MEIDONG AUTO

China MeiDong Auto Holdings Limited
中國美東汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1268

SPEED UP
BUSINESS EXPANSION

ANNUAL REPORT 2015

CONTENTS

GEOGRAPHICAL COVERAGE

BEIJING & HEBEI

BMW
(1) Chengde (70%)*

Toyota
(2) Beijing

FUJIAN

Lexus
(3) Longyan*
(4) Xiamen

Toyota
(5) Quanzhou*

GANSU

Lexus
(6) Lanzhou*

GUANGDONG

Hyundai
(7) Donguan (70%)
(8) Heyuan*

Lexus
(9) Dongguan (49%)
(10) Foshan (60%)
(11) Zhuhai

Porsche
(12) Shantou*
(13) Foshan*

Toyota
(14) Dongguan Dongbu
(15) Dongguan Dongmei
(16) Dongguan Dongxin
(17) Dongguan Anxin (49%)
(18) Dongguan Fenggang

HUBEI

BMW
(19) Huanggang*

HUNAN

BMW
(20) Changde*
(21) Hengyang*
(22) Yueyang*
(23) Zhuzhou*

Lexus
(24) Changsha

Toyota
(25) Yiyang*

JIANGXI

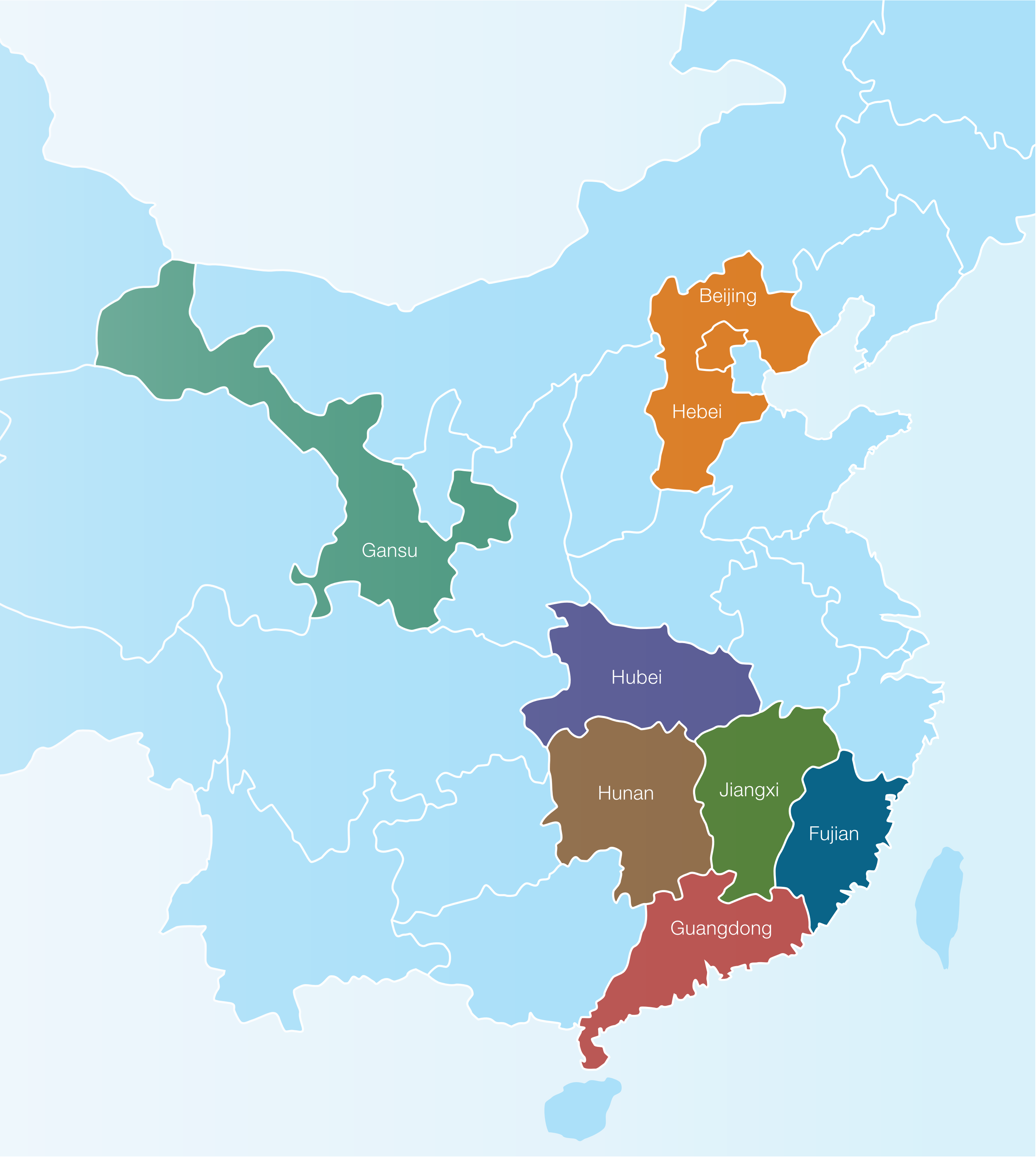
BMW
(26) Jingdezhen*

Toyota
(27) Jiujiang* (Note 3)
(28) Xinyu*

Notes:
(1) Apart from the stores marked by brackets, the others are 100% owned by the Group
(2) Including a joint venture and an associate in which the Group owns 49% equity interest (Dongguan Meidong and Donguan Anxin)
(3) The acquisition of Jiujiang Toyota store had not been completed as of 31 December 2015, the details of these are provided in page 10 of the section "Management Discussion and Analysis".

* - Single City Single Brand

GEOGRAPHICAL COVERAGE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Ye Fan *(Chairman)*
Ye Tao *(Chief Executive Officer)*
Liu Xuehua

Independent Non-Executive Directors
Pan Lu
Wang, Michael Chou
Jip Ki Chi

Authorised Representatives
Ye Tao
Yu Man To, Gerald

Company Secretary
Yu Man To, Gerald
B.BUS, MBA, FCPA, FCPA (Aust)

AUDIT COMMITTEE

Jip Ki Chi *(Chairman)*
Pan Lu
Wang, Michael Chou

REMUNERATION COMMITTEE

Pan Lu *(Chairman)*
Ye Tao
Jip Ki Chi

NOMINATION COMMITTEE

Ye Tao *(Chairman)*
Pan Lu
Jip Ki Chi

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

13th Floor, Block A1
Tian An Technology Industry Building
Huangjin Road
Nancheng, Dongguan
Guangdong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2404
