDONG AUTO GROUP LIMITED
中國潤東汽車集團有限公司

(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：1365

2014 Annual Report
年報


BMW 尊选二手车
BMW 尊选二手车



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Corporate Information

BOARD OF DIRECTORS

Mr. Yang Peng *(Chairman, executive Director and President of our Group)*
Mr. Liu Dongli *(vice Chairman, executive Director)*
Mr. Zhao Zhongjie *(executive Director, executive President of our Group)*
Mr. Liu Jian *(executive Director, vice President of our Group)*
Mr. Li Xiang *(executive Director, assistant President of our Group)*
Mr. Liu Haifeng David *(non-executive Director)*
Mr. Zhao Fu *(non-executive Director)*
Mr. Yan Sujian *(Vice Chairman, non-executive Director)*
Mr. Peng Zhenhuai *(independent non-executive Director)*
Mr. Mei Jianping *(independent non-executive Director)*
Mr. Lee Conway Kong Wai *(independent non-executive Director)*
Mr. Xiao Zhengsan *(independent non-executive Director)*

AUDIT COMMITTEE

Mr. Lee Conway Kong Wai *(Chairman)*
Mr. Peng Zhenhuai
Mr. Yan Sujian

REMUNERATION COMMITTEE

Mr. Mei Jianping *(Chairman)*
Mr. Peng Zhenhuai
Mr. Zhao Fu

NOMINATION COMMITTEE

Mr. Yang Peng *(Chairman)*
Mr. Xiao Zhengsan
Mr. Peng Zhenhuai
Mr. Mei Jianping
Mr. Zhao Fu

JOINT COMPANY SECRETARIES

Mr. Zhou Jian
Ms. Ho Siu Pik

AUTHORIZED REPRESENTATIVES

Mr. Liu Jian
Ms. Ho Siu Pik

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

Maples Fund Service (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

COMPLIANCE ADVISER

Haitong International Capital Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

AUDITORS

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

STOCK CODE

1365

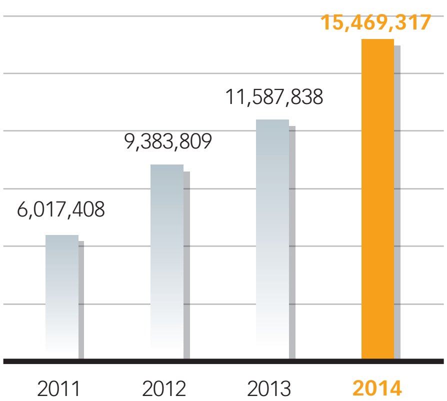
WEBSITE

www.rundong.com.cn

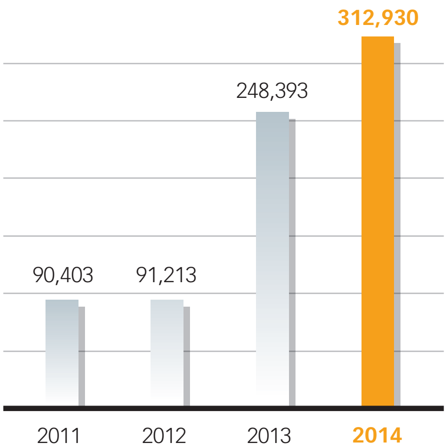
Financial Highlights

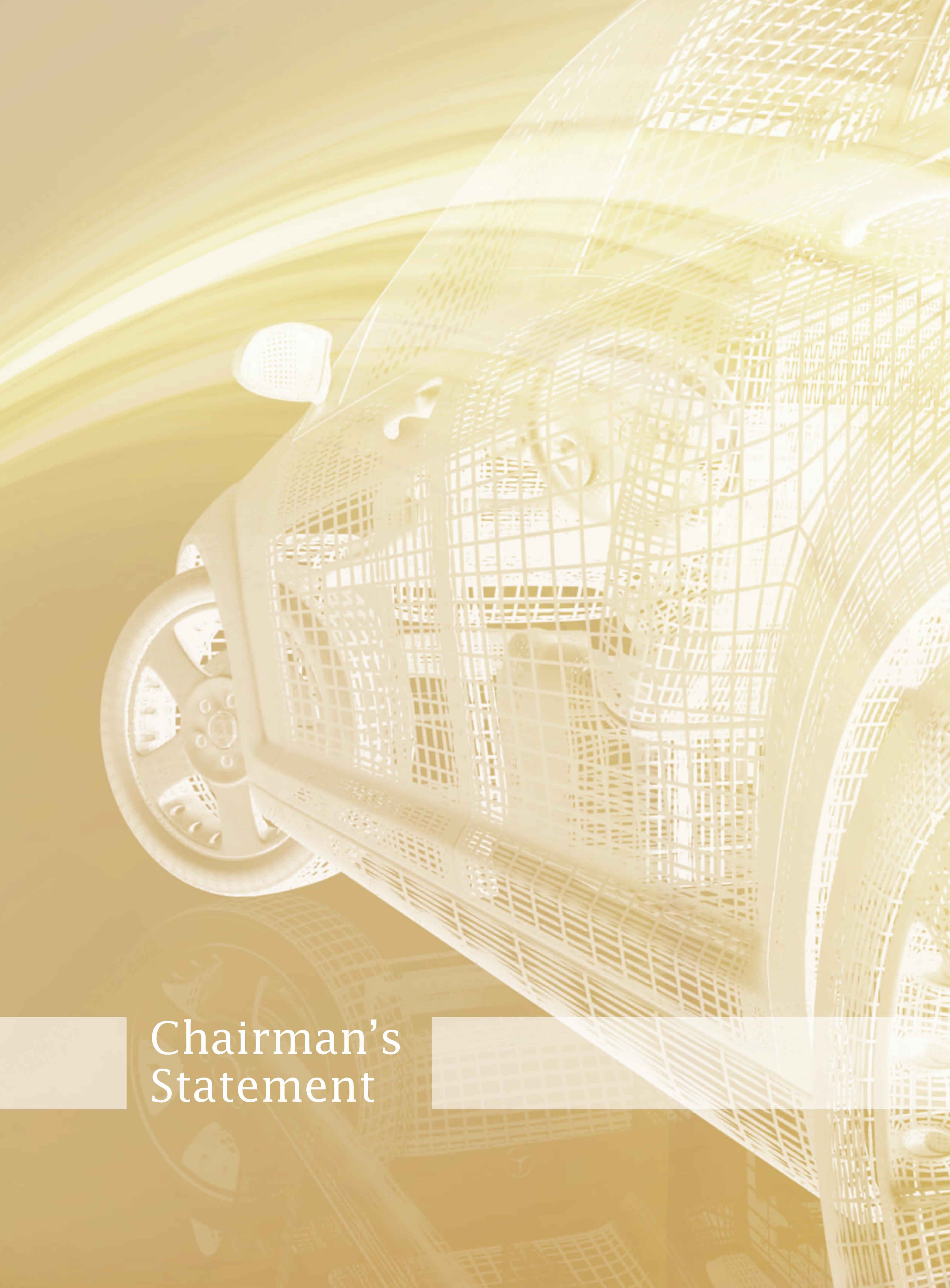
	Year ended December 31,			
	2011	2012	2013	**2014**
Results (RMB'000)				
Revenue	6,017,408	9,383,809	11,587,838	**15,469,317**
Net profit	90,403	91,213	248,393	**312,930**
Financial Position (RMB'000)				
Total assets	3,910,521	7,188,003	8,251,697	**10,509,124**
Net assets	596,361	692,165	944,437	**1,739,603**
Financial indicators				
Gross profit margin	7.6%	6.8%	8.6%	**9.3%**
Return on equity	21.6%	14.2%	30.4%	**18.5%**
Financial information per share				
Earnings per share (RMB)			0.30	**0.34**
Net assets per share (RMB)			1.18	**1.62**

Turnover 2014
15,469,317 (RMB'000)



Net Profit 2014
312,930 (RMB'000)





Chairman's Statement

Chairman's Statement

Dear shareholders:

On behalf of the board of directors (the "Board") and the management of China Rundong Auto Group Limited (the "Company" and together with its subsidiaries, the "Group", "we", "us" or "our"), I am pleased to present the annual report of the Group for the year ended December 31, 2014 ("the Reporting Period" or "the Period Under Review").

YANG Peng
Chairman

Through years of standardized operation and efforts, the Group listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on August 12, 2014, marking a milestone of the Group in 2014. Successful listing will propel the Group toward long-term development with enhancing management standard.

Global economic environment has been complicated in 2014. Developed countries experienced difficult economic recovery while economic growth in emerging markets slowed down. The Chinese macro-economy entered a "New Normal" with economic growth slowing down from high growth rate to medium-high growth rate, accordingly, leading the automobile industry to a new normal. Although the overall production capacity and sales volume of automobile experienced a steady growth, sales growth started to decelerate. Automobile dealership industry entered a major transformation age with keen competition for sales of new automobiles, marginal sales profit, increasing pressure on inventory, resulting in continuous clashes and competition between respective parties. Meanwhile, the PRC government continued to step up the efforts in anti-trust enforcement in the automobile industry in 2014 and accelerate the amendment process of the Implementing Measures on Management of Automobile Brand Marketing (《汽車品牌銷售管理實施辦法》). All these measures added uncertainties to future market but also gradually rebalance the existing unequal market positions between automobile manufacturers and dealers, encouraging dealers to shift their focus of competition gradually from obtaining manufacturers' authorization to customers' satisfaction.

Chairman's Statement

In 2014, against slowdown in automobile market growth and the intensifying anti-monopoly campaign, the Group, however, benefiting from fund raising activities in capital market, insisted on stable development in accordance with its existing strategy, and prompted into a strategic turnaround, which ensured a sustainable rapid growth in its traditional business and in the meantime, realised a significant breakthrough into new business, laying a solid foundation for the Group's future development. During the Reporting Period, the Group recorded a revenue of RMB 15,469.3 million, representing an increase of 33.5% from RMB11,587.8 million in 2013, of which, revenue from new automobile sales business amounted to RMB 13,829.0 million, representing an increase of 32.1% from RMB10,470.3 million; revenue from after-sales service business amounted to RMB1,640.4 million, representing an increase of 46.8% from RMB1,117.6 million in 2013. In 2014, profit attributable to owners of the parent amounted to RMB305.4 million, representing an increase of 27.8% as compared to 2013. Earnings per share was RMB0.34.

The Group has been strategically focusing on developing luxury and ultra-luxury automobile brands that are well-received in China, while placing strategic emphasis on affluent coastal regions with high economic growth in Eastern China. Adhered to this developmental belief, the Group, opened 16 new stores during the Reporting Period, which by brand comprises 7 BMW stores, 1 BMW and MINI store, 4 Jaguar Land Rover stores, 3 Maserati and Ferrari stores, 1 BJEV store; by region, 9 in Jiangsu Province, 3 in Shandong Province and 4 in Shanghai. It should be noted that the 4S dealership store of BJEV the Group unveiled in Shanghai during the Reporting Period expanded its dealership brands to new energy automobiles, enabling the Group a favorable position prior to the forthcoming rapid growth period new energy automobiles may experience.

Moreover, the Group considered that the continued growth in car ownership and aging vehicles in the PRC will contribute to rapid development of automotive after-sales market. Therefore, the Group strengthened input on the establishment of after-sales service stores. 16 stores were set up during the Reporting Period, including five fast-lane repair centers or repair centers which were all of luxury and ultra-luxury brands, four of them being BMW, with another one being Maserati and Ferrari.

With service chain for the whole consumption cycle of automobile, strengthened input on the establishment of after-sales service stores, the maturity of our luxury and ultra-luxury brands dealership stores open in years and the Group's continued input and improvement on the development of CRM system, revenue from after-sales service of the Group grew rapidly, accounted for 10.6% of operating revenue of the Group in 2014, a higher contribution rate than 9.6% in 2013. As such, the profitability of the Group was further boosted.

Amid the maturity of the PRC automobile market, we will promote the development of new business in due course. During the Reporting Period, we further enhanced the development of our automobile financing lease business through the financial leasing company established in the Shanghai Pilot Free Trade Zone. Currently, the business has driven the growth in new automobile sales and also contributed to the stable and sustainable growth in revenue from value-added service.

Chairman's Statement

Adhering to a customer-oriented business philosophy, the Group continued to enhance investments in the CRM system and ERP system construction. In order to accelerate the continuous growth of the Group's business operation, we established a professional CRM sales team and also completed the building of a financial data sharing centre during the Reporting Period, which demonstrated our innovative management and marketing models. On the other hand, we adopted the big data approach in the course of our business innovation, where we formulated marketing solutions in accordance with market conditions. Through the ERP system platform, customers of our marketing, after-sales and customer services functions are cross-connected; in combination with our brand profiles, we have thus achieved intra-group client resources sharing and were able to utilize client value with increased efficiency. In addition, we take good advantage of online and offline marketing channels while persisted in building the "Rundong" brand, with an aim to enhance our market influence as well as reputation. Leveraging on the innovative business model which has effectively ensured high-efficiency operation of the Group, our customer database contained information of 515,000 customer leads (i.e., potential customers accessed by our marketing platform) as of December 31, 2014, whereas the number of our existing customers increased to 323,000.

Upholding our team management strategy, we will continue to optimize each management process, while striving to improve management skills. On one hand, we will reach a higher level of information management and establish a corporate environment with better transparency by way of group restructure and finer assessment criteria. On the other hand, with the completion of the financial sharing centre, we are equipped to further improve on the existing authorization, assessment and monitoring system. These factors not only significantly enhanced the cost control capability of the Group, but also prevented potential non-compliance incidents from happening.

We recognize that talents not only are the foundation for the Group's future development, but also the core competitive edge we have to withstand the tough market environment in future. For that, we put talent fostering work on top priority of our management agenda. We reorganized previous human resources management work and comprehensively devised a new management system during the Reporting Period. Meanwhile, we put more resource on internal talent training and selection by establishing a "Rundong College"(潤東學院) as an important basis for the Group's talent fostering and selection, in order to nurture and develop a versatile team of general managers of 4S dealership stores and other related management positions, for satisfying the talent demand for the Group's rapid development.

Looking ahead to 2015, the Group will continue to expand our automobile dealership networks through the opening of new dealership stores together with prudent acquisition of automobile dealership stores. The Group also plans to seek cooperation with other leading automobile manufacturers with focus on luxury and ultra-luxury brands in order to complement our brand and regional network profiles, thus consolidating our market position in key regions. We are working to strengthen the existing CRM system and optimize its online and offline service processes and standards to further expand customer base and improve our operation efficiency. We aim to provide customers with refined service experience through seamless integration of online and offline processes with more marketing channels. In 2015, we will rely on our strong customer management capabilities, our leading position in the regional market and our established marketing channels to concentrate on the development of after-sales service and value-added service. Meanwhile, we will maintain high sales growth rate through enhanced operation and management capability and continue to improve employee training programme and further upgrade the ERP system with established financial sharing center so as to increase operation efficiency and management effectiveness, optimize capital and resources allocation to finally achieve enhancement of financial indicators.

Yang Peng
Chairman

March 27, 2015

Management Discussion and Analysis

Management Discussion and Analysis

INDUSTRY REVIEW

During the year of 2014, under the sluggish global economy and ominous deflation signs, major economies demonstrated diverse development trends, whereas commodity price experienced constant fluctuations. In 2014, domestic economy of the PRC achieved relatively stable development under the "new normal conditions". According to figures released by the National Bureau of Statistics, the annual growth rate of the PRC's GDP in 2014 was 7.4%, the slowest economic growth recorded in the past 24 years (GDP annual growth rate in 2013 was 7.7%), suggesting that the economic development of the PRC has shifted from a high growth pattern to one of moderate-to-high growth.

In line with this, the automobile industry in the PRC also showed a slowdown in expansion. According to figures released by the China Association of Automobile Manufacturers, in 2014, total volumes of automobile production and sales in the PRC were 23.72 million units and 23.49 million units respectively, representing year-on-year growth of 7.3% and 6.9%, another record for sales of passenger vehicles and the global champion in this respect. However, high growth base and downward pressure from the macroeconomic trends in the PRC, in combination with factors such as decrease in commercial vehicles market, have resulted in a remarkable downturn of sales growth rates. In 2014, manufacture and sales of passenger vehicles in the PRC were 19.92 million and 19.70 million, representing a year-on-year increase of 10.2 and 9.9%, respectively.

According to the information published by the Traffic Management Bureau of the Ministry of Public Security, as at the end of 2014, car ownership in the PRC reached 154 million units, which was 5.9 times of the amount in 2004. Across the country, there are 35 cities with car ownerships of over one million units. Nevertheless, it is worth noting that despite rapid growth of car ownership in China's mid-to-large cities during the past decade, car ownership per thousand population were about 106 vehicles in China; compared with the world's average car ownership 140 vehicles per thousand population, there is still plenty room for improvement. Due to the surge in car ownership, aging automobiles, consumption upgrade and an increase in service pricing, the automobile after-sales market grew rapidly in 2014. According to the estimation from China Automobile Dealers Association, the scale of the automobile after-sales market in the PRC exceeded RMB700,000 million in 2014.

For luxury vehicle market, austerity and anti-corruption measures reinforced by the Central Government shifted the development trend of luxury automobile manufacturers. They are now developing and launching more new entry level models in accordance with the consumption market in China. Major customer groups in the luxury automobile market now comprise middle-to-upper classes instead of customers with premium net value. Total sales volume of the top ten luxury automobile brands in the PRC was 1.78 million units in 2014, representing a year-on-year increase of 23.8% from 1.44 million units in 2013, considerably outperforming the average growth figure of the PRC passenger vehicle market as a whole. The growth in luxury vehicle segment was mainly attributable to, amongst others, domestic automobile consumption driven by the demand for vehicle upgrades, more new entry-level luxury vehicle models tailored for the PRC consumer market having been launched to the market, and the implementation of government policies setting limits on purchases and driver license issuance causing vehicle buyers to opt for the more expensive luxury vehicles. Moreover, due to an expansion in domestic automobile production, luxury vehicle manufacturers will launch more entry and mid-level luxury automobiles from domestic manufacturers in China's market, expanding the competition to mid-level market.

1: Top 10 luxury automobile brands include Audi, BMW (including MINI), Mercedes-Benz, Jaguar Land Rover, Lexus, Volvo, Cadillac, Porsche, Infiniti and DS.

Management Discussion and Analysis

Amid rising car ownership and of luxury vehicles and entry- and mid-level luxury vehicles' expanding into the mid-end market, penetration of luxury vehicles within the PRC automobile market as a whole will climb up further. Accordingly, customer demand for outstanding aftersales service will be increasingly fervent. When compared to low to mid-end brands, customers of luxury automobiles are more demanding on service quality and less price-sensitive. Across China's market, customer retention rates of luxury brand dealerships are relatively higher than low to mid-end market. As a result, automobile dealers focusing on luxury automobile brands in general may enjoy a more stable profit and achieve better profit margin with respect to after-sales service.

Due to the development and maturity of China's automobile industry and increasing automobile ownerships, demands of automobile purchase and replacement are set to surge. According to the statistics by China Automobile Dealers Association ("CADA"), the transaction volume of second hand automobiles in 2014 reached 6.05 million units in 2014, representing only 25.8% of the total sales volume of new automobiles in 2014. In addition, the transaction volume of second hand passenger vehicles was 3.51 million units, representing a year-on-year growth of 15.3% and only 58.1% of the total transaction volume of second hand automobiles. When compared to maturity markets such as the United States, Europe, Japan and Korea, China's second hand automobile market is still in the early stage of development and possesses enormous growth potential.