24th Floor, World-Wide House
19 Des Voeux Road, Central
Hong Kong

AUDITOR

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
Industrial Bank Co. Ltd.

STOCK CODE

1268

COMPANY'S WEBSITE

www.meidongauto.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors ("**Directors**" and each a "**Director**") of China MeiDong Auto Holdings Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2015.

The year 2015 was a year of both opportunities and challenges for automobile dealers in the People's Republic of China (the "**PRC**").

In 2015, car output in the PRC amounted to 24.5 million units, representing a year-on-year growth of 3.3%. Cars sales increased by 4.68% year-on-year to 24.6 million units, setting a global historical record and continued to occupy the top spot of the world for the seventh year in a row, although marking the lowest growth rate since 2012, among which the sales volumes of passenger vehicles, multi-purpose vehicles ("**MPV**") and sport utility vehicles ("**SUV**") amounted to 21.1 million units, 2.1 million units and 6.2 million units, respectively, representing year-on-year growths of 7.3%, 10.1% and 52.4%, respectively. In stark contrast with the rapid developments of the SUV market were the decreases in both output and sales volume (11.7 million units) of the sedans (basic passenger vehicles) for 6.8% and 5.3%, respectively.

Due to the decline in national macro-economy, the promotion of bus reform and more vehicle purchase quotas introduced during the year, the automobile market was, at one point in 2015, in a state of stagnation, with monthly decreases in accumulated growth rate for the first eight months and did not regain its momentum until September. The dealership inventory alert indexes for 11 months out of 2015 were beyond the warning line, of which the indexes of seven months were higher as compared with the same periods in 2014, indicating a considerable amount of predicament in sales and inventory stress faced by the automobile enterprises and dealers.