In 2014, the PRC Government continued to step up the effort in anti-trust enforcement in the automobile industry. In early August 2014, the State Administration for Industry & Commerce promulgated "The Notice on Cessation of the Registration of Automobile General Distributors and Brand Authorised Distributors". The scope of business in the licenses of automobile distributors engaged in sales of brand automobiles (including general distributors) will be classified as "sales of automobiles". Automobile distributors are no longer restricted to operation for a single brand. Apparently, rising anti-trust practice and amendments to existing laws and regulations will create uncertainties in the market. Nevertheless, it shall rebalance the existing unequal market positions of automobile manufacturers and dealers, encouraging dealers to gradually shift their focus of competition, from obtaining manufacturers' authorization to improving customer satisfaction.

BUSINESS REVIEW

As a leading 4S dealership group in the PRC, we continued to consolidate our position in the industry in 2014. For the year ended December 31, 2014, we recorded a turnover of approximately RMB15,469.3 million, representing a year-on-year increase of 33.5%. Gross profit increased by 43.6% to RMB1,439.1 million. Profit attributable to equity holders increased by 27.8% to RMB305.4 million. Earnings per share increased by 13.3% to RMB0.34. In terms of sales, for the year ended December 31, 2014, our sales of automobiles increased by 30.5% to 56,628. Sales volume of luxury and ultra-luxury brand automobiles increased by 48.3% to 24,115, with BMW and MINI, Jaguar Land Rover, Audi, and Maserati and Ferrari contributed sales of 17,215, 2,540, 2,986 and 277, respectively. Apart from new automobile sales, we also delivered strong growth in after-sales service and value-added business. For the year ended December 31, 2014, operating income from after- sales service amounted to RMB1,640.4 million, representing a year-on-year increase of 46.8% and accounting for 10.6% of total revenue.

Management Discussion and Analysis

Quality brand portfolio and high density dealership network

The Group's strategy has been focusing on the luxury and ultra-luxury automobile brands with great popularity in China, while balancing the development of mid- to high-end automobile brands. As at December 31, 2014, the Group's brand portfolio included seven luxury brands, namely BMW, MINI, Jaguar, Land Rover, Audi, Lexus and Cadillac; two ultra-luxury brands, namely Maserati and Ferrari; 14 mid- to high-end brands, namely Buick, Hyundai, Ford, Chevrolet, Shanghai-Volkswagen, Kia, Dongfeng Honda, GAC-Honda, FAW-Toyota, GAC-Toyota, Toyota, Dongfeng Nissan, Zhengzhou Nissan and BJEV.

Particularly, China's cities are gradually reaching their carrying capacity. Restrictions on purchase of traditional automobiles are progressively implemented in different cities. The Chinese Government is also pushing for the development of new energy automobiles, especially those from domestic manufacturers. We believe that new energy automobiles are well-positioned for a rapid growth in the foreseeable future. In view of this, the Group aimed to occupy the pioneering position in the market and place the development of new energy automobiles and after-sales service talents. Our cooperation with manufacturers of new energy automobiles had strengthened, with the opening of our first 4S dealership store of BJEV in Shanghai in 2014. We expect the store to provide solid market and talent base to the Group during the anticipated growth of new energy automobiles.

In complement to a quality brand portfolio, we achieved our network expansion through organic growth and selective acquisitions and we strategically focus on the affluent coastal regions of Eastern China, including Jiangsu province, Shandong provinces, Shanghai, Zhejiang province and Anhui province, the largest luxury and ultra-luxury automobile markets in China.

High density dealership networks set up in such key regions helped the Group achieve success in brand recognition as well as customer loyalty. In view of this, it is also one of the Group's key strategies to set up high density dealership network in important regions. As at December 31, 2014, the Group operated in total 65 stores, of which 44 were located in Jiangsu province, 10 in Shandong province, 7 in Shanghai, 3 in Zhejiang province and 1 in Anhui province.

As at December 31, 2014, the distribution of the Group's network of dealership stores was as follows:

	Brand	Number of stores
Luxury and ultra-luxury brands	Maserati and Ferrari	4
	BMW and MINI	24
	Jaguar & Land Rover	7
	Lexus	1
	Cadillac	2
	Audi	3
Mid- to high-end brands	Buick, Hyundai,Ford,Chevrolet,Shanghai-Volkswagen, Kia, Dongfeng Honda, GAC-Honda, FAW-Toyota, GAC-Toyota, Toyota, Dongfeng Nissan, Zhengzhou Nissan and BJEV	24
Total		65

As at December 31, 2014, the Group has obtained authorization or non-binding letters of intent from automobile manufacturers to establish three 4S dealership stores for BMW, a quick repair center for BMW, a repair store for BMW, a 3S dealership store for Maserati, a 4S store for FAW-Volkswagen and a pre-owned automobile trading center for BMW. This should further enhance the Group's dealership network of luxury and ultra-luxury vehicles.

Management Discussion and Analysis

Luxury and ultra-luxury brands automobiles continued to record rapid growth

Riding on stable growth posted by the Group's luxury and ultra-luxury brands dealership stores, as well as the successful integration of the three Audi stores acquired in 2013, our automobile sales business continued to record significant growth for the year ended December 31, 2014. Revenue from new automobile sales was RMB13,829.0 million, 32.1% increase from the same period in 2013, and the revenue from sales of luxury and ultra-luxury automobiles reached RMB10,104.9 million, 38.0% increase from the same period in 2013, which accounted for 73.1% of new automobile sales, 3.1 percentage points increase from 2013.

In terms of sales volume, during the Reporting Period, the Group sold 56,628 units of automobiles, representing an increase of 13,247 units or 30.5% from 43,381 units for the same period in 2013. During the Reporting Period, 24,115 units of luxury and ultra-luxury automobiles were sold by the Group, representing an increase of 7,852 units or 48.3% from 16,263 units for the same period in 2013. The strong increase in sales of luxury and ultra-luxury automobiles drove the growth in the Group's revenue from new automobile sales, and also contributed to the growth of Group's after-sales and value-added service.

In addition, for the Reporting Period, the Group's sales results of mid- to high-end automobiles also grew rapidly and recorded a revenue from sales of new automobile of RMB3,724.1 million, representing an increase of 18.4% from the same period in 2013. In terms of sales, during the Reporting Period, the Group sold 32,513 units of mid- to high-end branded automobiles, representing an increase of 5,395 units or 19.9% from 27,118 units for the same period in 2013. The steady growth of sales of these mid- to high-end automobiles further strengthens the Group's well-balanced brand portfolio.

	Year ended December 31,				
Source	**Sales of new automobiles in 2014** *(RMB'000)*	**Contribution** *(%)*	Sales of new automobiles in 2013 *(RMB'000)*	Contribution *(%)*	**Change** *(%)*
Luxury and ultra-luxury brands	**10,104,901**	**73.1**	7,324,211	70.0	38.0
Mid- to high-end brands	**3,724,059**	**26.9**	3,146,056	30.0	18.4
Sub-total	**13,828,960**	**100.0**	10,470,267	100.0	32.1

Profitability boosted by rapid growth of after-sales services and value-added services

Through years of commitment, the Group has established a service chain for the whole consumption cycle of automobile. It comprises comprehensive and all encompassing after-sales service and value-added service. After-sales services of the Group include traditional after-sales services such as automobile repairs and maintenance and the sales of automobile spare parts, accessories and other automobile-related products, but also comprise of new services such as extended warranties. In respect of value-added services, the Group provides automobile purchase financing consulting services, automobile insurance agency services and financial leasing services as well as value-added services for facilitating the trading of second hand automobiles.

In view of the current boom in the PRC automobile market having been extended for some years, and that the number of car parc has jumped to 154 million, the Group had during the Reporting Period pressed on the building and formation of after-sales service store network on the foundation of its fast-lane repair centers and repair centers. As at December 31, 2014, the Group had a total of six fast-lane repair centers and repair centers under brand's authorization, five of them being set up during the Reporting Period. In terms of brand profile, all six repair centers were of luxury and ultra-luxury brands, five of them being repair centers and fast-lane repair centers under BMW's authorization, with another one being under Maserati and Ferrari's authorization.

In addition, with the maturing of luxury and ultra-luxury brands stores opened since 2011, the utilization rate of our labor for after-sales services kept increasing. Revenues from after-sales services and value-added services by those stores recorded sustained growth, which has also driven a significant growth for after-sales services and value-added services for the Company during the Reporting Period.

Store years analysis as at 31 December 2014:

Brands	Number of stores under operation			
	Less than 1 year	Less than 3 years	Less than 5 years	5 years or above
Luxury and ultra-luxury brands	15	17	6	3
Maserati and Ferrari	3	1	0	0
BMW and MINI	8	9	4	3
Land Rover and Jaguar	4	2	1	0
Lexus	0	0	1	0
Cadillac	0	2	0	0
Audi	0	3	0	0
Mid-high end brands	1	3	2	18
Total	16	20	8	21

Based on the above and the continued devotion and enhancement on CRM systems by the Group, which has driven an increase in numbers of customers who pursue after-sales services after buying cars, and has enabled an effective and convenient channel of providing quality after-sales services for customers, which in turn contributing to a rapid growth for the Group's after sales services. After-sales service revenue increased by 46.8% year-on-year to RMB1,640.4 million for the Reporting Period, and accounted for 10.6% of the total revenue of the Group, which was 1.0 percentage points higher than the same period of the previous year. The gross profit of our after-sales service for the Reporting Period increased by 60.3% year-on-year to RMB733.9 million. The gross profit margin of the after-sales service was 44.7%, which was 3.7 percentage points higher than the same period of the previous year.

During the Reporting Period, revenue of the Group's other service (mainly comprised consultancy services for automobile purchase financing, automobile insurance agency services and pre-owned automobiles trading service) increased to RMB252.0 million. Commission income amounted to RMB191.9 million, representing a year-on-year increase of 24.7%.

Innovative business and management model to create sustainable growth momentum

With a customer-oriented operating philosophy, the Group strives to provide tailor-made services to our customers throughout the entire customer spending cycle in relation to automobiles. During the Reporting Period, we have strengthened input on the development of CRM system and the establishment of a professional CRM sales team. Our CRM system allows us to collect, analyze and filter customer information. We can then generate targeted marketing leads based on our customer profiles, which in turn enable us to effectively tailor our sales efforts and fully utilize our high density sales network. Our CRM sales team solicits customers through innovative online and offline sales and marketing channels, such as the use of online marketing platforms like cloud-based database, WeChat and Weibo. Our database recorded 515,000 customer leads (i.e. potential customers accessed by our marketing platform) as at December 31, 2014, representing an increase of 1.86 times over the number of 180,000 as of December 31, 2013. Meanwhile, our existing customers increased to 323,000 during the Reporting Period.

Through the development of a multi-channel sales platform and its integration with CRM system, the Group makes extensive use of innovative marketing channels, such as 1) a marketing platform leveraged through a cloud-based database, call centers, instant messaging or SMS; 2) online marketing platforms; 3) various emerging social media, such as WeChat and Weibo; and 4) the iOS and Android Apps called "潤東行". The Group believes that the extensive use of the said social media and online marketing platforms has helped us to lower advertising and marketing expenses and also to attract younger customers with stronger purchasing power. Meanwhile, social media and online marketing assimilate seamlessly into the Group's CRM system and ERP system, allowing for effective resource allocation and business optimization in key strategic regions.

During the Reporting Period, the Company upgraded its ERP system to ERP management system and incorporated CRM system into the ERP system. The upgraded ERP system enables the Group to enhance operation and management efficiency so as to achieve the following: 1) the management obtains an instant access to key operation result indicators to assess the performance of each sales team; 2) collection and analysis of data about existing and potential customers allows for a better understanding of customers' spending behavior and pattern; 3) purchase, sales and inventory level and financial control of the Group can be monitored to increase operation efficiency; and 4) real-time analysis and coordination of the operation conditions of different regions and brands can offer substantial support to the Group's decision on resource allocation.

During the Reporting Period, the Group established a financial resource sharing center to incorporate the loose financial operation and management of scattered stores, regions and brands into the centralized management of the Group. The move significantly improved capital utilization and decreased expenditure on human resources. The center also further perfected the existing system of management and authorization, examination and inspection. It notably promoted the Group's capability of cost control and eliminated potential internal incompliant events.

Awards and recognition

During the Reporting Period, the Group received numerous awards and recognition from automobile manufacturers, industry trade association and media. The following chart presents the principal awards received by the Group during the Reporting Period:

Name of awards	Awarded store/employee	Presenting organization
2014 Award for Outstanding Contribution to China's Automobile Dealership Industry	Rundong Group	CADA
2014 Automobile Industry Leaders in China	Yang Peng	CADA
Top 500 Private Enterprises in China	Rundong Group	ACFIC
2014 BMW Best Performance Dealership	Shanghai Songjiang BMW store/ Zaozhuang BMW store	BMW
Highest Potential Customer Growth	Huzhou BMW store	BMW
Top 10% Performance Dealership	Huzhou MINI store	BMW
2014 Netizens' Choice of Automobile Dealership	Suqian Land Rover store	xcar
2014 Best Online Marketing Automobile Dealership	Xuzhou Lexus store	xcar

Management Discussion and Analysis

OUTLOOK AND STRATEGY

Looking ahead to 2015, we expect the macro economy of China will maintain moderately fast growth similar to that in 2014, and further acceleration of economic transformation. We believe that amid further progress to maturity in the automobile market, the consumption needs can still maintain stable growth. Thus, China's automobile market will continue to expand steadily in the future. With respect to the market for luxury and ultra-luxury automobiles on which the Group focuses its operations, we are of the view that while entry- and mid-level luxury automobiles tap into the mid-end market to facilitate consumption upgrade, the market for luxury and ultra-luxury automobiles still has tremendous room for growth. In particular, ownership of luxury automobiles in the Eastern China where the Group's business is located will increase, and the market for after-sales services and value-added services of luxury automobiles will continue to progress steadily.

The Group has been striving for its goal of becoming "a leading luxury automobile service provider in the PRC" and insists on a scalable business support. We offer a refined Internet-based experience of luxury automobiles, which is our core competitiveness to differentiate ourselves from peer competitors. Our strategy of maximizing customer's value throughout the entire product life cycle has proved to be effective in helping us progress toward our objectives. With respect to the basis of goal achievement, efficient internal management plays an important role of enhancing financial indicators.

Going forward, with a view to solidify the Group's market share in key areas, the Group will further extend its automobile dealership network by launching new dealership stores and prudently acquiring dealership stores, thereby laying a solid foundation for corporate expansion. In addition, the Group intends to explore the possibility of cooperation with other leading automobile manufacturers focusing on luxury and ultra-luxury brands, with an aim of complementing the Group's portfolio of brands and regional networks. This attempt shall consolidate our market presence in key regions. Besides, while the Group is concentrating on 4S dealership network, it will also continue to expand and support the development of after-sales service business and value-added business, such as pre-owned automobile trade centre, authorised brand repair centre, automobile financing business, which should enhance the Group's capability in terms of after-sales service and added-value service.

The Internet, particularly the Mobile Internet in rapid development, is unrestricted by time and space and such characteristics facilitate the transformation and development of many traditional industries. For the Group, we are working to strengthen the existing CRM system and optimize its online and offline service processes and standards. In order to expand customer base and improve our operating efficiency and achieve constant expansion of sales channels We aim to provide customers with refined service experience through seamless integration of online and offline processes. Meanwhile, the Group will further optimize the integration of CRM system and ERP system. Through our in-depth analysis of the information about customer spending behavior in our customer database, our operating decision makers can keep abreast with accurate and updated knowledge about customer spending behavior, which, in turn, allows for better tracking, monitoring and analysis of our key operating data, and more efficient management and resources allocation. More importantly, the continuous upgrade and optimisation of the CRM system shall lay a solid foundation for new business models, such as e-commerce, vertical network integration and after-sales service business, in the aspects of customer base and management of customers' potential value.

Besides sales of new automobiles, the Group now covers after-sales service (comprising daily maintenance, warranty, parts and components) as well as different value-added services (comprising extended warranties, pre-owned automobiles, automobile purchase financing consultancy, automobile insurance agency services and automobile financial leasing services. Amid rising car ownership and maturity of our outlets, in 2015, we will rely on our strong customer management capabilities, our leading position in the regional market and our established marketing channels to concentrate on the development of after-sales service and value-added service. In contrast to other market competitors, our after-sales service and value-added service will pivot on the luxury and ultra-luxury automobile market which is characterized by high profit margin and customer loyalty, with a view of fortifying our leading position in such market.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended December 31, 2014, our revenue was RMB15,469.3 million, representing a growth of approximately 33.5% compared with 2013. The increase was primarily attributable to a growth in revenue from new automobile sales of luxury and ultra-luxury brands and revenue from after-sales service. The table below sets out the Group's revenue for the Reporting Periods indicated.

Revenue Source	For the year ended December 31, Revenue in 2014 *(RMB'000)*	Contribution *(%)*	Revenue in 2013 *(RMB'000)*	Contribution *(%)*	Change *(%)*
New automobile sales					
Luxury and ultra-luxury brands	**10,104,901**	**65.3**	7,324,211	63.2	38.0
Mid- to high-end brands	**3,724,059**	**24.1**	3,146,056	27.2	18.4
Subtotal	**13,828,960**	**89.4**	10,470,267	90.4	32.1
After-sales business					
Luxury and ultra-luxury brands	**1,193,151**	**7.7**	678,464	5.9	75.9
Mid- to high-end brands	**447,206**	**2.9**	439,107	3.7	1.8
Subtotal	**1,640,357**	**10.6**	1,117,571	9.6	46.8
Total	**15,469,317**	**100.0**	11,587,838	100.0	33.5

Revenue from the sales of automobiles increased by RMB3,358.7 million, or 32.1%, in the Period Under Review compared to 2013, mainly attributable to an increase in sales due to opening of new stores and a growth in sales contributed by mature stores. Revenue generated from automobile sales accounted for 89.4% of our revenue for the Period Under Review. Revenue generated from the sale of luxury and ultra-luxury brands and our mid- to high-end market brands accounted for approximately 73.1% and 26.9% of our revenue from automobile sales.

Revenue from our after-sales business increased by 46.8%, from RMB1,117.6 million in 2013 to RMB1,640.4 million in 2014. The increase in revenue from our after-sales and other services business was attributable to (i) the expansion of customer service base due to a continued growth in sales of luxury and ultra-luxury brand automobiles, resulting in increasing demands for after-sales services; (ii) establishment of membership program to attract and retain customers; and (iii) the continued ramp-up of after-sales and other services by our newly established stores. After-sales business accounted for 10.6% of revenue in 2014, a higher contribution rate than 9.6% in 2013.

Cost of sales and services

Our cost of sales and services increased by 32.5%, from RMB10,585.5 million in 2013 to RMB14,030.2 million for the year ended December 31, 2014. This increase is basically consistent with the growth in our sales throughout the Period Under Review.

Cost our automobile sales business amounted to RMB13,123.8 million for the Period Under Review, representing an increase of RMB3,198.0 million, or 32.2%, from 2013. Cost of after-sales business amounted to RMB906.4 million for the year ended December 31, 2014, representing an increase of RMB246.7 million, or 37.4%, from 2013.

Management Discussion and Analysis

Gross profit and gross profit margin

Gross profit for the year ended December 31, 2014 was RMB1,439.1 million, representing an increase of RMB436.8 million, or 43.6%, from 2013. Gross profit from automobile sales increased by 29.5% from RMB544.5 million for the year ended December 31, 2013 to RMB705.2 million in 2014, of which RMB594.1 million were from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 60.3% from RMB457.8 million for the year ended December 31, 2013 to RMB733.9 million in 2014. Automobile sales and after-sales business contributed to 49.0% and 51.0%, respectively, of our total gross profit in 2014.

Gross profit margin for the year ended December 31, 2014 was 9.3%, higher than gross margin of 8.6% in 2013, of which the gross profit margin of automobile sales was 5.1% compared to 5.2% in 2013. Gross profit margin of after-sales business was 44.7% compared to 41.0% in the corresponding period of 2013. The increase in our gross profit margin of after-sales services was mainly due to (i) an increase in proportion of after-sales services for luxury and ultra-luxury automobiles with higher gross profit; and (ii) maturity of new stores established in the past two years leading to enhanced efficiency.

Other income and net gains

Other income and net gains increased slightly from RMB244.5 million from the year ended December 31, 2013 to RMB252.0 million for the year ended December 31, 2014. While commission income increased by 24.7% from RMB153.9 million in 2013 to RMB191.9 million in 2014, there was a decrease in income from government grants and gain from disposal of subsidiaries, resulting in a slight increase in other income and gains.

Selling and distribution expenses

Selling and distribution expense of the Group amounted to approximately RMB418.0 million for the year ended December 31, 2014, representing an increase of 57.2% over RMB265.9 million in 2013. The increase in expense was mainly due to (i) a growth in the size of sales leading to an increase in expense; and (ii) the establishment of 16 new stores in 2014, resulting in an increase in depreciation, lease fees and recruitment of additional staff, resulting in an increase in salaries and benefits expense.

Administrative expenses

Administrative expenses of the Group amounted to approximately RMB444.0 million for the year ended December 31, 2014, representing an increase of 56.2% over the administrative expenses of RMB284.2 million in 2013, mainly due to (i) an increase in professional fee resulting from the Global Offering; and (ii) an increase in equity expense in relation to the pre-IPO share option scheme.

Profit from operations

Profit from operations of the Group amounted to RMB468.0 million for the year ended December 31, 2014, representing an increase of 20.7% over RMB387.7 million in 2013. Operating profit margin was approximately 3.0%, representing a decrease of 0.3 percentage points over 3.3% in 2013.

Income tax expenses

Income tax expenses of the Group amounted to RMB155.0 million for the year ended December 31, 2014 and the effective tax rate was approximately 33.1%.

Profit for the year

Profit for the year of the Group amounted to RMB312.9 million for the year ended December 31, 2014, representing an increase of 26.0% over RMB248.4 million in 2013. Net profit margin for the year was 2.0%, representing a decrease of 0.1 percentage points over 2.1% in 2013.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at December 31, 2014, our cash and cash equivalents amounted to RMB1,072.2 million, representing an increase of 156.8% from RMB417.5 million for the year ended December 31, 2013.

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

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time.

For the year ended December 31, 2014, we had a net cash inflow from operating activities of RMB449.5 million (2013: RMB594.2 million). The decrease in cash inflow from operating activities was mainly due to an increase in inventory due to the expansion of operating scale.

Net current liabilities

As at December 31, 2014, we had net current liabilities of RMB1,474.7 million, representing an increase of RMB635.9 million over the net current liabilities of RMB838.8 million as at December 31, 2013. The increase was mainly attributable to increase in interest-bearing bank and other borrowings within our current liabilities.

Capital expenditure

Our capital expenditures primarily comprise expenditures on property, plant and equipment, land use rights and intangible assets. For the year ended December 31, 2014, our total capital expenditure was RMB1,109.4 million (2013: RMB783.4 million).

Inventory

Our inventory primarily consisted of new automobiles and spare parts and automobile accessories. Each of our dealership stores has dedicated staff to manage their orders for new automobiles and after-sales products.

Our inventory increased by 15.9% from RMB1,639.7 million as at December 31, 2013 to RMB1,899.7 million as at December 31, 2014, primarily due to the expansion of sales network and size of sales.

Our average inventory turnover days for the year ended December 31, 2014 decreased to 46.0 days from 46.7 days in 2013, primarily due to a continued growth in sales of new stores leading to quicker turnover of inventory.

Trade and bills receivables

Trade and bills receivables increased from RMB190.2 million for the year ended December 31, 2013 to RMB208.7 million for the year ended December 31, 2014, primarily due to increase in size of sales for the Group.

Bank loans and other borrowings

As at December 31, 2014, our available but not yet utilized bank facilities amounted to approximately RMB 1,768.4 million (December 31, 2013: RMB 1,189.3 million).

Our bank loans and other borrowings as at December 31, 2014 were RMB3,934.0 million, an increase of RMB688.6 million from RMB3,245.4 million as at December 31, 2013. The increase was mainly due to the establishment of new stores and an increase in inventory finance.

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 are denominated in RMB. The Group's assets and liabilities denominated in US$ and HK$ are mainly held by certain subsidiaries incorporated in places outside Mainland China which have 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 had minimal exposure of foreign currency risk. We did not use any derivative financial instruments to hedge our exposure to the foreign exchange rate risk for the year ended December 31, 2014.

Gearing ratio

Our gearing ratio (defined as the aggregate of interest-bearing bank borrowings and other borrowings divided by total equity as at the end of the Reporting Period and then multiplied by 100%) for the year ended December 31, 2014 was 226.1% (December 31, 2013: 343.6%).

Human resources

For the year ended December 31, 2014, the Group had 4,400 employees (December 31, 2013: 4,125). Total staff costs for the year ended December 31, 2014, excluding directors' remuneration were approximately RMB278.0 million (2013: RMB188.1 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, we do not have any material contingent liabilities or guarantees.

Pledge of the Group's assets

The Group pledged its assets as securities for bank loans, other borrowings and banking facilities which were used to finance daily business operation. As at December 31, 2014, the pledged group assets amounted to RMB2,382.9 million.

Corporate Governance Report

The Board of the Company is pleased to present this Corporate Governance Report of the Group for the year ended December 31, 2014.

1. CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to achieving high corporate governance standards.

The Group believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Board is of the view that the Company has fully complied with the code provisions set out in the CG Code during the period from August 12, 2014 (the "Listing Date") to December 31, 2014, except for the deviations from code provisions A.2.1:

Code Provisions A.2.1

The provision provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has appointed Mr. Yang Peng as both the Chairman and the President (an equivalent position to a chief executive officer) of the Company. The Board believes that vesting the roles of the Chairman and President in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the board, comprising the executive Directors and independent non-executive Directors. The Board shall review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

2. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code throughout the period commencing on the Listing Date and during the Reporting Period.

The Board has also adopted the Model Code as guidelines for its relevant 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 relevant employees was noted by the Company.

3. THE BOARD

(1) Responsibilities

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards.

(2) Authorisation

The Board delegates the day-to-day management, administration and operation of the Group to management and contributes to the Group through monitoring daily business operation, development plan and implementation. In addition, the Board has established several board committees and delegates to the board committees the responsibilities set out in their written terms of reference. The Board regularly reviews the delegated functions to ensure that they suit the needs of the Group.

(3) Board composition

The Board of the Company comprises 12 directors, including five executive directors, three non-executive directors and four independent non-executive directors.

Executive Director	Yang Peng *(Chairman and President)* Liu Dongli *(Vice Chairman)* Zhao Zhongjie Liu Jian Li Xiang
Non-executive Director	Liu Haifeng Zhao Fu Yan Sujian *(Vice Chairman)*
Independent Non-executive Director	Peng Zhenhuai Mei Jianping Lee Conway Kong Wai Xiao Zhengsan

The biographical information of the directors are set out in the section headed "Directors and Senior Management Profiles" on pages 30 to 33 of this annual report.

None of the members of the Board is related to one another.

All the Directors, including non-executive Directors and independent non-executive Directors, bring invaluable operating experiences, knowledge and professionalism to the board, which allows for its effective and efficient operation.

Independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors. 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.

(4) 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 at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

(5) Appointment and re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing on August 12, 2014 unless terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company for a term of one year commencing on August 12, 2014 and is eligible for re-election.

Pursuant to the articles of association of the Company (the "Articles of Association"), at each annual general meeting ("AGM"), one- third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third), shall retire from office by rotation provided that every Director, including those appointed for a fixed term, shall be subject to retirement by rotation at least once every three years. The term of retiring directors shall last until the end of the AGM at which they are subject to retirement by rotation and they shall be eligible for re-election at the meeting.

According to article 16.18 of the Articles of Association, Mr. Liu Jian, Mr. Li Xiang, Mr. Zhao Fu and Mr. Peng Zhenhuai will retire at the annual general meeting of the Company to be held on May 28, 2015. Mr. Liu Jian and Mr. Li Xiang, both executive directors, and Mr. Zhao Fu, a non-executive director, offer themselves for re-election at the annual general meeting. The directors to be retired from office by rotation at the forthcoming annual general meeting pursuant to the above article shall be eligible for re- election as directors at the same meeting. Mr. Peng Zhenhuai, an independent non-executive director, does not intend to offer himself for re-election due to personal business pursuit. Thus, he will retire as a director at the annual general meeting of the Company held on May 28, 2015.

(6) Continuous professional development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the business activities and development of the Company. In 2014, every newly appointed director will receive formal, comprehensive and tailored induction to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Internally-facilitated briefings for directors are arranged and reading materials on relevant topics will be circulated to directors where appropriate so as to ensure that directors understand the condition of the Company and the latest policies from regulatory bodies in a timely manner. All directors are encouraged to attend relevant training courses at the Company's expenses.

(7) Attendance of Directors and committee members

The attendance 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:

	Attendance/Number of Meetings				
Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	General Meeting
Executive Director					
Yang Peng	4/4	1/1	–	–	1/1
Liu Dongli	3/4	–	–	–	1/1
Zhao Zhongjie	4/4	–	–	–	1/1
Liu Jian	4/4	–	–	–	1/1
Li Xiang	4/4	–	–	–	1/1
Non-executive Director					
Liu Haifeng	3/4	–	–	–	1/1
Zhao Fu	4/4	1/1	1/1	–	1/1
Yan Sujian	4/4	–	–	1/1	1/1
Independent Non-executive Director					
Peng Zhenhuai	3/4	1/1	1/1	1/1	1/1
Mei Jianping	3/4	1/1	1/1	–	1/1
Lee Conway Kong Wai	4/4	–	–	1/1	1/1
Xiao Zhengsan	4/4	1/1	–	–	1/1

The Company has annual meeting schedules and draft agenda of each meeting of the Board and the Committees made available to Directors in advance, and serves notices of regular Board meetings at least 14 days before the meetings. For other Board and Committee meetings, reasonable notices are 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 the Directors appraised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and every Director also have separate and independent access to the senior management where necessary.

Draft and final versions of minutes are circulated to Directors or relevant Committee members for comment and records respectively within a reasonable time after each meeting. Minutes of Board meetings and Committee meetings are kept by the Company Secretary or the duly appointed secretaries of the respective meetings (as the case may be) and are available for inspection by all Directors at all reasonable time. The Articles contain provisions requiring any Director to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Director or any of his associates have a material interest.

4. CHAIRMAN AND PRESIDENT

The Company has appointed Mr. Yang Peng as both the Chairman and the President of the Company. The Board believes that vesting the roles of the Chairman and President in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the board, comprising the executive Directors and independent non-executive Directors.

5. BOARD COMMITTEES

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

(1) Nomination Committee

As at the date of this report, the Nomination Committee comprises five members, including one executive Director, Mr. Yang Peng (chairman of the Committee), three independent non-executive Directors, Mr. Xiao Zhengsan, Mr. Peng Zhenhuai, Mr. Mei Jianping, and one non-executive Director, Mr. Zhao Fu.

The main responsibility of the Nomination Committee includes reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's strategy, identifying individuals suitably qualified to become board members, selecting and nominating individuals to be appointed as a Director or advising the Board in this regard, making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors and assessing the independence of independent non-executive Directors. The Nomination Committee also reviews the Board Diversity Policy from time to time to ensure its effectiveness.

For the year ended December 31, 2014, the Nomination Committee held one meeting and reviewed and adopted the Board Diversity Policy.

Board Diversity Policy

The Board adopted a board diversity policy ("Board Diversity Policy") in August 2014.

On setting the composition of the Board, the Company maintains that Board appointment should be based on merit that complements and expands the skills, experience and expertise of the Board as a whole, taking into account professional experience and qualifications, gender, age, ethnicity, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving a diverse Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to experience and expertise, professional experience and qualifications gender, age, ethnicity and cultural and educational background. The Nomination Committee will review the Board Diversity Policy as and when appropriate to ensure its effectiveness.

(2) Remuneration Committee

As at the date of this report, the Remuneration Committee comprises three members, including two independent non-executive Directors, Mr. Mei Jianping (chairman of the Committee) and Mr. Peng Zhenhuai, and one non-executive Director, Mr. Zhao Fu. The main responsibility of the Remuneration Committee includes making recommendations to the Board on the Group's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, assessing the performance of executive Directors and approving the terms set out in the service contract of executive Directors, reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives, making recommendations to the Board on the remuneration packages of individual executive directors and senior management.

For the year ended December 31, 2014, the Remuneration Committee held one meeting and reviewed the policy and structure for directors and senior management remuneration.

Details of the amount of directors' remuneration are set out in note 9 to the financial statements.

For the year ended December 31, 2014, the aggregate emoluments payable to members of senior management fell within the following band:

Emolument Range	Individual
HK$2,000,000 to HK$2,500,000	1
HK$1,500,000 to HK$2,000,000	1

(3) Audit Committee

As at the date of this report, the Audit Committee comprises three members, including two independent non-executive Directors, Mr. Lee Conway Kong Wai (chairman of the Committee) and Mr. Peng Zhenhuai, and one non-executive Director, Mr. Yan Sujian.

The Audit Committee reviews financial data of the Group, monitors the external auditor's independence and objectivity and effectiveness of the audit process and makes recommendations to the Board on the appointment, re-appointment, removal of the Company's external auditor and approves its remuneration and terms of engagement. The Audit committee is also responsible for reviewing the financial reporting process and financial controls, internal controls and risk management systems, including the internal audit function as well as arrangements for concerns about possible improprieties in financial reporting, internal control or other matters raised by employees of the Company ("whistle blowing").

The Audit Committee reviews the annual report and accounts, interim report of the Group before submission to the Board for approval.

During the year ended December 31, 2014, the Audit Committee held one meeting. The Audit Committee has performed the following work during the year:

(a) Reviewing:

(i) the unaudited consolidated financial statements of the Company and its subsidiaries for the six months ended June 30, 2014;

(ii) the interim result announcement; and

(iii) the interim report of the Company for the six months ended June 30, 2014.

(b) Reviewing and considering the major audit findings by the auditors.

(c) Reviewing and considering the major internal audit issues for the six months ended June 30, 2014 and reviewing the financial reporting system and internal control procedures of the Company.

(d) Reviewing the arrangements employees can use to raise concerns about possible improprieties in financial reporting, internal control or other matters, and reviewing and considering the investigation progress of reported cases.

The Company's annual results for the year ended December 31, 2014 have been reviewed by the Audit Committee.

6. CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance functions:

(1) To formulate and review the Group's corporate governance policies and practices;

(2) To review and oversee the training and continuous professional development of Directors and senior management of the Group;

(3) To review and oversee the Group's policies and practices on compliance with any requirements, guidelines and rules that may be imposed by the Board or which may be incorporated into any constitutional documents of the Group or which may have been provided by the Listing Rules, applicable laws and other regulatory requirements as well as by applicable institutional governance standards;

(4) To formulate, review and oversee the code of conduct and the compliance handbook (if any) of the employees and Directors of the Group;

(5) To review the Group's compliance with the CG Code as adopted by it from time to time and the disclosure in the Corporate Governance Report as set out in the annual reports of the Company.

7. DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL REPORT

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

The Board is responsible for presenting balanced, clear and understandable annual and interim reports, inside information disclosure and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management is responsible for providing such explanation and information necessary to the Board to enable the Board to carry out an informed assessment of the financial statements put to the Board for approval.

8. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

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

During the year, the remuneration paid or payable to the Company's external auditors in respect of audit services for the year ended December 31, 2014 is set out below:

Service Category	**Fee paid/ payable** *(RMB Million)*
Audit services	4.10
Non-audit services	–
Total	4.10

9. INTERNAL CONTROLS

The Board is responsible for maintaining a solid and effective internal control system to safeguard investments of shareholders and Company assets.

The Board is committed to conduct at least once a year a review on the effectiveness of the internal control systems of the Group, including the adequacy of resources, staff qualifications and experience of the Company's accounting and financial staffs, as well as their training programmes and budget.

The Board, through the Audit Committee, has conducted a review on the internal control system of the Company and its subsidiaries for the year ended December 31, 2014. Such review covered the areas of finance, operation, supervision and risk management of the Group. The Board confirmed that the internal control system of the Company is sound and effective.

10. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders essential for maintaining good investor relations and enhancing investors' understanding of the Group's business performance and strategies. The Company also recognises 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.rundong.com.cn, 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.

11. COMPANY SECRETARIES

Mr. Zhou Jian and Ms. Ho Siu Pik are the joint company secretaries of the Company ("Joint Company Secretaries"). Mr. Zhou Jian is the secretary of the Board of the Group, and has through understanding of the internal administration and business operation of the Group. The Company has engaged Ms. Ho of Tricor Services Limited, a service provider, as its joint company secretary. The chief responsibilities of the Joint Company Secretaries include supporting the Board in business transactions, ensuring good communication and flow of information within the Board and the compliance of the policies and procedures of the Board, and advising the Board on governance matters, assisting newly appointed Director to his new position and overseeing the training and continuous professional development of the Directors. Ms. Ho's primary contact person at the Company is Mr. Zhou Jian.

According to Rule 3.29 of the Listing Rules, the Joint Company Secretaries have confirmed that they have taken no less than 15 hours of professional training to update their skills and knowledge for the year ended December 31, 2014. The biographical details of Mr. Zhou Jian and Ms. Ho Siu Pik are set out on page 33 of this annual report respectively.

12. GOING CONCERN CAPABILITY

The Board has not been aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

13. SHAREHOLDERS' RIGHTS

To safeguard shareholder's interests and rights, a separate resolution is proposed for each 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 shall 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 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) or via email (ir@rundongauto.cn). The Board shall, within 21 days from the date of deposit of the requisition, duly convene a general meeting.

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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) or via email (ir@rundongauto.cn). 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) or via email (ir@rundongauto.cn).

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.

Constitutional documents

The Company has adopted its amended and restated memorandum and articles of association on July 23, 2014, which have already come into effect on August 12, 2014. An up-to-date version of the Company's article of association is available for inspection on both the websites of the Stock Exchange and the Company.

Directors and Senior Management Profiles

DIRECTORS

The Board currently consists of 12 Directors, comprising 5 executive Directors, 3 non-executive Directors and 4 independent non-executive Directors.

Executive Directors

Mr. Yang Peng (楊鵬), aged 45, is our Chairman, executive Director and President of our Group as well as the Chairman of the Nomination Committee of the Company. Mr. Yang has substantial experience in the automobile dealership industry. He is the founder of our Group and has been the president of our Group since March 1998. Mr. Yang is responsible for our Group's overall business development and strategic planning. From October 1999 to October 2001, he served as the deputy general manager of Jiangsu Hangao Information Industry Co., Ltd. (江蘇漢高信息產業股份有限公司). The Hangao Food website of this company (www.hangaofood.com) is the first "Pilot Urban E-Commerce Project" in the PRC and a significant technological breakthrough project under the "Ninth Five-Year Plan". Mr. Yang Peng also worked at the finance department of Xuzhou Transportation Bureau (徐州市交通局財務科) from September 1990 to September 1992. Mr. Yang obtained an EMBA degree from Cheung Kong Graduate School of Business in October 2009.