In view of the current capacity and competition situation of the market and a decreasing profit margin, the automobile circulation industry is in a stage of reshuffling. Under the operating pressure, a number of domestic 4S dealership stores across the nation went out of business. Chinese automobile dealership industry will enter into an era of disjunction and entanglement in 2016, as 4S dealership stores suspending their operations and dealers cooperating with one another becomes the "new normal". Dealership groups will also begin to downscale and adjust. In the meantime, in the age of Internet Plus, more internet enterprises are entering the automobile market, resulting in more intensified market competition. Many traditional automobile dealers have joined hands with internet enterprises and altered the traditional operating and management mode, presenting us with challenges as well as opportunities.

CHAIRMAN'S STATEMENT

It was also a year of opportunities and events. The PRC government, viewing the automobile market as fundamental in pioneering energy conservation, increased consumption and boost domestic demand, introduced a series of policies supporting new energy and small-displacement automobile development, contributing to a more healthy and orderly development for the automobile industry with stricter industry norms. It also commenced antimonopoly investigation in the industry, with a view to create a more transparent, fair and competitive market environment for automobile dealers and enhance the bargaining power of automobile dealers over manufacturers. This has not only intensified the market competition among dealers and exposed them to a more stringent regulatory and market environment, but also presented new challenges to the dealers in terms of daily operation and management.

In the face of the great challenges in the market, the Company has withstood these challenges by strengthening and fully leveraging on its own advantages in management and the "single city, single brand" outlet, through which the Company continued to realize growths in both business scale and profits, optimized its business structure and improved operating efficiency and further enhanced the profitability and risk resistance capability of the Group. In 2015, the Group recorded a revenue of RMB4,808.0 million, representing an increase of 24.7%; the profit amounted to RMB106.1 million.

In 2016, the Group will persist in enhancing the data-driven management system, in particular the sales and inventory management and after-sales services operational efficiency, and increase value-added services so as to facilitate our rapid response to ever changing market conditions in maintaining our industry leading position in new car inventory and after-sales efficiency.

The priority of the Group's capital management is to continue to increase the sales, profits and cash flow through meticulous operating and risk control, so as to increase returns for the shareholders of the Company (the "**Shareholders**"). In 2015, the Group recorded a revenue of RMB4,808.0 million, representing a year-on-year growth of 24.7% as compared with RMB3,854.8 million in 2014. In 2015, the Group recorded a net cash flow from operating activities of RMB203.3 million, increasing by 67.1% from RMB121.6 million in 2014; and finance costs as a percentage of revenue was 1.57% (2014: 1.63%).

In 2015, gearing ratio (loans and borrowings and corporate bonds less cash and cash equivalents and bank deposits divided by equity attributable to Shareholders) was 0.64% and return on net assets was 13.4%. Inventory turnover day of the Group during the year of 2015 was a healthy 46 days, 12 days shorter than 58 days during the year of 2014.

We will continue to develop through operations of self-owned new stores and increases in mergers and acquisitions. We will accelerate the establishment of new stores based on our "single city, single brand" outlet strategy, and concentrate on developing luxury brands in third-tier and fourth-tier cities in southern

China and in areas neighbouring Beijing. With quick initiation and low investment, aided with our advantages in management, we aim for all new stores to record a single month profit within half a year, and achieve double-digit growth in a number of stores in near future. In terms of merger, acquisition and expansion, we will seek and seize market opportunities to, within the Group's range of the resources, capital and ability to control the market, acquire dealership stores or groups with poor operation results and achieve a turnaround within a short period with low input.