Mr. Liu Dongli (柳東靂), aged 44, is an executive Director and vice Chairman of the Board. He has extensive experience in the automobile industry. Mr. Liu joined our Group as vice chairman of the board of the directors in October 2013. Prior to joining our Group, Mr. Liu was the executive director of Dongjian Investment Consulting (Shanghai) Company Limited (東堅投資諮詢(上海)有限公司) from May 2013 to September 2013. He also acted as the executive director and the chief investment officer in China ZhengTong Auto Services Holdings Limited ("China ZhengTong") (HK stock code: 1728) from November 2010 to May 2012. From August 2009 to July 2010, Mr. Liu was the vice president of Hubei Shengze Industrial Company Limited (湖北聖澤實業有限公司). Prior to this, Mr. Liu worked for China Grand Automotive Service Co., Ltd. (廣匯汽車服務股份有限公司), an automobile dealership group in China, holding the positions of chief operating officer, acting chief executive officer and chief dealership network officer, from October 2007 to July 2009. From October 1999 to September 2007, Mr. Liu held various positions at Shanghai Shenhua Holdings Co., Ltd. (上海申華控股股份有限公司) (Shanghai stock code: 600653), a listed subsidiary of Brilliance Auto Group Co., Ltd. (華晨汽車集團控股有限公司), including the deputy manager of the investment department from 1999 to 2002, secretary of the board of directors and the head of investment department from 2002 to 2003, vice president from May 2002 to October 2007, director of the board from December 2005 to October 2007. Mr. Liu obtained an MBA degree from Shanghai University of Finance and Economics in June 2000. Mr. Liu is also currently the vice chairman of the China Auto Dealers Chambers of Commerce.

Mr. Zhao Zhongjie (趙忠階), aged 45, is an executive Director and executive president responsible for overseeing the business operation and daily administration of our Group since November 2013. Mr. Zhao joined our Group in July 2004 and has held various positions within our Group including secretary of the board of our Group from July 2004 to December 2007, the vice general manager of our Group from January 2007 to October 2010, deputy general manager of the management company in Xuzhou area and the director responsible for investment and development of our Group from October 2010 to March 2012 and deputy chief president responsible for investment and development of our Group from March 2012 to March 2013. He was the executive vice president of our Group from March 2013 and was promoted as the executive president of our Group in November 2013. Mr. Zhao has almost ten years of experience in the automobile dealership industry and his past experiences include overseeing various investments and network development, human resources, financial accounting, business operations of our Group. Mr. Zhao obtained an MBA degree from China Europe International Business School in September 2009.

Directors and Senior Management Profiles

Mr. Liu Jian (劉健), aged 46, is an executive Director and vice President of our Group. Mr. Liu joined our Group in October 2002 and has held various positions within our Group since then. From 2003 to 2005, Mr. Liu was the chief operating officer and the chief marketing officer of our Group. Thereafter, Mr. Liu served as the deputy general manager of Xuzhou Rundong, the general manager of Xuzhou Rundong Zhitian and Xuzhou Rundong Zhicheng since 2006, the assistant general manager of our Group from 2007 to 2008 and the deputy general manager of our Group from 2009 to 2012. Prior to joining our Group, he was the secretary of the board of directors and head of the human resources department of Jiangsu Hangao Information Industry Co., Ltd. (江蘇漢高信息產業股份有限公司) from October 1999 to September 2002. Mr. Liu obtained an MBA degree from the School of Business of Nanjing University in June 2010.

Mr. Li Xiang (李祥), aged 38, is an executive Director and the assistant President of our Group. Mr. Li joined our Group in January 2006 and has held various positions within our Group. From January 2006 to January 2008, Mr. Li was in charge of the compliance department and human resources department of our Group. From January 2008 to December 2008, Mr. Li also worked as the secretary of the board of directors of our Group. He served as the general manager of Xuzhou Baojing from February 2008 to June 2010 and Shanghai Baojing from June 2010 to October 2013 and was promoted as the assistant president of our Group in October 2013. Mr. Li was also in charge of BMW brand management of our Group from June 2010 to October 2013. Mr. Li obtained an MBA degree from China Europe International Business School in September 2012.

Non-executive Directors

Mr. Liu Haifeng David (劉海峰), aged 44, is a non-executive Director. He is currently a Member at Kohlberg Kravis Roberts & Co. and its affiliates ("KKR") and chief executive officer of KKR in Greater China. He currently serves as a member of KKR's Asian Private Equity Investment Committee, Asian Portfolio Management Committee and China Growth Fund Investment Committee. Mr. Liu achieved outstanding long-term investment results and was a part of the leadership for several successful and pioneering direct investment projects in the Greater China region, such as China Mengniu Dairy Company Limited (HK stock code: 2319), Ping An Insurance (Group) Company of China, Ltd. (HK stock code: 2318), Belle International Holdings Limited (HK stock code: 1880), Far East Horizon Limited (HK stock code: 3360), Fujian Nanping Nanfu Battery Co., Ltd., China Modern Diary Holdings Ltd. (HK stock code: 1117), United Envirotech Ltd (Singapore stock code: U19), China Cord Blood Corporation (NYSE: CO), Qingdao Haier Co., Ltd (Shanghai stock code: 600690), China Outfitters Holdings Limited (HK stock code: 1146), China Paradise Electronics Retail Limited (the then HK stock code: 503), Hengan International Group Company Limited (HK stock code: 1044) and China Shanshui Cement Group Limited (HK stock code: 691). Prior to joining KKR, Mr. Liu was with Morgan Stanley Private Equity Asia from 1993 to 2006 where he last served as the managing director and co-head of Morgan Stanley Private Equity Asia. Mr. Liu also serves as a non-executive director of Far East Horizon Limited (HK stock code: 3360) and United Envirotech Ltd (Singapore stock code: U19), Qingdao Haier Co., Ltd (Shanghai Stock Code: 600690). Mr. Liu graduated from Columbia University as class salutatorian with a Bachelor of Science degree in electrical engineering in May 1993. He is currently a member of Tau Beta Pi National Engineering Honor Society and a recipient of the Edwin Howard Armstrong Memorial Award at Columbia University.

Mr. Zhao Fu (趙福), aged 34, is a non-executive Director and a member of the Remuneration Committee and the Nomation Committee of the Company. He is currently a director at Kohlberg Krauts Roberts & Co. and its affiliated companies ("KKR"). Mr. Zhao played a significant role in a number of successful investments such as Far East Horizon Limited (HK stock code: 3360), United Envirotech Ltd (Singapore stock code: U19), China Modern Diary Holdings Ltd. (HK stock code: 1117), China International Capital Corporation, Sino Prosperity Real Estate Platform and VATS Liquor Chain Store Management Joint Stock Co., Ltd. Prior to joining KKR in January 2006, Mr. Zhao worked at Morgan Stanley Private Equity Asia from July 2003 to December 2005 and was extensively involved in a number of highly successful private equity transactions, such as the investments in China Mengniu Dairy Company Limited (HK stock code: 2319), Ping An Insurance (Group) Company of China, Ltd. (HK stock code: 2318), Belle International Holdings Limited (HK stock code: 1880) and China Paradise Electronics Retail Limited (the then HK stock code: 503). Mr. Zhao also serves as a non-executive director of United Envirotech Ltd (Singapore stock code: U19). Mr. Zhao obtained a Bachelor of Science in physics, with first class honors, from Tsinghua University in July 2003.

Directors and Senior Management Profiles

Mr. Yan Sujian (**燕蘇建**), aged 59, is a non-executive Director and vice Chairman of the Board and a member of the Audit Committee of the Company. Mr. Yan joined our Group in March 2003. From March 2003 to May 2010, Mr. Yan was the general manager of our Group. Since then, he has served as the vice chairman of the board of our Group. Prior to joining our Group, he was a deputy general manager of Jiangsu Local Products Company (江蘇省土產公司) from April 1988 to December 1990. From December 1990 to May 1997, he was the committee secretary of the Communist Party of China's branch in Xuzhou Supply and Sales Company (徐州供銷大廈) and the general manager of that company. He then worked as the deputy head of the standing committee of the Communist Party of China's branch in Xuzhou Supply and Sales Head Office (徐州供銷總社) from June 1997 to December 1997. Mr. Yan graduated from Nanjing University of Science and Technology with a bachelor's degree in Economic Management in July 1995.

Independent Non-executive Directors

Mr. Peng Zhenhuai (**彭真懷**), aged 52, is an independent non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Peng is a research of Beijing New Normal Research Institute (北京新常態智庫研究院) and a distinguished visiting professor of Shih Chien University in Taiwan. He is also an appraiser of bachelor's thesis in Chinese Academy of Agricultural Sciences (中國農業科學院) and a reviewer of doctoral dissertation in China University of Political Science and Law. Mr. Peng obtained an academic certification that he has the same educational level as a doctoral candidate in economics from Beijing Normal University in February 2010.

Mr. Mei Jianping, aged 54, is an independent non-executive Director and the Chairman of the Remuneration Committee of the Company. Mr. Mei is currently the deputy dean of Cheung Kong Graduate School of Business and has been a professor of finance there since 2006. He has been an independent non-executive director of Powerlong Real Estate Holdings Limited (HK stock code: 1238) since June 2008. Mr. Mei received a doctorate degree in economics (finance) from Princeton University in January 1990.

Mr. Lee Conway Kong Wai (**李港衛**), aged 60, is an independent non-executive Director and the Chairman of the Audit Committee of the Company. Mr. Lee has over 30 years of experience in public accounting and auditing, corporate finance, merger and acquisition and initial public offerings. From September 1980 to September 2009, Mr. Lee served as a partner of Ernst & Young. Mr. Lee is currently an independent non-executive director of West China Cement Limited (HK stock code: 2233), Chaowei Power Holdings Limited (HK stock code: 951), GOME Electrical Appliances Holding Limited (HK stock code: 493), Tibet 5100 Water Resources Holdings Ltd (HK stock code: 1115) and NVC Lighting Holding Limited (HK stock code: 2222), China Modern Dairy Holdings Ltd. (HK stock code: 1117), Yashili International Holdings Ltd (HK stock code: 1230), CITIC Securities Company Limited (HK stock code: 6030, Shanghai stock code: 600030) and GCL New Energy Holdings Limited (HK stock code: 451) and WH Group Ltd. (HK stock code: 288). Mr. Lee is also the non-executive director and deputy chairman of Merry Garden Holdings Limited (HK stock code: 01237). Mr. Lee also acted as an independent non-executive director of China Taiping Insurance Holdings Company Limited (HK stock code: 966) from October 2009 to August 2013. Mr. Lee has been a member of the Institute of Chartered Accountants in England and Wales since October 2007, the Institute of Chartered Accountants in Australia and New Zealand since December 1996, the Association of Chartered Certified Accountants since September 1983, the Hong Kong Institute of Certified Public Accountants since March 1984 and the Macau Society of Certified Practising Accountants since July 1995. In 2008, Mr. Lee was made a member of Chinese People's Political Consultative Conference of Hunan Province. Mr. Lee obtained his post graduate diploma in business at Curtin University of Technology in Australia in February 1988.

Directors and Senior Management Profiles

Mr. Xiao Zhengsan (肖政三), aged 51, is an independent non-executive Director and a member of the Nomination Committee of the Company. Mr. Xiao has been a director of the exhibition department and deputy secretary general of CADA since August 2008, and has been promoted to the secretary general since November 2014. He served as a supervisor of Baocheng Investment Co., Ltd. (寶誠投資股份有限公司) (Shanghai stock code: 600892) from July 2003 to June 2008. Mr. Xiao obtained a bachelor's degree in financial accounting from Jiangxi University of Finance and Economics in July 1984.

SENIOR MANAGEMENT

Mr. Jiang Xiaofei (姜曉飛), aged 46, has been a vice President of our Group since November 2013. Mr. Jiang joined our Group in September 2009. He served as the general manager in charge of the area of Xuzhou, Lianyungang and Huai'an from November 2012 to November 2013 and served as the general manager in charge of the area of Lianyungang and Huai'an from July 2011 to November 2012. Since then, he has served as the vice president of our Group. Prior to joining our Group, Mr. Jiang worked as the vice president of Heqing Road Subbranch and the president of Dama Road Subbranch of Xuzhou Branch of Jiangsu Bank from June 2001 to September 2009. He also held various positions at Xuzhou branch of Industrial and Commercial Bank of China from January 1988 to June 2001, including office clerk and the chief of the credit business department. Mr. Jiang obtained an MBA degree from Nankai University in December 2011.

Mr. Zhu Lidong (朱立東), aged 45, has been a vice President responsible for the financial and accounting management of our Group since March 2013. Prior to joining our Group, he served as the finance director and the chief financial officer from August 2005 to February 2013 of the three reputable automobile companies being Chery Automotive Co., Ltd. (奇瑞汽車股份有限公司), Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司) (Shanghai stock code: 600166) and ZAP Inc., a US-based manufacturer of electric vehicle. Mr. Zhu also spent ten years, from May 1995 to July 2005, serving as an audit manager of two Big Four accounting firms, Deloitte Touche Tohmatsu and PricewaterhouseCoopers. Mr. Zhu has rich experience in global finance and investor relations management, mergers and acquisitions, and overseas investments. He graduated with a bachelor's degree in business management from Southwestern University of Finance and Economics in July 1993. He has been a member of Chinese Institute of Certified Public Accountant since December 1994.

JOINT COMPANY SECRETARIES

Mr. Zhou Jian (周健), aged 38, is a joint company secretary of our Company since January 2014. He joined our Group as the secretary of the board of our Group in November 2012. Prior to joining our Group, Mr. Zhou was a partner and senior consultant of Beijing GOS Enterprise Management Consulting Company Limited (北京盛高企業管理諮詢公司) from April 2007 to October 2012. Mr. Zhou obtained an MBA degree from Beijing Institute of Technology in October 2005.

Ms. Ho Siu Pik (何小碧), aged 51, is a joint company secretary of our Company and was appointed on January 2014. Ms. Ho is a director of Corporate Services Division of Tricor Services Limited and a fellow member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Ho has over 20 years of experience in the company secretarial area. Ms. Ho is currently the joint company secretary of China Molybdenum Company Limited (HK stock code: 3993) and China Polymetallic Mining Ltd. (HK stock code: 2133), and the company secretary of Goodbaby International Holdings Ltd. (HK stock code: 1086), Natural Beauty Bio-Technology Limited (HK stock code: 0157), Sun Art Retail Group Limited (HK stock code: 6808) and Yashili International Holdings Limited (HK stock code: 1230).

Report of Directors

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

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands with limited liability. Its registered office is situated in the Cayman Islands and its operation headquarter is located at Shanghai, China.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other details of subsidiaries of the Company are set out in note 40 to the consolidated financial statements.

SUBSIDIARIES

Please refer to note 40 of the consolidated financial statements.

RESULTS

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

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 past three financial years are set out on page 3 of this annual report.

USE OF PROCEEDS FROM THE COMPANY'S IPO

In August 2014, the Company raised a proceeds from issue of new shares of approximately RMB684.9 million (after related issue expenses) upon its listing on the Stock Exchange. During the year ended December 31, 2014, the proceeds had been utilised in the manner below as set out in the Company's prospectus dated July 31, 2014 (the "Prospectus"):

- RMB202.1 million had been used in early repayment of long-term bank loans;

- RMB25.2 million had been used as operating capital and others; and

- The remaining balance had been placed in licenced banks in Hong Kong and China.

RESERVES

As at December 31, 2014, distributable reserves of the Company amounted to RMB1,651.0 million. Details of movements in reserves of the Company during the year are set out in note 30 to the financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend to the shareholders of the Company for the year ended December 31, 2014.

SPECIAL DIVIDEND

On July 23, 2014, our directors declared a special dividend of RMB330.0 million from the profit attributable to equity holders of the Company to its then shareholders Rundong Fortune Investment Limited, Rundong Smart Investment Limited and KKR China Auto Retail Holding Ltd II. Runda (PTC) Limited, one of the shareholders of the Company, agreed to waive its rights to the special dividend declared by the Company.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on May 28, 2015. Notice of the annual general meeting will be published and issued to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting.

The register of members of the Company will be closed from Tuesday, May 26, 2015 to Thursday, May 28, 2015, both dates inclusive, during which time no transfer of shares will be registered. To qualify for attending and voting at the annual general meeting, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, May 22, 2015 for registration of the relevant transfer.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property and equipment during the year ended December 31, 2014 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 29 to the financial statements.

CONNECTED TRANSACTION

From the listing date of the Company to the year ended December 31, 2014, the Group did not entered into any connected transaction or continuing connected transaction required to be disclosed in accordance with the Listing Rules.

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.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group during the Reporting Period are set out in note 27 to the Financial Statements.

CONTINGENT LIABILITIES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Association of the Company and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF

As at the end of the Reporting Period, according to the laws of the Cayman Islands, holders of listed securities of the Company are not entitled to tax relief for their status as the holder of such securities.

NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

The Company has received an annual confirmation from its controlling shareholders, Rundong Fortune Investment Limited, Cheerful Autumn Holdings Limited, Rue Feng Holdings Limited and Mr. Yang Peng to confirm that from the date of execution of non-competition undertaking to December 31, 2014, they had been in compliance with the non-competition undertaking provision set out in the Prospectus, and they did not engage or hold any interest in any business which is or is likely to be in competition, directly or indirectly, with the business of any member of our Group.

The independent non-executive Directors had reviewed the above undertaking and concluded that Rundong Fortune Investment Limited, Cheerful Autumn Holdings Limited, Rue Feng Holdings Limited and Mr. Yang Peng had been in compliance with the non-competition undertaking from the date of execution of non-competition undertaking to December 31, 2014.

DIRECTORS

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

Executive Directors	Yang Peng *(Chairman and President)* Liu Dongli *(Vice Chairman)* Zhao Zhongjie Liu Jian Li Xiang
Non-executive Directors	Liu Haifeng Zhao Fu Yan Sujian *(Vice Chairman)*
Independent Non-executive Directors	Peng Zhenhuai Mei Jianping Lee Conway Kong Wai Xiao Zhengsan

In accordance with articles 16.18 of the Articles of Association, Mr. Liu Jian, Mr. Li Xiang, Mr. Zhao Fu and Mr. Peng Zhenhuai will retire at the annual general meeting of the Company to be held on May 28, 2015. Mr. Liu Jian and Mr. Li Xiang, both executive directors, and Mr. Zhao Fu, a non-executive director, offer themselves for re-election at the annual general meeting. Mr. Peng Zhenhuai, an independent non-executive director, does not intend to offer himself for re-election due to personal business pursuit. Thus, he will retire as a director at the annual general meeting of the Company held on May 28, 2015. All the directors above retiring by rotation according to the requirements of the Articles of Association shall be eligible for re-election at such meeting.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

MATERIAL CONTRACTS WITH SUBSIDIARIES AND CONTROLLING SHAREHOLDERS OR ITS SUBSIDIARIES

In 2014, there are borrowings between the Company and Mr. Yang Peng. As at June 30, 2014, the amount payable by Mr. Yang Peng to the Company for an amount borrowed from the Company by Mr. Yang Peng was RMB559.46 million. the amount payable by the Company to Mr. Yang Peng for an amount borrowed from Mr. Yang Peng by the Company was RMB353.22 million. The borrowings between the Company and Mr. Yang Peng were settled prior to the Company's listing.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

The Company was incorporated in the Cayman Islands on January 15, 2014 as an exempted company with limited liability and the shares of the Company (the "Shares") were listed on the Main Board of the Stock Exchange on August 12, 2014 (the "Listing Date").

As of the date of this annual report, the interests and short positions of the Directors and chief executives of the Company 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Interest In shares or underlying shares of our Company

Name of Director/Chief executive	Nature of Interest	Number of Shares or underlying shares (1)	Approximate percentage of shareholding interest
Yang Peng (2)	Interest in controlled corporation	484,016,000 (L)	45.05%
Liu Dongli (3)	Beneficiary of a trust	1,182,908 (L)	0.11%
Zhao Zhongjie (3)	Beneficiary of a trust	1,429,078 (L)	0.13%
Liu Jian (3)	Beneficiary of a trust	872,494 (L)	0.08%
Li Xiang (3)	Beneficiary of a trust	166,719 (L)	0.02%
Yan Sujian (3)	Beneficiary of a trust	1,182,908 (L)	0.11%

Notes:

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

(2) Mr. Yang Peng as the protector of the Run Feng family trust is deemed to be interested in the Shares held as he has the power to appoint and remove, and to amend the rights of, the trustee to the Run Feng family trust, currently being HSBC International Trustee Limited.