Looking ahead, we believe that rational consumption will be popular in China's automobile market along with the general slowdown and steady development of the Chinese economy. Automobile manufacturers will become more prudent in planning their annual goals against the backdrop of declining auto sales growth, high inventory level of dealers and worsening business conditions in 2015. Under the government policies promulgated for the industry during 2015 and those expected to be launched in 2016, a fairer and more standardized market competition environment would be created. However, automobile dealers are offered boundless development opportunities arising from the continuous urbanization, automobile consumption structure upgrading and the huge potential of automobile aftermarket in the PRC. The Company will leverage on its own strengths and fully grasp the development opportunities. In 2016, we will further strengthen the management and operating efficiency of each store unit, and meanwhile, expedite the new shops opening and expansion of outlets in order to further boost the business scale of the Group. We will exert a greater control over operating costs and financial expenses and make constant improvements to our cash flow and company operation structure. Within the chain of automobile industry, we will also explore sectors other than traditional automobile dealership such as automobile battery manufacturing, automobile financing, car beauty, and vehicle modification.

The achievement of encouraging past results and the establishment of future success by the Company were attributable to the relentless efforts and loyal contributions of the Company's management and employees alike as well as the supports and encouragements from Shareholders and business partners. On behalf of the Board, I would like to express our sincere gratitude to all the employees of the Group for their loyal services and contributions and to Shareholders and business partners for their supports and encouragements.

Chairman
Ye Fan

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year of 2015 was a year of recovery in the auto dealership sector. There was significant improvement in the balance between supply and demand resulting in more stable margins for new vehicle sales, a much lower investment costs for opening in stores and abundant opportunities for acquisitions in the sector.

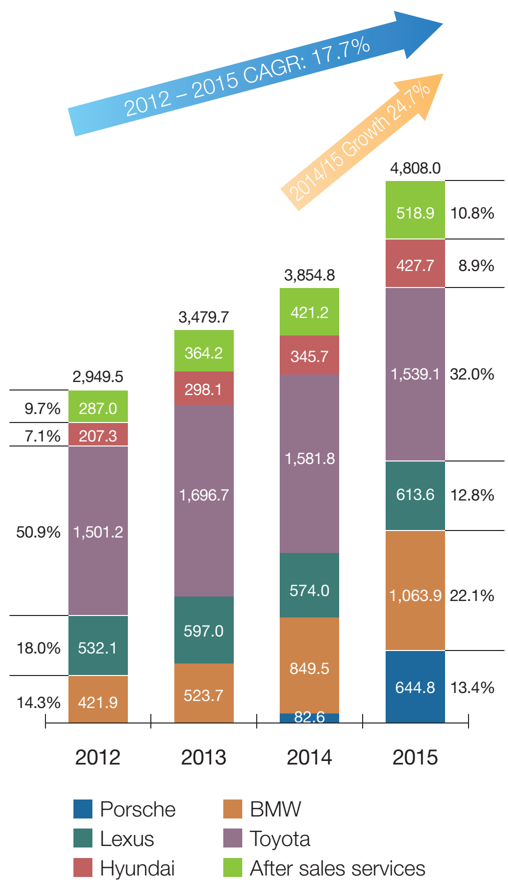
New Passenger Vehicle Sales

New passenger vehicle sales accounted for approximately 89.2% of total revenue during the year ended 31 December 2015, which also included the sales of bundled accessories that were included in the sales of new passenger vehicles. The Group sold a total of 21,411 units of new passenger vehicles during the year ended 31 December 2015, representing an increase of approximately 20.7% from the 17,746 units sold during 2014.

New passenger vehicle sales enjoyed a healthy growth during the year ended 31 December 2015. All brands enjoyed healthy sales quantity growths with Porsche being the highest at 625.2%, followed by BMW at 36.4%, Lexus at 29.2%, Hyundai at 23.0% and Toyota at 9.0%.

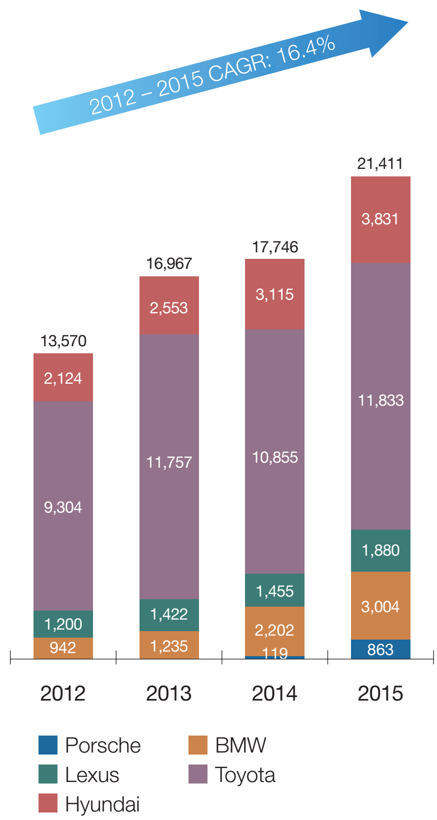
THE GROUP'S REVENUE

(RMB million)



SALES VOLUME BY BRANDS

(Units)



The overall gross profit margin for new vehicle sales decreased slightly from 5.3% for the year ended 31 December 2014 to 4.4% for the year ended 31 December 2015 with mid-to-high-end brands decreasing from 5.1% to 3.6% and luxury brands (including Porsche) decreasing from 5.6% to 5.2%. The decrease in the gross profit margin is primarily due to: (1) a much more stable market with a good balance between supply and demand for new vehicle sales thus no special rebates were given out by the manufacturers during the second half of 2015; (2) with the exception of Lexus which released the NX, EX and RX models, no new major models released for our other brands, but offset by the higher margins Porsche stores; and (3) continued effort by our management to improve margins while keeping the inventory turns high.

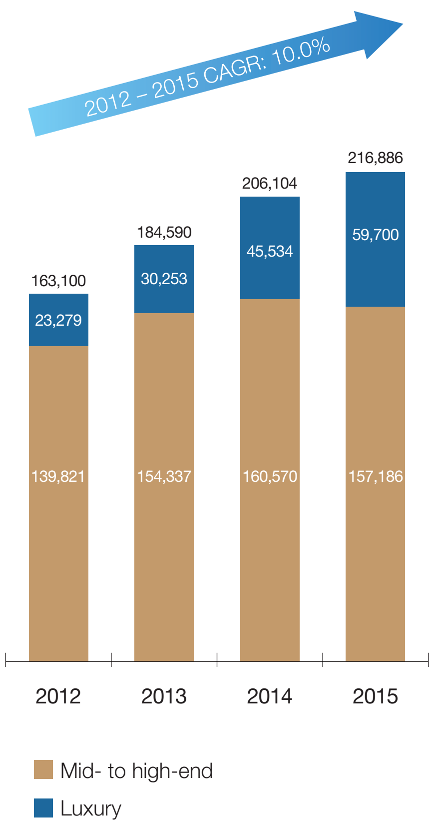
After Sales Services

After Sales Services accounted for approximately 10.8% of our total revenue during the year ended 31 December 2015. After Sales Services principally consists of sales of spare parts and the provision of repair and maintenance services, and to a lesser extent, the provision of certain other automobile-related services such as fees from vehicle registration services and commission income from mortgage loan application services. The Group serviced a total of 216,886 after sales services for the year ended 31 December 2015, representing an unit increase of approximately 5.2% from the 206,104 units serviced during 2014.

Increase in the number of services performed was higher for the luxury brands than for the mid-to-high-end brands as the new stores opened in 2014 and in 2015 were luxury brand stores. In addition, the mid-to-high-end brand stores are in general more mature compared to the luxury brand stores and there were a lot more repairs relating to water damaged vehicles in 2014 due to flooding in the Southern part of China resulting in an decreased in the units serviced 2015 when compared to 2014.

NUMBER OF AFTER-SALES SERVICES

(Units)



With the exception of BMW, all brands enjoyed a slight increase in the ASP for services. The ASP for BMW decreased by approximately 12.0% is mainly due to the lower efficiency in terms of labour deployment for the new stores that opened in 2015. The overall ASP (including service fees received from license registration services and commission received from the brokerage of financial services) increased by 42.3% for the year ended 31 December 2015 compared to the same period in 2014. The gross profit margin has remained quite stable for all brands during the year ended 31 December 2015 when compared with the same period last year.