(3) The Shares were held by Runda (PTC) Limited ("Runda"), a private trust Company incorporated under the laws of the British Virgin Islands, one of the shareholders of the Company. Runda is a trustee of China Auto Retail Holding Group Ltd Option Trust, a discretionary trust under which Liu Dongli, Zhao Zhongjie, Liu Jian, Li Xiang and Yan Sujian are eligible beneficiaries.

Save as disclosed above, as at the date of this annual report, none of the Directors, chief executives of the Company 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS OF THE SHAREHOLDERS UNDER THE SFO

As at the date of this annual report, the interests or short positions of substantial shareholders, other than the Directors or 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 below, 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 of Shareholder	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding interest
Rundong Fortune Investment Limited	Beneficial owner	484,016,000 (L)	45.05%
Cheerful Autumn Holdings Limited[2]	Interest in controlled corporation	484,016,000 (L)	45.05%
Rue Feng Holdings Limited[2]	Interest in controlled corporation	484,016,000 (L)	45.05%
HSBC International Trustee Limited[2]	Trustee	484,016,000 (L)	45.05%
Mr. Yang Peng[2]	Interest in controlled corporation	484,016,000 (L)	45.05%
KKR China Auto Retail Holding Ltd II	Beneficial owner	280,000,000(L)	26.06%
KKR China Auto Retail Holding Ltd I[3]	Interest in controlled corporation	280,000,000(L)	26.06%
KKR China Growth Fund L.P.[3]	Interest in controlled corporation	280,000,000(L)	26.06%
KKR Associates China Growth L.P.[3]	Interest in controlled corporation	280,000,000(L)	26.06%
KKR China Growth Limited[3]	Interest in controlled corporation	280,000,000(L)	26.06%
KKR Fund Holdings L.P.[3]	Interest in controlled corporation	280,000,000(L)	26.06%
KKR Fund Holdings GP Limited[3]	Interest in controlled corporation	280,000,000(L)	26.06%
KKR Group Holdings L.P.[3]	Interest in controlled corporation	280,000,000(L)	26.06%
KKR Group Limited[3]	Interest in controlled corporation	280,000,000(L)	26.06%
KKR & Co. L.P.[3]	Interest in controlled corporation	280,000,000(L)	26.06%
KKR Management LLC[3]	Interest in controlled corporation	280,000,000(L)	26.06%
Mr. Henry R. Kravis	Interest in controlled corporation	280,000,000(L)	26.06%
Mr. George R. Roberts	Interest in controlled corporation	280,000,000(L)	26.06%
Central Huijin Investment Ltd.[4]	Person having a security interest in shares	158,407,209(L)	14.74%
China Construction Bank Corporation[4]	Person having a security interest in shares	158,407,209(L)	14.74%

Notes:

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

(2) Rundong Fortune Investment Limited is the wholly-owned subsidiary of Cheerful Autumn Holdings Limited, which is wholly-owned by Rue Feng Holdings Limited, which in turn is legally owned by the trustee to the Run Feng family trust (being HSBC Trustee as at the date of this annual report) for the benefit of the beneficiaries of the Run Feng family trust. Mr. Yang Peng, being the protector of the Run Feng family trust, has the power to appoint and remove, and to amend the rights of, the trustee to the Run Feng family trust.

(3) Each of KKR China Auto Retail Holding Ltd I (as the sole shareholder of KKR China Auto Retail Holding Ltd II), KKR China Growth Fund L.P. (as the controlling shareholder of KKR China Auto Retail Holding Ltd. I), KKR Associate China Growth L.P. (as the general partner of KKR China Growth Fund L.P.), KKR China Growth Limited (as the general partner of KKR Associates China Growth L.P.); KKR Fund Holdings L.P. (as the sole shareholder of KKR China Growth Limited), KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as the general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as the general partner of KKR & Co. L. P.), and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) is deemed to be interested in the Shares. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the Shares.

(4) Pursuant to a deed of charge, Rundong Fortune Investment Limited has pledged certain Shares in favour of Cheer Hope Holdings Limited, which is wholly controlled by CCBI Investments Limited, which is wholly controlled by CCB International (Holdings) Limited, which is wholly controlled by CCB Financial Holdings Limited, which is wholly controlled by CCB International Group Holdings Limited, which is wholly controlled by China Construction Bank Corporation, which is in turn 57.26% controlled by Central Huijin Investment Ltd.

PRE-IPO SHARE OPTION SCHEME

In recognition of the contributions of the employees of our Group, on September 27, 2011, our Group has implemented a share option scheme and China Rundong Auto Holding Ltd. ("Rundong Holding"), the sole shareholder of the Company before its listing on August 12, 2014, established a trust (the "Employee Pre-IPO Trust"). On November 15, 2011, Rundong Holding granted options to subscribe for a total of up to 100,000000 shares in Rundong Holding (the "Rundong Holding Options") to Runda, acting as the trustee to the Employee Pre-IPO Trust and holds the Rundong Holding Options for the benefit of the beneficiaries of the Employee Pre-IPO Trust, which comprise the Group's employees (including the Directors), former employees and their respective family members.

On March 24, 2014, 13 grantees exercised their rights to subscribe for 29,500,000 shares (taking into account the share consolidation) in Rundong Holding. Further details of the early exercise of the options are set out in the paragraph headed "History and Reorganization — Establishment of the Employee Pre-IPO Trust" in the Prospectus.

On July 24, 2014, each of the 95 grantees of the Rundong Holding Options that remained to be exercised entered into a supplemental agreement with Rundong Holding and the Company, pursuant to which each of these grantees agreed that their respective Rundong Holding Options held by Runda shall be cancelled in consideration for options granted by the Company to be held by Runda under the Employee Pre-IPO Trust to subscribe for an equivalent number of Shares as the number of shares in Rundong Holding that they were entitled to subscribe for under their respective Rundong Holding Options (the "Pre-IPO Share Option Scheme").

A summary of the terms of the Pre-IPO Share Option Scheme is set out in appendix IV of the Prospectus.

The following table shows the details of the share options under the Pre-IPO Share Option Scheme during the Reporting Period:

Type of participant	Date of grant	Exercise period	Vesting period	Exercise price per Share	Outstanding as at January 1, 2014	Number of share options: Granted during the Reporting Period	Lapsed/ forfeited during the Reporting Period	Exercised during the Reporting Period	Expired during the Reporting Period	Outstanding as at December 31, 2014
Directors										
Liu Dongli	November 15, 2011	Note 2	Note 3	US$0.3573	2,385,960	3,574,040	–	5,960,000	–	–
Zhao Zhongjie	November 15, 2011	Note 2	Note 3	US$0.3573	4,582,400	2,577,600	–	7,160,000	–	–
Liu Jian	November 15, 2011	Note 2	Note 3	US$0.3573	2,813,440	1,582,560	–	4,396,000	–	–
Li Xiang	November 15, 2011	Note 2	Note 3	US$0.3573	537,600	302,400	–	840,000	–	–
Yan Sujian	November 15, 2011	Note 2	Note 3	US$0.3573	3,814,400	2,145,600	–	5,960,000	–	–
Employees										
Hao Yong	November 15, 2011	Note 2	Note 3	US$0.3573	756,164	443,836	–	1,200,000	–	–
Jiang Xiaofei	November 15, 2011	Note 2	Note 3	US$0.3573	768,000	432,000	–	1,200,000	–	–
Zhu Lidong	November 15, 2011	Note 2	Note 3	US$0.3573	598,356	601,644	–	1,200,000	–	–
Zhou Jian	November 15, 2011	Note 2	Note 3	US$0.3573	129,613	110,387	–	240,000	–	–
Zhao Ruoxu	November 15, 2011	Note 2	Note 3	US$0.3573	399,360	224,640	–	624,000	–	–
Zhang Zhiyong	November 15, 2011	Note 2	Note 3	US$0.3573	153,600	86,400	–	240,000	–	–
Gu Chundong	November 15, 2011	Note 2	Note 3	US$0.3573	153,600	86,400	–	240,000	–	–
Si Changyun	November 15, 2011	Note 2	Note 3	US$0.3573	153,600	86,400	–	240,000	–	–
Zhang Wen *(Note 1)*	November 15, 2011	Note 3	Note 3	US$0.3573	508,405	691,595	1,200,000	–	–	–
Other employee	November 15, 2011	Note 3	Note 3	US$0.3573	5,225,006	1,116,000	328,532	–	–	6,012,474

Note 1: Zhang Wen resigned on April 30, 2014 and her share options were lapsed accordingly.

Note 2: Each grantee to whom a share option has been granted shall be entitled to exercise his/her share option in such manner as set out below:

Exercise date	Maximum cumulative percentage of the vested share options exercised
The date after the first anniversary of the Listing Date but before the second anniversary of the Listing Date	30%
The date after the second anniversary of the Listing Date but before the third anniversary of the Listing Date	60%
The date after the third anniversary of the Listing Date but before the fourth anniversary of the Listing Date	80%
The date after the fourth anniversary of the Listing Date	100%

Note 3: The Pre-IPO Share Option Scheme shall be vested in accordance with the following schedule (the "Vesting Date"):

i. if a grantee is employed on or before December 31, 2011, the Vesting Date shall be March 31 of every year commencing 2012;

ii. if a grantee is employed from January 1, 2012 to December 31, 2012, the Vesting Date shall be March 31 of every year commencing 2013; and

iii. if a grantee is employed from January 1, 2013 to December 31, 2013, the Vesting Date shall be March 31 of every year commencing 2014.

After the expiry of the Pre-IPO Share Option Scheme, no further Pre-IPO Share Options shall be offered but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in force. The Pre-IPO Share Options (to the extent not already exercised) granted prior to such expiry shall continue to be valid and exercisable until November 15, 2021.

None of Pre-IPO Share Options were granted or exercised throughout the period from the Listing Date to December 31, 2014.

Further details of the Pre-IPO Share Option Scheme and the share options issued under the Pre-IPO Share Option Scheme are included in note 33 to the financial statements.

SHARE OPTION SCHEME

On July 23, 2014, the shareholder of the Company approved and adopted a share option scheme (the "Share Option Scheme") conditionally upon the approval by the Stock Exchange of the listing of, and permission to deal in, any Shares to be allotted and issued pursuant to the exercise of options under the Share Option Scheme. The Company received such approval from the Stock Exchange on August 11, 2014.

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

Save as disclosed above, during the period from the Listing Date to December 31, 2014, the Company and its subsidiaries have not issued or granted any convertible securities, options, warrants or other similar rights. The Company did not issued equity securities in consideration of cash.

RETIREMENT BENEFIT SCHEME

As stipulated by the PRC state regulations, the Mainland China subsidiaries shall 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 14% to 22% (2013: 14% to 22%) of the year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

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

None of the retirement schemes have provisions for the forfeiture of contributions made to the scheme. Contributions to these plans are expensed as incurred. The Group's contributions to the retirement benefit schemes charged to the consolidated income statement for the year ended December 31, 2014 was RMB26.37 million (2013: RMB20.48 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 10% (2013: 5% to 10%) of the salaries and wages of the employees, which is administered by the Public Accumulation Funds Administration Center. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

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

EMOLUMENT POLICY

The emolument policy of the general staff of the Company is set up by the management of the Group on the basis of their merit, qualifications and competence. The emoluments of the Directors and senior management of the Company are proposed by the remuneration committee of the Company to the Board, having regard to the Company's operating results, individual performance and comparable market statistics, subject to the final decision by the Board.

The remuneration of the Directors and senior management of the Company are set out in note 9 to the consolidated financial statements.

To the knowledge of the Company, as at the date of this annual report, none of the directors had waived or agreed to waive any arrangement for emolument.

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 72.1% (2013: 80.8%) and the largest supplier accounted for approximately 29.3% (2013: 31.7%) 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.

AUDITORS

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

On behalf of the Board
YANG Peng
Chairman

Hong Kong, March 27, 2015

Independent Auditor's Report

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

We have audited the consolidated financial statements of China Rundong Auto Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 116, 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 (the "Directors") 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 Auditor's 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
Hong Kong

27 March 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	5(a)	**15,469,317**	11,587,838
Cost of sales	6(b)	**(14,030,217)**	(10,585,534)
Gross profit		**1,439,100**	1,002,304
Other income and gains, net	5(b)	**252,006**	244,532
Selling and distribution costs		**(417,995)**	(265,920)
Administrative expenses		**(443,964)**	(284,221)
Other expenses		**(10,701)**	(17,884)
Finance costs	7	**(350,484)**	(291,147)
Profit before tax	6	**467,962**	387,664
Income tax expense	8	**(155,032)**	(139,271)
Profit for the year		**312,930**	248,393
Profit for the year attributable to:			
Owners of the parent		**305,422**	238,959
Non-controlling interests		**7,508**	9,434
		312,930	248,393
Earnings per share attributable to ordinary equity holders of the parent:	12		
Basic			
— For profit for the year (RMB)		**0.34**	0.30
Diluted			
— For profit for the year (RMB)		**0.34**	0.30

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	2014 *RMB'000*	2013 *RMB'000*
Profit for the year	**312,930**	248,393
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(499)**	(311)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(499)**	(311)
Other comprehensive loss for the year, net of tax	**(499)**	(311)
Total comprehensive income for the year, net of tax	**312,431**	248,082
Total comprehensive income for the year attributable to:		
Owners of the parent	**304,923**	238,648
Non-controlling interests	**7,508**	9,434
	312,431	248,082

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	13	**2,640,307**	1,918,360
Land use rights	14	**343,688**	352,397
Intangible assets	15	**213,702**	221,559
Prepayments	16	**436,474**	5,384
Goodwill	17	**207,146**	207,146
Available-for-sale investments	18	**102,000**	102,000
Deferred tax assets	28	**7,458**	5,797
Total non-current assets		**3,950,775**	2,812,643
CURRENT ASSETS			
Inventories	19	**1,899,654**	1,639,689
Trade receivables	20	**208,722**	190,150
Prepayments, deposits and other receivables	21	**1,395,302**	1,137,384
Amount due from a related party	37	**–**	760,923
Cash in transit	22	**60,017**	23,345
Pledged bank deposits	23	**1,922,496**	1,270,078
Cash and cash equivalents	24	**1,072,158**	417,485
Total current assets		**6,558,349**	5,439,054
TOTAL ASSETS		**10,509,124**	8,251,697
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**680,944**	939,063
Deferred tax liabilities	28	**55,486**	90,297
Total non-current liabilities		**736,430**	1,029,360
CURRENT LIABILITIES			
Trade and bills payables	25	**3,638,877**	2,738,062
Other payables and accruals	26	**934,840**	781,173
Interest-bearing bank and other borrowings	27	**3,253,060**	2,306,336
Income tax payable		**206,314**	137,243
Amount due to a related party	37	**–**	315,086
Total current liabilities		**8,033,091**	6,277,900
NET CURRENT LIABILITIES		**(1,474,742)**	(838,846)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,476,033**	1,973,797
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	**3**	–
Reserves	30	**1,651,004**	887,271
		1,651,007	887,271
Non-controlling interests		**88,596**	57,166
Total equity		**1,739,603**	944,437
TOTAL EQUITY AND LIABILITIES		**10,509,124**	8,251,697

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to owners of the parent									
	Share capital RMB'000 (note 29)	Share premium RMB'000 (note 29)	Merger reserve RMB'000 (note 30(i))	Share option reserve RMB'000 (note 33)	Statutory reserve RMB'000 (note 30(ii))	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000 (note 30(iii))	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	–	–	522,799	4,040	41,668	76,467	(541)	644,433	47,732	692,165
Profit for the year	–	–	–	–	–	238,959	–	238,959	9,434	248,393
Other comprehensive loss	–	–	–	–	–	–	(311)	(311)	–	(311)
Total comprehensive income/(loss) for the year	–	–	–	–	–	238,959	(311)	238,648	9,434	248,082
Transfer from retained earnings	–	–	–	–	39,647	(39,647)	–	–	–	–
Equity-settled share option arrangements	–	–	–	4,190	–	–	–	4,190	–	4,190
At 31 December 2013 and at 1 January 2014	–	–	522,799*	8,230*	81,315*	275,779*	(852)*	887,271	57,166	944,437
Profit for the year	**–**	**–**	**–**	**–**	**–**	**305,422**	**–**	**305,422**	**7,508**	**312,930**
Other comprehensive loss	**–**	**–**	**–**	**–**	**–**	**–**	**(499)**	**(499)**	**–**	**(499)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**305,422**	**(499)**	**304,923**	**7,508**	**312,431**
Issue of share capital	**3**	**665,372**	**(2)**	**–**	**–**	**–**	**–**	**665,373**	**–**	**665,373**
Exercise of share options	**–**	**94,752**	**–**	**(29,402)**	**–**	**–**	**–**	**65,350**	**–**	**65,350**
Special dividend to the then shareholders	**–**	**–**	**–**	**–**	**–**	**(297,000)**	**–**	**(297,000)**	**–**	**(297,000)**
Capital contribution from non-controlling interests of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**23,922**	**23,922**
Transfer from retained earnings	**–**	**–**	**–**	**–**	**48,046**	**(48,046)**	**–**	**–**	**–**	**–**
Equity-settled share option arrangements	**–**	**–**	**–**	**25,090**	**–**	**–**	**–**	**25,090**	**–**	**25,090**
At 31 December 2014	**3**	**760,124**	**522,797***	**3,918***	**129,361***	**236,155***	**(1,351)***	**1,651,007**	**88,596**	**1,739,603**

* These reserve accounts comprise the consolidated reserves of RMB887,271,000 and RMB1,651,004,000, respectively, in the consolidated statements of financial position as at 31 December 2013 and 2014.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Operating activities			
Profit before tax		**467,962**	387,664
Adjustments for:			
Depreciation	6(c)	**170,962**	107,904
Amortisation of intangible assets	6(c)	**14,892**	4,781
Amortisation of land use rights	6(c)	**8,709**	8,731
Finance costs	7	**350,484**	291,147
Interest income	5(b)	**(18,490)**	(16,866)
Loss on disposal of items of property, plant and equipment	6(c)	**5,611**	13,534
Gain and income from disposal of subsidiaries	5(b)	**–**	(42,272)
Equity-settled share option expense	33	**25,090**	4,190
Increase in inventories		**(259,965)**	(476,507)
Increase in trade receivables		**(18,572)**	(76,626)
Increase in prepayments, deposits and other receivables		**(257,918)**	(78,681)
(Increase)/decrease in pledged bank deposits		**(907,636)**	250,848
Increase in cash in transit		**(36,672)**	(17,012)
Increase in trade and bills payables		**900,815**	161,936
Increase in other payables and accruals		**126,686**	98,227
		571,958	620,998
Income taxes paid		**(122,432)**	(26,795)
Net cash flows generated from operating activities		**449,526**	594,203
Investing activities			
Purchase of items of property, plant and equipment		**(1,091,582)**	(725,494)
Proceeds from disposal of items of property, plant and equipment		**119,681**	57,212
Purchase of land use rights		**(17,771)**	(57,870)
Purchase of intangible assets		**(7,035)**	(2,826)
Interest received		**18,490**	16,866
Prepayment for potential acquisitions		**(418,485)**	–
Acquisition of subsidiaries	32	**–**	(385,857)
Repayment from the former subsidiaries disposed of to third parties, net		**–**	92,274
Interest received from disposal of subsidiaries		**–**	75,945
Net cash inflow in respect of disposal of subsidiaries	31	**–**	318,287
Net cash flows used in investing activities		**(1,396,702)**	(611,463)

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Financing activities			
Proceeds from issue of shares		**665,373**	–
Proceeds from exercise of share options		**65,350**	–
Proceeds from interest-bearing bank and other borrowings		**6,822,538**	5,082,636
Repayment of interest-bearing bank and other borrowings		**(6,133,933)**	(5,059,081)
Interest paid		**(362,227)**	(300,542)
Capital contribution from non-controlling interests of subsidiaries		**23,922**	–
Repayment from/(advances to) the controlling shareholder, net		**266,107**	(370,359)
Decrease in pledged bank deposits		**255,218**	717,621
Net cash flows generated from financing activities		**1,602,348**	70,275
Net increase in cash and cash equivalents		**655,172**	53,015
Net foreign exchange differences		**(499)**	(311)
Cash and cash equivalents at beginning of year		**417,485**	364,781
Cash and cash equivalents at end of year	*24*	**1,072,158**	417,485
Analysis of balances of cash and cash equivalents			
Cash and bank balances	*24*	**1,072,158**	417,485
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		**1,072,158**	417,485

Statement of Financial Position

31 December 2014

	Notes	31 December 2014 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	*40*	**3,178,731**
Total non-current assets		**3,178,731**
CURRENT ASSETS		
Cash and cash equivalents		**176,084**
Due from subsidiaries		**266,089**
Total current assets		**442,173**
CURRENT LIABILITIES		
Other payables and accruals		**117,270**
Total current liabilities		**117,270**
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,503,634**
NET ASSETS		**3,503,634**
EQUITY		
Share capital	*29*	**3**
Reserves		**3,503,631**
TOTAL EQUITY		**3,503,634**

1. CORPORATE INFORMATION

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

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

In the opinion of the Directors, the ultimate holding company of the Company is HSBC International Trustee Limited, which is incorporated in the British Virgin Islands (the "BVI").