New Stores

During the year 2015, eight new stores were added, of these, six new stores were opened and two stores were acquired, taking the number of operating 4S dealership stores to 27. The name, brand and location of these stores are as follows:

	Brand	City	Province	Commencement
(1)	BMW	Huanggang	Hubei	December
(2)	BMW	Jingdezhen	Jiangxi	December
(3)	BMW	Yueyang	Hunan	February
(4)	Lexus	Longyan	Fujian	January
(5)	Lexus	Zhuhai	Guangdong	December
(6)	Porsche	Shantou	Guangdong	September
(7)	Toyota	Jiujiang*	Jiangxi	November
(8)	Toyota	Xinyu*	Jiangxi	September

* *Acquired Stores*

However, the acquisition of the Jiujiang Toyota store had not been completed as of 31 December 2015 pending the approval from the manufacturer which will be subsequently obtained in 2016. As disclosed in the announcement issued by the Company dated 20 August 2015 in relation to the acquisition of the two stores, we have entered into management agreement to manage the Jiujiang Toyota store, as such, the Jiujiang Toyota store profit and loss had been accounted for from 1 September 2015 to 31 December 2015.

In February 2016, we opened another Lexus store in the city of Foshan, taking the total number of stores to 28.

With our internally trained management team, an aligned corporate culture and an internally generated KPI data capture and management approach, not to mention hard work and dedication, all new stores opened or acquired during 2015 recorded a net profit for the month of December 2015. The turn around of the acquired stores is a demonstration of the Group's outstanding management capabilities. The Xinyu Toyota store had been in operations for 3 years prior to our acquisition. It recorded an unaudited loss for the year ended 31 December 2014 of approximately RMB3.4m. The Jiujiang Toyota store had been in operations for 3 years prior to the framework agreement. It recorded an unaudited loss for the year ended 31 December 2014 of approximately RMB5.7m. The Xinyu store and the Jiujiang store recorded net profits on the fourth month and on the second month of operations under our management respectively.

New Projects and Acquisition Targets

Currently, we have a number of projects under development or planning for development. Due to changes in certain criteria or conditions or the fact that we have not been able to secure the right piece of land, we have released some of the authorizations previously obtained such as the BMW project in Chengdu. The following projects are under construction or scheduled for commencement of construction as follows:

	Brand	City	Province
(1)	BMW	Yangjiang	Guangdong
(2)	BMW	Yongzhou	Hunan
(3)	BMW	Zengcheng	Guangdong
(4)	Toyota	Zhongtang	Guangdong

In addition to the four projects above, we have a number of authorizations in hand and we continue to obtain more authorizations in 2016. As for the acquisition targets, the pipeline is quite sizable and we hope to close a few of these acquisitions in 2016.

Staff Training and Development

As at 31 December 2015, the Group had a total of 2,240 employees, the majority of whom are situated in the PRC. In addition to offering competitive remuneration packages to employee, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

The Group continues to improve its training courses, enhance personnel training and cultivation and perfect the personnel promotion system with the combination of KPI evaluation system. The new personnel of about 30 for management posts throughout the year 2015 were trained for and transferred to the Group with rate of brain drain less than 5%, forming a personnel pool of over 100 strong.

The Group also encourages its employees to pursue a balanced life and provides a good working environment for its employees to maximise their potential and contribution to the Group.

The remuneration committee of the Company (the "**Remuneration Committee**"), having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his close associates, and executive, is involved in dealing his own remuneration.

STATUS UPDATE FOR RECTIFICATION OF PROPERTIES TITLE DEFECTS

As disclosed in the prospectus of the Company dated 22 November 2013, the Company will provide timely updates on the status of rectifications for properties with title defects with respect to owned and leased properties as follows:

Properties owned by the Group with title defects

Lanzhou Meidong

The Group has obtained the building ownership certificate and the rectification process for the title defects has been completed. Therefore, the owned property of Lanzhou Meidong is no longer a property with title defects and it will not be necessary to relocate the dealership store thereon.

Properties leased by the Group with title defects

The Company has continued to actively liaise with the relevant landlords of the leased properties with title defects to rectify the title defects or for the possible relocation.