2.1 BASIS OF PRESENTATION

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

The consolidated financial statements of the Group have been prepared and presented based on the principle of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as if the Reorganisation had been completed as at the beginning of the year ended 31 December 2013 because the Company's acquisition of the companies now comprising the Group should be regarded as a business combination under common control as the Company and the companies now comprising the Group were under common control of Mr. Yang Peng (the "Controlling Shareholder") both before and after the completion of the Reorganisation. The Group's consolidated financial statements include the financial statements of the companies now comprising the Group, as if the group structure resulted from the Reorganisation had been in existence throughout the years, or since their respective dates of incorporation, whichever is a shorter period.

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

As at 31 December 2014, the Group had net current liabilities of approximately RMB1,474,742,000. The Directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the financial statements are prepared on a going concern basis.

2.1 BASIS OF PRESENTATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same Reporting Period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

Basis of combination

As explained above, the Reorganisation is accounted for as a reorganisation under common control using the principles of merger accounting in accordance with Accounting Guidance 5 Merger Accounting for Common Control Combinations issued by the HKCPA. The combined financial statement incorporated the financial statements of the companies now comprising the Group for the year ended 31 December 2013.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

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

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 combination.

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 36	*Recoverable Amount Disclosures for Non-Financial Assets*
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 these new and revised HKFRSs has had no significant financial effect on these financial statements.

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

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

HKFRS 9	*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]
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

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

(Continued)

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 new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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.

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 judgments 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.

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

(Continued)

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

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

HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgments 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

(a) Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combinations and goodwill

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combinations and goodwill *(Continued)*

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

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

(c) Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

(e) 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Related parties *(Continued)*

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

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

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

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

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

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

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

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

(f) Property, plant and equipment and depreciation

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

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

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

Category	Estimated useful life	Estimated residual value
Buildings	15–20 years	3%
Leasehold improvements	Over the shorter of the lease terms and 5 years	–
Plant and machinery	10 years	3%
Furniture and fixtures	3–5 years	3%
Motor vehicles	6 years	3%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(g) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the 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 net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

(i) Land use rights

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

(j) Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Available-for-sale investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Derecognition of financial assets

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

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

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

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

(l) Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost *(Continued)*

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) 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 plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

(n) Financial guarantee contracts

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

(o) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) 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.

(q) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated on a specific identification basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(r) Cash and cash equivalents

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

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

(s) Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) 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.

(u) Revenue recognition

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

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

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

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

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

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

(v) Vendor rebate

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Share-based payments

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(y) Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 8.00% and 8.97% has been applied to the expenditure on the individual assets.

(z) 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.

(aa) Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Foreign currencies *(Continued)*

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. The functional currency of Mainland China subsidiaries is RMB. As the Group mainly operates in Mainland China, RMB is used as the presentation currency of the Group. As at the end of the Reporting Period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the Reporting Period, and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make 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, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management 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 values of deferred tax assets were RMB5,797,000 and RMB7,458,000 as at 31 December 2013 and 2014, respectively. More details are given in note 28.

Operating lease commitments — Group as lessor

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

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 described below.

Impairment of goodwill

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

Impairment of non-financial assets (other than goodwill)

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

Useful lives of property, plant and equipment

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

Useful lives of intangible assets

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

4. SEGMENT INFORMATION

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

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

Information about geographical area

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

Information about major customers

Since no revenue the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2013 and 2014, no information about major customer is presented.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	2014 ***RMB'000***	2013 *RMB'000*
Revenue from the sale of motor vehicles	**13,828,960**	10,470,268
Others	**1,640,357**	1,117,570
	15,469,317	11,587,838

(b) Other income and gains, net

	2014 ***RMB'000***	2013 *RMB'000*
Commission income	**191,940**	153,943
Advertisement support received from motor vehicle manufacturers	**29,172**	19,671
Interest income	**18,490**	16,866
Rental income	**3,569**	2,714
Government grants	**2,704**	4,635
Gain and income from disposal of subsidiaries *(note 31)*	**–**	42,272
Others	**6,131**	4,431
	252,006	244,532

6. PROFIT BEFORE TAX

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

		2014 RMB'000	2013 RMB'000
(a)	Employee benefit expense (excluding directors' and chief executive's remuneration *(note (9))*:		
	Wages and salaries	**199,294**	130,164
	Equity-settled share option expense	**6,690**	1,961
	Other welfare	**72,038**	55,940
		278,022	188,065
(b)	Cost of sales and services:		
	Cost of sales of motor vehicles	**13,123,786**	9,925,768
	Others	**906,431**	659,766
		14,030,217	10,585,534
(c)	Other items:		
	Depreciation of items of property, plant and equipment	**170,962**	107,904
	Advertisement and business promotion expenses	**70,031**	53,080
	Lease expenses	**55,161**	22,567
	Amortisation of intangible assets	**14,892**	4,781
	Bank charges	**14,688**	13,676
	Amortisation of land use rights	**8,709**	8,731
	Loss on disposal of items of property, plant and equipment	**5,611**	13,534

7. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest expense on bank borrowings wholly repayable within five years	**340,315**	279,743
Interest expense on other borrowings	**21,912**	20,799
Less: interest capitalised	**(11,743)**	(9,395)
	350,484	291,147

8. TAX

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

	2014	2013
	RMB'000	*RMB'000*
Current:		
Mainland China corporate income tax	**155,077**	110,745
Deferred tax *(note 28)*	**(45)**	28,526
	155,032	139,271

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

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

The subsidiaries incorporated in Hong Kong are subject to profits tax at the rate of 16.5% during the years ended 31 December 2013 and 2014. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2013 and 2014.

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

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

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

	2014	2013
	RMB'000	*RMB'000*
Profit before tax	**467,962**	387,664
Tax at applicable tax rates (25%)	**116,991**	96,916
Adjustments in respect of current tax of previous years	**960**	379
Expenses not deductible for tax	**11,364**	9,677
Tax losses utilised from previous years	**(535)**	(436)
Tax losses not recognised	**21,354**	10,040
Deductible temporary differences not recognised	**27**	84
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**4,871**	22,611
Tax charge	**155,032**	139,271

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the years ended 31 December 2013 and 2014, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), is as follows:

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

	Year ended 31 December 2013				
	Directors' fees *RMB'000*	Salaries, allowances and other benefits *RMB'000*	Pension scheme contributions *RMB'000*	Equity-settled share option expense *RMB'000*	Total *RMB'000*
Executive directors:					
Mr. Yang Peng	–	376	26	–	402
Mr. Liu Dongli	–	–	–	12	12
Mr. Zhao Zhongjie*	–	526	36	865	1,427
Mr. Liu Jian	–	536	26	531	1,093
Mr. Li Xiang	–	488	26	101	615
Non-executive directors:					
Mr. Yan Sujian	–	529	–	720	1,249
Mr. Liu Haifeng	–	–	–	–	–
Mr. Zhao Fu	–	–	–	–	–
	–	2,455	114	2,229	4,798

* Mr. Zhao Zhongjie who acts as an executive director of the Company is also the executive president of the Company.

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

During the years ended 31 December 2013 and 2014, certain executive directors, a non-executive director and the chief executive were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 33 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the years ended 31 December 2013 and 2014 is included in the above directors' and chief executive's remuneration disclosures.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2013 and 2014.

10. FIVE HIGHEST PAID EMPLOYEES

The five individuals whose emoluments were the highest for the years ended 31 December 2013 and 2014 include three and four directors, respectively, whose emoluments are reflected in the analysis presented in note 9 above.

Details of the remuneration for the year of the remaining one (2013: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries, bonuses, allowances and benefits in kind	**621**	1,235
Pension scheme contributions	**37**	71
Equity-settled share option expense	**981**	397
	1,639	1,703

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

	2014 **RMB'000**	2013 RMB'000
Nil to RMB1,000,000	**–**	2
RMB1,000,000 to RMB1,500,000	**–**	–
RMB1,500,000 to RMB2,000,000	**1**	–
	1	2

During the year and in prior years, share options were granted to one non-director and non-chief executive highest paid employee in respect of his services to the Group under the share option scheme of the Company, further details of which are included in note 33 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the years ended 31 December 2013 and 2014 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 were all generated by the subsidiaries now comprising the Group (note 40).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of 902,927,750 ordinary shares in issue during the year ended 31 December 2014 as adjusted to reflect the share consolidation occurred for the year ended 31 December 2014. The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2013 was 800,000,000, which were deemed to have been issued throughout the year ended 31 December 2013. The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2014 includes the weighted average of 91,865,250 shares issued in connection with the Company's public listing, the weighted average of 11,062,500 shares issued in connection with the exercise of share options (note 33) and the aforesaid 800,000,000 ordinary shares.

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

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

	2014 ***RMB'000***	2013 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	**305,422**	238,959

	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**902,927,750**	800,000,000
Effect of dilution weighted average number of ordinary shares: Share options	**6,082,506**	–
Earnings per share		
Basic (RMB)	**0.34**	0.30
Diluted (RMB)	**0.34**	0.30

13. PROPERTY, PLANT AND EQUIPMENT

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

13. 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*
Cost:							
At 1 January 2013	767,579	6,875	80,240	69,324	146,548	245,751	1,316,317
Additions	100,218	3,269	18,633	35,397	151,585	489,398	798,500
Transfers	524,007	–	10,005	7,147	–	(541,159)	–
Acquisition of subsidiaries *(note 32)*	65,383	1,317	16,316	15,554	45,348	4,194	148,112
Disposals	(10,076)	–	(508)	(3,742)	(73,209)	–	(87,535)
Disposal of subsidiaries *(note 31)*	(101)	(1,384)	(2,541)	(1,779)	(2,009)	(3,297)	(11,111)
At 31 December 2013	1,447,010	10,077	122,145	121,901	268,263	194,887	2,164,283
Accumulated depreciation:							
At 1 January 2013	(55,879)	(3,025)	(16,361)	(29,062)	(27,204)	–	(131,531)
Depreciation provided during the year	(50,241)	(3,478)	(8,942)	(16,592)	(28,651)	–	(107,904)
Acquisition of subsidiaries *(note 32)*	(8,001)	–	(4,953)	(5,595)	(6,758)	–	(25,307)
Disposals	2,534	–	283	859	13,113	–	16,789
Disposal of subsidiaries *(note 31)*	–	1,261	127	373	269	–	2,030
At 31 December 2013	(111,587)	(5,242)	(29,846)	(50,017)	(49,231)	–	(245,923)
Net book value:							
At 31 December 2012	711,700	3,850	63,879	40,262	119,344	245,751	1,184,786
At 31 December 2013	1,335,423	4,835	92,299	71,884	219,032	194,887	1,918,360

The application for the property ownership certificates for certain buildings with net book values of approximately RMB343,650,000 and RMB273,535,000, respectively, as at 31 December 2013 and 2014 was still in progress.

Certain of the Group's buildings with aggregate net book values of approximately RMB422,052,000 and RMB427,704,000, respectively, as at 31 December 2013 and 2014 were pledged as security for the Group's interest-bearing bank and other borrowings (note 27).

Certain of the Group's buildings with aggregate net book values of RMB44,327,000 and RMB41,985,000, respectively, as at 31 December 2013 and 2014 do not have building ownership certificates because they were built on land where the Group did not have the land use right certificates. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group can build the relevant buildings on such land, (2) the Group will not be imposed of fine for the use of land, (3) the relevant bureaus will not confiscate the constructions and other facilities built on such land, and (4) the Group will not be required to return the relevant land before public bidding. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or confiscating the buildings is relatively low.

14. LAND USE RIGHTS

	2014 RMB'000	2013 RMB'000
Cost		
At the beginning of the year	**376,377**	355,548
Additions	**–**	71,481
Acquisition of subsidiaries *(note 32)*	**–**	19,624
Disposal of subsidiaries *(note 31)*	**–**	(70,276)
At the end of the year	**376,377**	376,377
Accumulated amortisation		
At the beginning of the year	**(23,980)**	(15,815)
Charge for the year	**(8,709)**	(8,731)
Acquisition of subsidiaries *(note 32)*	**–**	(524)
Disposal of subsidiaries *(note 31)*	**–**	1,090
At the end of the year	**(32,689)**	(23,980)
Net book value:		
At the end of the year	**343,688**	352,397

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

Certain of the Group's land use rights with aggregate net book values of approximately RMB250,695,000 and RMB209,612,000, respectively, as at 31 December 2013 and 2014 were pledged as security for the Group's interest-bearing bank and other borrowings (note 27).

Certain of the Group's land use rights are rights with aggregate net book values of RMB14,290,000 and RMB13,925,000, respectively, as at 31 December 2013 and 2014, which the Group had not obtained the land use right certificates. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group can build and operate dealership stores on such land, (2) the Group will not be imposed of fine for the use of land, (3) the relevant bureaus will not confiscate the constructions and other facilities built on such land, and (4) the Group will not be required to return the relevant land before public bidding. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or requiring the Group to return the relevant land before public bidding is relatively low.

Included in the Group's land use rights are rights to five parcels of land, with aggregate net book values of RMB69,106,000 and RMB49,842,000, respectively, as at 31 December 2013 and 2014, which the Group did not use for their designated usage. The Group is occupying ten buildings on these five parcels of land. Under applicable PRC laws and regulations, government approval is required for land use rights holders to change the designated usage for the land. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group is the legal land use right holder of the relevant lands with full payment made, (2) the relevant bureaus are aware of the Group's present use of the land as dealership stores, and (3) there will be no fines or additional land grant fees to be imposed by the relevant bureaus and the Group will not be required to return the land to the government. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or requiring the Group to return the relevant land is relatively low.

15. INTANGIBLE ASSETS

	Software *RMB'000*	Dealership relationship *RMB'000*	Customer relationship *RMB'000*	Insurance license *RMB'000*	Total *RMB'000*
Cost					
At 1 January 2014	**12,359**	**141,300**	**50,137**	**26,500**	**230,296**
Additions	**7,035**	**–**	**–**	**–**	**7,035**
At 31 December 2014	**19,394**	**141,300**	**50,137**	**26,500**	**237,331**
Accumulated amortisation					
At 1 January 2014	**(5,693)**	**(1,766)**	**(836)**	**(442)**	**(8,737)**
Charge for the year	**(2,718)**	**(7,531)**	**(3,342)**	**(1,301)**	**(14,892)**
At 31 December 2014	**(8,411)**	**(9,297)**	**(4,178)**	**(1,743)**	**(23,629)**
Net book value					
At 31 December 2014	**10,983**	**132,003**	**45,959**	**24,757**	**213,702**
Cost					
At 1 January 2013	9,743	–	–	–	9,743
Additions	2,826	–	–	–	2,826
Acquisition of subsidiaries *(note 32)*	198	141,300	50,137	26,500	218,135
Disposal of subsidiaries *(note 31)*	(408)	–	–	–	(408)
At 31 December 2013	12,359	141,300	50,137	26,500	230,296
Accumulated amortisation					
At 1 January 2013	(3,971)	–	–	–	(3,971)
Charge for the year	(1,737)	(1,766)	(836)	(442)	(4,781)
Acquisition of subsidiaries *(note 32)*	(87)	–	–	–	(87)
Disposal of subsidiaries *(note 31)*	102	–	–	–	102
At 31 December 2013	(5,693)	(1,766)	(836)	(442)	(8,737)
Net book value					
At 31 December 2013	6,666	139,534	49,301	26,058	221,559

16. PREPAYMENTS

	2014 RMB'000	2013 RMB'000
Prepayments for potential acquisitions	418,485	–
Prepayments for land use rights	17,989	5,384
	436,474	5,384

17. GOODWILL

	RMB'000
Cost and net carrying amount at 1 January 2014 and 31 December 2014	207,146

Impairment testing of goodwill

In the opinion of the Directors, 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 following cash-generating units for impairment testing:

- Linyi Aofeng Automobile Sales and Services Company Limited ("Linyi Aofeng")
- Linyi Jinhua Automobile Sales and Services Company Limited ("Linyi Jinhua")
- Zaozhuang Aowei Automobile Sales and Services Company ("Zaozhuang Aowei")

The recoverable amount of the above three cash-generating units 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 projection beyond one-year is 16%.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Carrying amount of goodwill as at 1 January 2014 and 31 December 2014 RMB'000
Linyi Aofeng	79,458
Linyi Jinhua	69,243
Zaozhuang Aowei	58,445
	207,146

17. GOODWILL *(Continued)*

Key assumptions used in the value in use calculation

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

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

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

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash-generating 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.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2014 ***RMB'000***	2013 *RMB'000*
Unlisted equity investments, at cost		
Jiangsu Bank Company Limited	**53,000**	53,000
Xuzhou Huaihai Nongcun Commercial Bank Company Limited	**40,000**	40,000
Tongshanxian Nongcun Credit Cooperation Association	**9,000**	9,000
	102,000	102,000
Impairment	**–**	–
	102,000	102,000

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

18. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

On 31 December 2013, the Group entered into a series of equity interest transfer agreements with Mr. Yang Peng and Xuzhou Dianrun (as the beneficial owner of the target shares) to acquire equity shares in Jiangsu Bank, equity shares in Xuzhou Huaihai Bank and equity shares in Tongshanxian Credit for considerations of RMB53,000,000, RMB40,000,000 and RMB9,000,000, respectively, which were determined based on the valuations of these shares conducted by an independent valuer. The acquired shares represent a minority interest in each of them, representing less than 5% of the total issued equity interests of Jiangsu Bank, Xuzhou Huaihai Bank and Tongshanxian Credit. It is not part of the Group's investment strategy, and neither does the Group has any current intention, to make further investments in any financial institutions. Subsequent to such acquisitions, the Group was released from holding these shares in Jiangsu Bank, Xuzhou Huaihai Bank and Tongshanxian Credit as a nominee of Xuzhou Dianrun.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. As at 31 December 2013 and 31 December 2014, certain unlisted equity investments with carrying amounts of RMB102,000,000 and RMB102,000,000, respectively, were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

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

As at 31 December 2013 and 2014, certain of the Group's bank loans amounted to RMB65,000,000 and RMB65,000,000, respectively, were secured by equity shares of Jiangsu Bank (note 27).

19. INVENTORIES

	2014 ***RMB'000***	2013 *RMB'000*
Motor vehicles	**1,743,615**	1,486,684
Spare parts and accessories	**156,039**	153,005
	1,899,654	1,639,689

Certain of the Group's inventories with carrying amounts of RMB1,384,722,000 and RMB1,104,925,000 as at 31 December 2013 and 2014 were pledged as security for the Group's bills payable.

Certain of the Group's inventories with aggregate net book values of approximately RMB101,962,000 and RMB638,690,000 as at 31 December 2013 and 2014 were pledged as security for the Group's interest-bearing bank and other borrowings (note 27).

20. TRADE RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	**208,722**	190,150
Impairment	**–**	–
	208,722	190,150

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

An aged analysis of the trade receivables as at the end of the Reporting Period (based on the invoice date) is as follows:

	2014 RMB'000	2013 RMB'000
Within three months	**193,451**	178,250
More than three months but less than one year	**13,261**	10,335
More than one year	**2,010**	1,565
	208,722	190,150

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

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	**193,451**	178,250
Less than three months past due	**13,261**	10,335
Three months to one year past due	**2,010**	1,565
	208,722	190,150

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.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Prepayments to suppliers	**647,180**	469,138
Rebate receivables	**558,003**	508,585
VAT recoverable	**120,554**	112,068
Prepaid expense	**33,092**	20,224
Others	**36,473**	27,369
	1,395,302	1,137,384

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

22. CASH IN TRANSIT

	2014 RMB'000	2013 RMB'000
Cash in transit	**60,017**	23,345

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

23. PLEDGED BANK DEPOSITS

	2014 RMB'000	2013 RMB'000
Deposits pledged with banks as collateral against:		
— Bills payable granted by the banks	**1,765,494**	857,858
— Credit facilities granted by the banks	**157,002**	412,220
	1,922,496	1,270,078

The pledged bank deposits, which are all denominated in RMB as at 31 December 2013 and 2014, earn interest at interest rates stipulated by respective financial institutions.

24. CASH AND CASH EQUIVALENTS

	2014 RMB'000	2013 RMB'000
Cash and bank balances	**1,072,158**	417,485

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

The Group's cash and bank balances as at 31 December 2013 and 2014 are denominated in the following currencies:

	2014 RMB'000	2013 RMB'000
Denominated in:		
— RMB	**890,688**	416,998
— HKD	**171,754**	–
— USD	**9,716**	487
	1,072,158	417,485

25. TRADE AND BILLS PAYABLES

	2014 RMB'000	2013 RMB'000
Bills payable	**3,518,607**	2,658,466
Trade payables	**120,270**	79,596
Trade and bills payables	**3,638,877**	2,738,062

An aged analysis of the trade and bills payables as at 31 December 2013 and 2014, based on the invoice date, is as follows:

	2014 RMB'000	2013 RMB'000
Within 3 months	**2,947,251**	2,628,546
3 to 6 months	**684,769**	104,647
6 to 12 months	**3,033**	929
Over 12 months	**3,824**	3,940
	3,638,877	2,738,062

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

26. OTHER PAYABLES AND ACCRUALS

	2014	2013
	RMB'000	*RMB'000*
Advances from customers	**321,166**	273,148
Payables for purchase of items of property, plant and equipment and land use rights	**169,638**	259,928
Taxes payable (other than income tax)	**148,589**	83,615
Dividend payable (i)	**117,270**	–
Accrued expenses	**36,972**	17,764
Others	**141,205**	146,718
	934,840	781,173

(i) On 23 July, 2014, the Directors of the Company declared a special dividend of RMB330.0 million out of historical profits of the Company to its then shareholders Rundong Fortune Investment Limited ("Rundong Fortune"), Rundong Smart Investment Limited ("Rundong Smart") and KKR China Auto Retail Holding Ltd II ("KKR Auto"). As at 31 December 2014, after reducing 10% withholding taxes, the dividend payable was due to Rundong Smart and KKR Auto of RMB13.32 million and RMB103.95 million, respectively.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2014		2013	
		Effective interest rate		Effective interest rate	
		(%)	***RMB'000***	*(%)*	*RMB'000*
Current					
Bank loans		**5.88–10.20**	**3,023,257**	5.60–24.00	2,129,008
Other borrowings		**6.44–10.98**	**229,803**	4.83–9.94	177,328
			3,253,060		2,306,336
Non-current					
Bank loans		**6.44–8.97**	**680,944**	5.94–24.00	939,063
			3,934,004		3,245,399
Bank loans and other borrowings representing:					
— secured	(a)		**284,244**		265,156
— guaranteed	(b)		**1,688,790**		1,003,236
— secured and guaranteed	(a) (b)		**1,960,970**		1,977,007
			3,934,004		3,245,399

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	2014 RMB'000	2013 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**3,023,257**	2,129,008
In the second year	**317,506**	358,044
In the third to fifth years, inclusive	**363,438**	581,019
	3,704,201	3,068,071
Other borrowings repayable:		
Within one year	**229,803**	177,328
	3,934,004	3,245,399

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

(i) mortgages over the Group's buildings, which had aggregate net book values of approximately RMB422,052,000 and RMB427,704,000, respectively, as at 31 December 2013 and 2014 (note 13).

(ii) mortgages over the Group's land use rights situated in Mainland China, which had aggregate net book values of approximately RMB250,695,000 and RMB209,612,000, respectively, as at 31 December 2013 and 2014 (note 14).

(iii) certain of the Group's bank loans amounting to RMB65,000,000 and RMB65,000,000 as at 31 December 2013 and 2014, respectively, which were secured by equity shares of Jiangsu Bank (note 18).

(iv) mortgages over the Group's inventories, which had aggregate net book values of approximately RMB101,962,000 and RMB638,690,000, respectively, as at 31 December 2013 and 2014 (note 19).

(v) mortgages over 997,239,000 shares and 1,168,640,000 shares of the Group's subsidiaries, respectively, as at 31 December 2013 and 2014.

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

(i) certain of the Group's bank loans amounting to RMB45,926,000 and RMB50,870,000, respectively, which were guaranteed by the Controlling Shareholder as at 31 December 2013 and 2014.

(ii) certain of the Group's bank loans amounting to RMB675,096,000 and RMB1,498,943,000, respectively, which were guaranteed by the subsidiaries of the Group as at 31 December 2013 and 2014.

(iii) certain of the Group's bank loans amounting to RMB2,259,221,000 and RMB2,380,873,000, respectively, which were guaranteed jointly by the Controlling Shareholder, the subsidiaries of the Group and the third parties as at 31 December 2013 and 2014.

28. DEFERRED TAX

Deferred tax assets

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements for the years ended 31 December 2013 and 2014 are as follows:

	Accrued Payroll RMB'000	Losses available for offsetting against future taxable profits RMB'000	Provision for impairment of inventories RMB'000	Total RMB'000
At 1 January 2014	**642**	**5,155**	**–**	**5,797**
Charged to the statement of profit or loss during the year	**(249)**	**1,268**	**642**	**1,661**
At 31 December 2014	**393**	**6,423**	**642**	**7,458**
At 1 January 2013	666	11,855	–	12,521
Charged to the statement of profit or loss during the year	(24)	(6,700)	–	(6,724)
At 31 December 2013	642	5,155	–	5,797

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

	2014 ***RMB'000***	2013 *RMB'000*
Tax losses	**178,459**	109,575

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

28. DEFERRED TAX *(Continued)*

Deferred tax liabilities:

	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	Withholding taxes *RMB'000*	Total *RMB'000*
At 1 January 2014	**58,741**	**31,556**	**90,297**
Deferred tax (credited)/charged in the statement of profit or loss during the year	**(3,255)**	**4,870**	**1,615**
Deferred tax utilized in the statement of profit or loss during the year	**–**	**(36,426)**	**(36,426)**
At 31 December 2014	**55,486**	**–**	**55,486**
At 1 January 2013	**–**	**8,945**	**8,945**
Deferred tax arising from acquisition of subsidiaries *(note 32)*	59,550	–	59,550
Deferred tax (credited)/charged in the statement of profit or loss during the year	(809)	22,611	21,802
At 31 December 2013	58,741	31,556	90,297

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

The Group has provided for withholding taxes of RMB22,611,000 and RMB4,871,000 for the years ended 31 December 2013 and 2014, respectively. No deferred tax has been recognised for withholding taxes that would be payable on the remaining unremitted earnings of the Group's subsidiaries established in Mainland China, as in the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of such remaining unremitted earnings totalled approximately nil and RMB291,395,000, respectively, as at 31 December 2013 and 2014.

29. SHARE CAPITAL

	2014 RMB'000
Authorized:	
100,000,000,000 ordinary shares of US$0.0000005 each	**305**
Issued and fully paid:	
1,074,474,000 ordinary shares of US$0.0000005 each	**3**

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

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2014	–	–	–	–
Incorporation *(note (a))*	1	–	–	–
Share swap *(note (b))*	799,999,999	2	–	2
Exercise of share options *(note (c))*	29,500,000	–	94,752	94,752
Issue of new shares *(note (d))*	244,974,000	1	665,372	665,373
At 31 December 2014	1,074,474,000	3	760,124	760,127

Note:

(a) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 January 2014 with an initial authorised share capital of US$50,000 divided into 250,000,000,000 ordinary shares of US$0.0000002 each. On the date of incorporation, one share was issued to China Rundong Auto Holding Limited (the "Parent of the Company") (representing the then entire issued share capital of the Company).

(b) On 22 January 2014, the Parent of the Company entered into an equity transfer agreement with the Company pursuant to which the Company acquired all of the issued share capital in each of the subsidiaries incorporated in the BVI directly held by the Parent of the Company. The Company allotted and issued 1,999,999,999 shares (799,999,999 after the share consolidation) at par value to the Parent of the Company as the consideration of this transfer. Immediately after this transfer, the Company became the holding company of the subsidiaries comprising the Group. Pursuant to the resolutions of shareholders of the Company dated 23 July 2014, every ten ordinary shares in the capital of the Company of US$0.0000002 each were to be consolidated into four ordinary shares of the Company of US$0.0000005 each (the "Share Consolidation"). Immediately after the completion of the Share Consolidation, the authorised and issued share capital of the Company, comprising 250,000,000,000 and 2,000,000,000 ordinary shares of US$0.0000002 each, respectively, were consolidated into 100,000,000,000 ordinary shares and 800,000,000 ordinary shares of US$0.0000005 each, respectively, prior to the Company's public listing.

(c) The subscription rights attaching to 29,500,000 share options were exercised, on 12 August 2014, at the subscription price of US$0.3573 per share (note 33), resulting in the issue of 29,500,000 shares for a total cash consideration RMB65,350,000. An amount of RMB29,402,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

(d) On 12 August 2014, in connection with the Company's IPO as defined in the Prospectus, 244,974,000 new ordinary shares of the Company of US$0.0000005 each were issued at a price of HK$3.58 per share with net proceeds of RMB665,372,000.

30. RESERVES

(i) Merger reserve

The merger reserve of the Group represents the capital contributions from the then equity holders of the Company. The additions during the year represent the injection of additional paid-up capital by the equity holders of the subsidiaries to the respective companies, which were consolidated from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholder. The deductions during the year represent the decrease in the Group's net assets resulted from the distribution to equity holders of the Company and acquisition of interests in subsidiaries from the Controlling Shareholder for business combinations under common control.

(ii) Statutory reserve

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 40 of this report are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

31. DISPOSAL OF SUBSIDIARIES

The Group entered into an equity transfer agreement with Mr. Guo Jihong, an independent third party, on 2 May 2013, to dispose of a subsidiary in the PRC with a disposal consideration of RMB50,000. The consideration of RMB50,000 was fully settled as at 31 December 2013.

The Group entered into an equity transfer agreement with Shanghai Huijing Automobile Components Company Limited ("Shanghai Huijing"), an independent third party, on 15 May 2013 to dispose of a subsidiary in the PRC with a disposal consideration of RMB16,000,000. The consideration of RMB16,000,000 was fully settled as at 31 December 2013.

The Group entered into a series of separate equity transfer agreements with Jiangsu Qirun Investment Company Limited ("Jiangsu Qirun"), an independent third party, on 30 June 2013, to dispose of the entire equity interests in six subsidiaries in the PRC with an aggregate disposal consideration of RMB43,292,000. The aggregate consideration of RMB43,292,000 was fully settled as at 31 December 2013.

31. DISPOSAL OF SUBSIDIARIES *(Continued)*

	2013 *RMB'000*
Net assets disposed of:	
Property, plant and equipment *(note 13)*	9,081
Land use rights *(note 14)*	69,186
Intangible assets *(note 15)*	306
Inventories	23,753
Trade receivables	1,759
Prepayments, deposits and other receivables	97,895
Cash in transit	988
Pledged bank deposits	26,247
Cash and cash equivalents	20,844
Interest-bearing bank and other borrowings	(68,500)
Trade and bills payables	(59,925)
Other payables and accruals	(23,576)
Other payables due to the Group	(57,056)
	41,002
Gain on disposal of subsidiaries	18,340
	59,342
Satisfied by:	
Cash	59,342

	2013 *RMB'000*
Gain and income from disposal of subsidiaries:	
Gain on disposal of subsidiaries	18,340
Interest income derived from outstanding considerations and amounts due from companies disposed companies	23,932
	42,272

Pursuant to the equity transfer agreements between the Group and Jiangsu Qirun, Jiangsu Qirun is obligated to pay interest at 11% per annum in terms of the outstanding consideration as well as the Group's receivables due from the companies disposed of in the year of 2013. Receivables with carrying amounts of nil were outstanding from the respective former subsidiaries disposed of to Jiangsu Qirun as at 31 December 2013. The Group was entitled to receive interest of RMB23,932,000 which was credited to other income and gains for the year ended 31 December 2013.

31. DISPOSAL OF SUBSIDIARIES *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2013 *RMB'000*
Cash consideration	59,342
Add: Settled consideration in respect of previous disposal of subsidiaries	279,789
Cash and cash equivalents disposed	(20,844)
Net cash inflow in respect of the disposal of subsidiaries	318,287

Prior to the disposal of subsidiaries, these former subsidiaries contributed RMB97,692,000 to the Group's turnover and net loss of RMB4,423,000 to the Group's consolidated profit for the year ended 31 December 2013.

32. BUSINESS COMBINATIONS

(a) On 31 March 2013, the Group acquired the 100% equity interest in Xuzhou Rundong Huijing Automobile Sales & Service Company Limited ("Xuzhou Rundong Huijing") from Jiangsu Qirun at a consideration of RMB8,540,000 which was determined based on negotiation between the Group and Jiangsu Qirun, taking into account the net asset value of Xuzhou Rundong Huijing. The consideration of RMB8,540,000 was fully settled as at 31 December 2013.

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

	2013 *RMB'000*
Cash consideration	(8,540)
Cash and cash equivalents acquired	35,575
Net inflow of cash and cash equivalents included in cash flows from investing activities	27,035

Since the acquisition, Xuzhou Rundong Huijing contributed RMB94,639,000 to the Group's turnover and RMB3,987,000 to the consolidated profit for the year ended 31 December 2013.

Had the combination taken place at the beginning of the period, the revenue and profit of the Group for the year ended 31 December 2013 would have been RMB11,625,143,000 and RMB271,608,000, respectively.

32. BUSINESS COMBINATIONS *(Continued)*

(b) In October 2013, the Group acquired 100% equity interests in three Audi dealership stores and an insurance agency company in Shandong Province, from an independent third party, Linyi Jialun Automobile Sales Service Company Limited ("Linyi Jialun" or 臨沂佳輪汽車銷售服務有限公司), at a consideration of RMB420,000,000. The consideration of RMB420,000,000 was fully settled as at 31 December 2013.

The three Audi dealership stores and the insurance agency company had changed their shareholders and legal representatives and registered these updates in the local administration for industrial and commercial in October 2013, December 2013 and May 2014, respectively.

The fair values of the identifiable assets and liabilities of the Audi stores and the insurance agency company as at the date of acquisition were as follows:

	2013 *RMB'000*
Property, plant and equipment	117,987
Land use rights	19,100
Intangible assets	217,977
Inventories	107,922
Trade receivables	10,154
Prepayments, deposits and other receivables	68,700
Pledged bank deposits	135,420
Cash in transit	1,727
Cash and cash equivalents	7,108
Trade and bills payables	(231,379)
Other payables and accruals	(55,218)
Interest-bearing bank borrowings	(127,094)
Deferred tax liabilities	(59,550)
Total identifiable net assets	212,854
Goodwill on acquisition	207,146
Satisfied by cash	420,000

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

	2013 *RMB'000*
Cash consideration	(420,000)
Cash and cash equivalents	7,108
Net outflow of cash and cash equivalents included in cash flows from investing activities	(412,892)

Since the acquisition, the acquired businesses contributed RMB266,625,000 to the Group's turnover and RMB11,744,000 to the consolidated profit for the year ended 31 December 2013.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year ended 31 December 2013 would have been RMB12,308,854,000 and RMB285,027,000, respectively.

33. SHARE OPTION SCHEME

Before the incorporation of the Company, the Parent of the Company operates a share option scheme (the "Pre-IPO Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. In order to operate the Pre-IPO Scheme, the Parent of the Company established a trust (the "Employee Pre-IPO Trust") under a trust deed in September 2011. Eligible participants of the Pre-IPO Scheme will be nominated as beneficiaries of the Employee Pre-IPO Trust. Eligible participants include the Company's directors, including independent non-executive directors, and other employees of the Group and its subsidiaries. The Pre-IPO Scheme became effective on 15 November 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date with a fixed exercise price of US$0.1429 per share (US$0.3573 per share after the Share Consolidation).

The Parent of the Company offered the share options to subscribe for a total of 100,000,000 shares (40,000,000 shares after the Share Consolidation) upon their exercise, representing 5% of the then issued share capital of the Parent of the Company, to Runda, acting as the trustee to the Employee Pre-IPO Trust. Runda holds the share options for the benefit of the eligible participants when they are granted with the share options. Share options were offered to each eligible participant in various batches since 2 January 2012 till 31 December 2013.

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

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

On 24 March 2014, 14 eligible participants (the ''Relevant Grantees") entered into supplemental agreements (each, the ''Supplemental Agreement") to their respective Pre-IPO Share Option Agreements with the Parent of the Company and Runda to modify the original vesting conditions and periods and be entitled to fully vest their share options on the date of modification. The share option would be exercisable upon the completion of IPO. Pursuant to the Supplemental Agreement, the Parent of the Company agreed to (a) procure Runda to exercise the share options to which each of these Relevant Grantees was entitled to; and (b) upon such exercise, issue 76,750,000 shares (30,700,000 shares after the Share Consolidation) in the Parent of the Company to Runda as unpaid shares for the Relevant Grantees as beneficiaries of those shares. The incremental fair value of share options during the three months ended 31 March 2014 was estimated as at the date of modification, using a binomial model, taking into account the terms and conditions upon which the options were modified. The incremental fair value was measured as the difference between the fair value of the original award and that of the modified award and was recognised as share option expense for the three months ended 31 March 2014.

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

33. SHARE OPTION SCHEME *(Continued)*

The following share options were outstanding under the Pre-IPO Scheme during the years ended 31 December 2013 and 2014:

	2014 Exercise price US$ per share	**2014** Number of options '000	2013 Exercise price US$ per share	2013 Number of options '000
At the beginning of the year	**0.3573**	**22,979**	0.3573	15,321
Granted during the year	**0.3573**	**14,062**	0.3573	7,870
Forfeited during the year	**0.3573**	**(1,529)**	0.3573	(212)
Exercised during the year	**0.3573**	**(29,500)**	–	–
Expired during the year	**–**	**–**	–	–
At the end of the year	**0.3573**	**6,012**	0.3573	22,979

The weighted average fair values of the share options granted during the years ended 31 December 2013 and 2014 were US$0.098 (RMB0.6158) and US$0.1725 (RMB1.0588) per option of which the Group recognised equity-settled share option expenses of RMB4,190,000 and RMB25,090,000 during the years ended 31 December 2013 and 2014, respectively.

The fair value of the share options granted during the years ended 31 December 2013 and 2014 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2014	2013
Dividend yield (%)	**–**	–
Expected volatility (%)	**34.90–45.70**	45.70–48.10
Risk-free interest rate (%)	**2.51–3.81**	2.51–3.81
Expected life of options (year)	**10**	10
Weighted average share price (US$ per share)	**0.5158–0.6400**	0.2325–0.6400

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

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

At 31 December 2013 and 2014, 22,979,504 and 6,012,474 share options were outstanding under the Pre-IPO Scheme, respectively.

34. CONTINGENT LIABILITIES

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

35. COMMITMENTS

a. Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding as at 31 December 2014 not provided for in the financial statements were as follows:

	2014 RMB'000	2013 RMB'000
Contracted, but not provided for land use rights and buildings	432,406	415,620

b. Operating lease commitments

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

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases with its tenants falling due as follows:

	2014		2013	
	Properties RMB'000	Land RMB'000	Properties RMB'000	Land RMB'000
Within one year	33,383	14,127	22,101	11,208
After one year but within five years	120,626	47,159	74,654	28,671
After five years	187,231	82,662	66,231	54,113
	341,240	143,948	162,986	93,992

36. PLEDGE OF ASSETS

Details of the Group's assets pledged for its interest-bearing bank and other borrowings and bills payable are disclosed in notes 13, 14, 18, 19, 23 and 27 to the financial statements.

37. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the years ended 31 December 2013 and 2014:

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

37. BALANCES AND TRANSACTIONS WITH RELATED PARTIES *(Continued)*

(a) The Group had the following transactions with a related party during the years ended 31 December 2013 and 2014:

	2014 **RMB'000**	2013 *RMB'000*
Repayment from/(advance to) the Controlling Shareholder:		
Mr. Yang Peng	**445,837**	(370,359)

On 23 July 2014, the Directors of the Company declared a special dividend of RMB330.0 million out of historical profits of the Company to its then shareholders Rundong Fortune, Rundong Smart and KKR Auto. Each of Rundong Fortune, Rundong Smart and KKR Auto was entitled to RMB199.7 million, RMB14.8 million and RMB115.5 million, respectively. The Company, Mr. Yang Peng and Rundong Fortune separately agreed that the special dividend payable to Rundong Fortune, amounting to RMB179.73 million (after reducing 10% withholding taxes), was utilised to settle part of the advances to Mr. Yang Peng.

(b) Outstanding balances with a related party:

Due from the Controlling Shareholder

	2014 **RMB'000**	2013 *RMB'000*
Mr. Yang Peng	**–**	760,923

Due to the Controlling Shareholder

	2014 **RMB'000**	2013 *RMB'000*
Mr. Yang Peng	**–**	315,086

Amounts due from/to a related party were interest-free, which had not been pledged and had no fixed repayment terms.

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

	2014 **RMB'000**	2013 *RMB'000*
Short term employee benefits	**6,798**	4,399
Pension scheme contributions	**243**	210
Equity-settled share option expense	**22,285**	2,904
Total compensation paid to key management personnel	**29,326**	7,513

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

38. FAIR VALUE

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group has no significant interest-bearing assets other than pledged bank deposits (note 23), cash and cash equivalents (note 24).

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

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

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000*
2014		
RMB	**50**	**(24,616)**
RMB	**(50)**	**24,616**
2013		
RMB	50	(16,227)
RMB	(50)	16,227

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

Foreign currency risk

The Group's business is located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB, except for certain bank balances denominated in HKD and USD as disclosed in note 24.

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

The Group did not have material foreign currency transactions in Mainland China during the years ended 31 December 2013 and 2014.

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

	Increase/ (decrease) in HKD rate *%*	Increase/ (decrease) in PBT *RMB'000*	Increase/ (decrease) in equity *RMB'000*
2014			
If RMB weakens against HKD	5%	8,588	8,588
If RMB dollar strengthens against HKD	(5%)	(8,588)	(8,588)

	Increase/ (decrease) in USD rate *%*	Increase/ (decrease) in PBT *RMB'000*	Increase/ (decrease) in equity *RMB'000*
2014			
If RMB weakens against USD	5%	486	486
If RMB dollar strengthens against USD	(5%)	(486)	(486)

Credit risk

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

As at 31 December 2013 and 2014, all pledged bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

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

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

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

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*	**Beyond 5 years** *RMB'000*	**Total** *RMB'000*
Trade and bills payables	**3,638,877**	**–**	**–**	**–**	**–**	**3,638,877**
Interest-bearing bank and other borrowings	**105,781**	**891,323**	**2,348,198**	**942,779**	**–**	**4,288,081**
Other payables and accruals	**597,839**	**–**	**–**	**–**	**–**	**597,839**
	4,342,497	**891,323**	**2,348,198**	**942,779**	**–**	**8,524,797**

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*	Beyond 5 years *RMB'000*	Total *RMB'000*
Trade and bills payables	2,738,062	–	–	–	–	2,738,062
Interest-bearing bank and other borrowings	49,636	660,720	1,757,678	1,172,091	–	3,640,125
Other payables and accruals	497,758	–	–	–	–	497,758
Due to a related party	315,086	–	–	–	–	315,086
Bank borrowing guarantee	–	35,000	10,000	–	–	45,000
	3,600,542	695,720	1,767,678	1,172,091	–	7,236,031

Capital management

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2014.

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

Capital management *(Continued)*

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

	2014	2013
	RMB'000	*RMB'000*
Trade and bills payables	**3,638,877**	2,738,062
Interest-bearing bank and other borrowings	**3,934,004**	3,245,399
Other payables and accruals	**597,839**	497,758
Amount due to a related party	**–**	315,086
Less: cash and cash equivalents	**(1,072,158)**	(417,485)
Net debt	**7,098,562**	6,378,820
Equity attributable to owners of the parent	**1,651,007**	887,271
Capital and net debt	**8,749,569**	7,266,091
Gearing ratio	**81%**	88%

40. INVESTMENTS IN SUBSIDIARIES

	The Company
	2014
	RMB'000
Unlisted shares, at cost	**3,178,731**

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the company's subsidiaries are as follows:

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

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Note	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Percentage of ownership interest Indirect %	Principal activities
Xuzhou Rundong Automobile Sales Management Company Limited 徐州潤東汽車營銷管理有限公司	(i)	Xuzhou, the PRC 20 June 2003	Registered and paid-in capital of RMB204,090,000	–	100	Investment holding
Xuzhou Yuemei Automobile Sales Management Company Limited 徐州悦美汽車營銷管理有限公司	(i)	Xuzhou, the PRC 20 September 2010	Registered and paid-in capital of RMB50,000,000	–	100	Investment holding
Shanghai Baojing Automobile Sales and Services Company Limited. 上海寶景汽車銷售服務有限公司		Shanghai, the PRC 6 July 2010	Registered and paid-in capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Shanghai Baojing Xingcheng Automobile Sales and Services Company Limited 上海寶景星誠汽車銷售服務有限公司		Shanghai, the PRC 26 November 2010	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Shanghai Baojing Yuejie Automobile Sales & Services Company Limited 上海寶景悦捷汽車服務有限公司		Shanghai, the PRC 13 December 2011	Registered and paid-in capital of RMB500,000	–	100	Sale and service of motor vehicles
Shanghai Jierun Automobile Sales and Services Company Limited 上海捷潤汽車銷售服務有限公司		Shanghai, the PRC 19 September 2011	Registered and paid-in capital of RMB40,000,000	–	100	Sale and service of motor vehicles
Xuzhou Baojing Automobile Sales Services Company Limited 徐州寶景汽車銷售服務有限公司		Xuzhou, the PRC 6 March 2007	Registered and paid-in capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Xuzhou Baojing Runbao Automobile Sales and Services Company Limited 徐州寶景潤寶汽車銷售服務有限公司		Xuzhou, the PRC 12 April 2011	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Xuzhou Rundong Ruijing Automobile Sales and Services Company Limited 徐州潤東瑞景汽車銷售服務有限公司	Xuzhou, the PRC 24 November 2004	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rongchuang Automobile Services Company Limited 徐州融創車業服務有限公司	Xuzhou, the PRC 16 March 2010	Registered and paid-in capital of RMB1,000,000	–	100	Service of motor vehicles
Xuzhou Rundong Huijing Automobile Sales & Services Co., Ltd. 徐州潤東匯景汽車銷售服務有限公司	Xuzhou, the PRC 26 September 2002	Registered and paid-in capital of RMB5,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rundong Pre-owned Automobiles Trading Company Limited 徐州潤東二手車交易市場有限公司	Xuzhou, the PRC 19 June 2009	Registered and paid-in capital of RMB3,000,000	–	100	Service of motor vehicles
Xuzhou Hezhong Automobile Sales Company Limited 徐州合眾汽車銷售服務有限公司	Xuzhou, the PRC 28 January 2011	Registered and paid-in capital of RMB15,500,000	–	100	Sale and service of motor vehicles
Xuzhou Dongchen Automobile Sales Services Company Limited 徐州東辰汽車銷售服務有限公司	Xuzhou, the PRC 13 September 2002	Registered and paid-in capital of RMB13,000,000	–	70	Sale and service of motor vehicles
Xuzhou Rundong Huitong Automobile Sales Services Company Limited 徐州潤東匯通汽車銷售服務有限公司	Xuzhou, the PRC 12 June 2003	Registered and paid-in capital of RMB10,000,000	–	90	Sale and service of motor vehicles
Xuzhou Rundong Fengtian Automobile Sales Services Company Limited 徐州潤東豐田汽車銷售服務有限公司	Xuzhou, the PRC 14 April 2006	Registered and paid-in capital of RMB15,000,000	–	70	Sale and service of motor vehicles
Xuzhou Rundong Zhitian Automobile Sales and Services Company Limited 徐州潤東之田汽車銷售服務有限公司	Xuzhou, the PRC 4 December 2005	Registered and paid-in capital of RMB15,000,000	–	70	Sale and service of motor vehicles

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Percentage of ownership interest Indirect %	Principal activities
Xuzhou Rundong Zhifeng Automobile Sales and Services Company Limited 徐州潤東之風汽車銷售服務有限公司	Xuzhou, the PRC 1 July 2005	Registered and paid-in capital of RMB12,000,000	–	51	Sale and service of motor vehicles
Xuzhou Rundong Zhouji Automobile Sales Services Company Limited 徐州潤東洲際汽車銷售服務有限公司	Xuzhou, the PRC 29 March 2004	Registered and paid-in capital of RMB12,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rundong Jiahua Automobile Sales and Services Company Limited 徐州潤東嘉華汽車銷售服務有限公司	Xuzhou, the PRC 25 May 2004	Registered and paid-in capital of RMB12,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rundong Automobile Trading Company Limited 徐州潤東汽車貿易有限公司	Xuzhou, the PRC 13 July 2001	Registered and paid-in capital of RMB13,000,000	–	100	Sale and service of motor vehicles
Xuzhou Huifeng Lexus Automobile Sales and Services Company Limited 徐州滙豐雷克薩斯汽車銷售服務有限公司	Xuzhou, the PRC 28 February 2006	Registered and paid-in capital of RMB25,000,000	–	100	Sale and service of motor vehicles
Xuzhou Jierun Automobile Sales and Services Company Limited 徐州捷潤汽車銷售服務有限公司	Xuzhou, the PRC 27 July 2011	Registered and paid-in capital of RMB16,000,000	–	100	Sale and service of motor vehicles
Maanshan City Baojing Automobile Sales and Services Company Limited 馬鞍山市寶景汽車銷售服務有限公司	Maanshan, the PRC 10 December 2010	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Nantong Runbaohang Automobile Sales and Services Company Limited 南通潤寶行汽車銷售服務有限公司	Nantong, the PRC 28 June 2010	Registered and paid-in capital of RMB12,000,000	–	100	Sale and service of motor vehicles

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Huzhou Runzhiyi Automobile Sales and Services Company Limited 湖州潤之翼汽車銷售服務有限公司	Huzhou, the PRC 9 June 2011	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Huzhou Rundong Automobile Sales and Services Company Limited 湖州潤東汽車銷售服務有限公司	Huzhou, the PRC 18 May 2011	Registered and paid-in capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Huzhou Baojing Automobile Sales and Services Company Limited 湖州寶景汽車銷售服務有限公司	Huzhou, the PRC 28 May 2010	Registered and paid-in capital of RMB30,000,000	–	100	Sale and service of motor vehicles
Huaian Baotielong Automobile Sales and Services Company Limited 淮安寶鐵龍汽車銷售有限公司	Huaian, the PRC 23 February 2011	Registered and paid-in capital of RMB15,000,000	–	100	Sale and service of motor vehicles
Huaian Rundong Zhifu Automobile Sales and Services Company Limited 淮安潤東之福汽車銷售服務有限公司	Huaian, the PRC 6 April 2006	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rundong Huifeng Automobile Sales Services Company Limited 淮安潤東滙豐汽車銷售服務有限公司	Huaian, the PRC 24 September 2007	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Huaian Rundong Renheng Automobile Sales and Services Company Limited 淮安潤東仁恆汽車銷售服務有限公司	Huaian, the PRC 29 March 2007	Registered and paid-in capital of RMB13,000,000	–	100	Sale and service of motor vehicles
Huaian Rundong Shidai Automobile Sales and Services Company Limited 淮安潤東時代汽車銷售服務有限公司	Huaian, the PRC 1 August 2005	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Huaian Baojing Automobile Sales and Services Company Limited 淮安寶景汽車銷售服務有限公司	Huaian, the PRC 20 January 2010	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Lianyungang Tianlan Automobile Sales and Services Company Limited 連雲港天瀾汽車銷售服務有限公司	Lianyungang, the PRC 1 July 2004	Registered and paid-in capital of RMB10,000,000	–	87	Sale and service of motor vehicles
Lianyungang Tianlan Fengtian Automobile Sales and Services Company Limited 連雲港天瀾豐田汽車銷售服務有限公司	Lianyungang, the PRC 25 April 2006	Registered and paid-in capital of RMB12,000,000	–	70	Sale and service of motor vehicles
Lianyungang Rundong Tianyue Automobile Sales and Services Company Limited 連雲港潤東天裕汽車銷售服務有限公司	Lianyungang, the PRC 10 January 2008	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Lianyungang Zhibao Automobile Sales and Services Company Limited 連雲港之寶汽車銷售服務有限公司	Lianyungang, the PRC 22 April 2009	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Suqian Runkai Automobile Sales and Services Company Limited 宿遷潤凱汽車銷售服務有限公司	Suqian, the PRC 15 August 2011	Registered and paid-in capital of RMB15,000,000	–	100	Sale and service of motor vehicles
Yantai Runjie Automobile Sales and Services Company Limited 煙台潤捷汽車銷售服務有限公司	Yantai, the PRC 16 September 2011	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Qingdao Baojing Automobile Sales and Services Company Limited 青島寶景汽車銷售服務有限公司	Qingdao, the PRC 16 September 2011	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Suzhou Baojing Automobile Sales and Services Company Limited 蘇州市寶景汽車銷售服務有限公司	Suzhou, the PRC 24 November 2011	Registered and paid-in capital of RMB10,000,000	–	80	Sale and service of motor vehicles

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Linyi Jinhua Automobile Sales and Services Company Limited 臨沂金華汽車銷售服務有限公司	Linyi, the PRC 29 November 2002	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Linyi Jialun Automobile Insurance Brokerage Co., Ltd. 臨沂佳輪汽車保險代理有限公司	Linyi, the PRC 23 May 2012	Registered and paid-in capital of RMB3,000,000	–	100	Automobile insurance
Zaozhuang Aowei Automobile Sales and Services Company 棗庄奧威汽車銷售服務有限公司	Zaozhuang, the PRC 5 May 2008	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Lianyungang Runjie Automobile Sales Company Limited 連雲港潤捷汽車銷售有限公司	Lianyungang, the PRC 25 April 2013	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Xuzhou Runzhiyi Automobile Sales and Services Company Limited 徐州潤之意汽車銷售服務有限公司	Xuzhou, the PRC 26 June 2013	Registered and paid-in capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Huai'an Runbaohang Automobile Services Company Limited 淮安潤寶行汽車服務有限公司	Huaian, the PRC 11 July 2013	Registered and paid-in capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Jinan Runzhiyi Automobile Sales and Services Company Limited 濟南潤之意汽車銷售服務有限公司	Jinan, the PRC 23 July 2013	Registered and paid-in capital of RMB30,000,000	–	70	Sale and service of motor vehicles
Hong Kong Gen-kun Investment Co., Limited	Hong Kong 25 July 2011	Registered and paid-in capital of HKD10,000	–	100	Investment holding
Huiyu (Shanghai) Financing and Leasing Company 匯譽(上海)融資租賃有限公司	Shanghai, the PRC 30 September 2013	Registered capital of USD30,000,000 Paid-in capital of USD10,000,000	–	100	Automobile financing and leasing
Nanjing Runzhiyi Automobile Sales and Services Company Limited 南京潤之意汽車銷售服務有限公司	Nanjing, the PRC 4 March 2014	Registered capital of RMB50,000,000	–	70	Sale and service of motor vehicles

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Suzhou Runbaohang Automobile Services Company Limited 蘇州潤寶行汽車服務有限公司	Suzhou, the PRC 27 February 2014	Registered and paid-in capital of RMB3,000,000	–	100	Service of motor vehicles
Shanghai Jingbao Automobile Services Company Limited 上海景寶汽車服務有限公司	Shanghai, the PRC 12 May 2014	Registered capital of RMB5,000,000	–	100	Service of motor vehicles
Shanghai Zhilian Automobile Services Company Limited 上海智聯汽車銷售服務有限公司	Shanghai, the PRC 3 June 2014	Registered capital of RMB10,000,000	–	100	Sale of motor vehicles
Shanghai Puyuan Automobile Services Company Limited 上海浦源汽車銷售服務有限公司	Shanghai, the PRC 7 November 2014	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Zhangjiagang Free Trade Zone Zhibao Automobile Services Company Limited 張家港保税區智寶汽車銷售服務有限公司	Zhangjiagang, the PRC 7 November 2014	Registered capital of RMB10,000,000	–	100	Sale of motor vehicles
Xuzhou Jingzhong Automobile Services Company Limited 徐州景眾汽車銷售服務有限公司	Xuzhou, the PRC 28 November 2014	Registered capital of RMB5,000,000	–	100	Sale and service of motor vehicles

(i) The statutory accounts for the year ended 31 December 2014 were audited by 徐州春秋聯合會計師事務所 (Xuzhou Chunqiu Union Certified Public Accountants), certified public accountants registered in the PRC. Except for these PRC investment holding subsidiaries, no statutory accounts of the remaining subsidiaries for the year ended 31 December 2014 have been prepared by any of these subsidiaries as at the date of this report.

41. EVENTS AFTER THE REPORTING PERIOD

There are no significant events undertaken by the Group after 31 December 2014, other than the following event:

(i) On 23 July 2014, the Directors of the Company declared a special dividend of RMB330.0 million out of historical profits of the Company to its then shareholders Rundong Fortune, Rundong Smart and KKR Auto. Each of Rundong Fortune, Rundong Smart and KKR Auto was entitled to RMB199.7 million, RMB14.8 million and RMB115.5 million, respectively. As at 31 December 2014, after reducing 10% withholding taxes, the dividend payable was due to Rundong Smart and KKR Auto of RMB13.32 million and RMB103.95 million, respectively. On 15 January 2015, the Group paid and settled the special dividend of RMB103.95 million to KKR Auto.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2015.

润东汽车

CHINA RUNDONG AUTO GROUP LIMITED
中國潤東汽車集團有限公司