Foshan Dongbao

Reference is made to the Company's announcements dated 10 June 2015, 10 August 2015, 25 August 2015 and 21 March 2016. Unless otherwise stated, capitalized terms used in this section have the same meanings as defined in the announcement dated 21 March 2016.

In the Foshan Dongbao Announcement, it was disclosed that the Original Application was rejected and resubmitted a Revised Application to the relevant authorities. The relevant authorities have accepted the Revised Application and Shunde Dongbao is waiting for the final inspection to be carried out by those relevant authorities. As disclosed in the Announcements, the Company expects that the Revised Application would be approved and the title defects would be rectified within 2015. However, as there were several issues identified during the inspections which are still under rectification, the rectification process on defective title to the Foshan Dongbao property has not been completed as expected. The Company expects that the title defects would be rectified within the next six months. A separate announcement will be issued when it is rectified or should there be any material update.

In respect of the other leased properties with title defects, in the event that the title defects cannot be rectified and the dealership stores on such leased properties need to be relocated, the Company would have to obtain consent from the stakeholders (including without limitation the local governing authorities or local governments, the landlords and the automobile manufacturers). In practice, the Company would have to firstly, terminate the existing lease agreement with the landlords, and secondly obtain consent from the relevant automobile manufacturers for the approval of the proposed relocation site with the preliminary blue print of the design and layout of the store.

Generally, the landlords are willing to terminate the lease agreements earlier than the expiry of the terms as long as they are compensated in accordance with the terms of the lease agreements. However, the automobile manufacturers would not give consent for the possible relocations because they regard the risk associated with the title defects is minimal and no or low commercial benefit from the relocation.

In relation to the Guanfeng Property, the automobile manufacturer is still reluctant to grant the approval for the relocation for reasons stated above.

Although the Company has been actively liaising with the landlords for the rectification of the title defects for the leased properties, the landlords would not commit to a time frame to complete the rectification by reason that the relevant procedures are subject to approvals and inspections by the relevant authorities, which is not within the control of the landlords. Details of the rectification progress are as follows:

Category A: Changsha Meidong, Dongguan Dongmei, Dongguan Guanfeng, Dongguan Dongxin and Quanzhou Meidong

As disclosed previously, the landlords have performed their part of the rectification process, and the current status of the rectification process is that the relevant government authorities are processing the approvals. However the timeframe within which the approvals may be granted cannot be ascertained at the moment. The Company will therefore issue separate announcement(s) when any defective title is rectified or should there be any material update. Revenue generated from properties within this category accounted for 33.1% and 28.2% as a percentage of total revenue of the Group for the years ended 31 December 2014 and 2015 respectively.

Category B: Shantou Dongbao and Xiamen Meidong

As disclosed previously, for Xiamen Meidong, the land usage has been rectified and all the relevant inspections have been completed. We are currently in the process of obtaining the relevant building certificates. For Shantou Dongbao, the store commenced operation in September 2015, and we are in the process of obtaining the relevant certificates for the application of the title certificates. We will assist the landlord in the submission of the relevant applications as and when required. We expect the rectification should be completed in 2016. Revenue generated from properties within this category accounted for 8.7% and 8.0% as a percentage of total revenue of the Group for the years ended 31 December 2014 and 2015 respectively.

Category C: Beijing Zhongye and Dongguan Dongmei Fenggang

Currently, there is no progress to report. For Beijing Zhongye, the landlord would not grant us consent for early termination without compensation as they regard the indemnity given to us is already sufficient to protect our interest. We will continue to liaise with the Automobile Manufacturers on the possible relocation. Given the reasons for not granting the approval for relocation stated above, we are unable to give an exact timeframe; however, we will continue to issue separate announcement(s) should there be any material update(s). Revenue generated from properties within this category accounted for 8.9% and 6.6% as a percentage of total revenue of the Group for the years ended 31 December 2014 and 2015 respectively.

Category D: Dongguan Dongyue

Dongguan Dongyue is in the second-hand car business which currently is an immaterial and insignificant business to the Group. Revenue generated from properties within this category accounted for 0.1% and nil as a percentage of total revenue of the Group for the years ended 31 December 2014 and 2015 respectively.

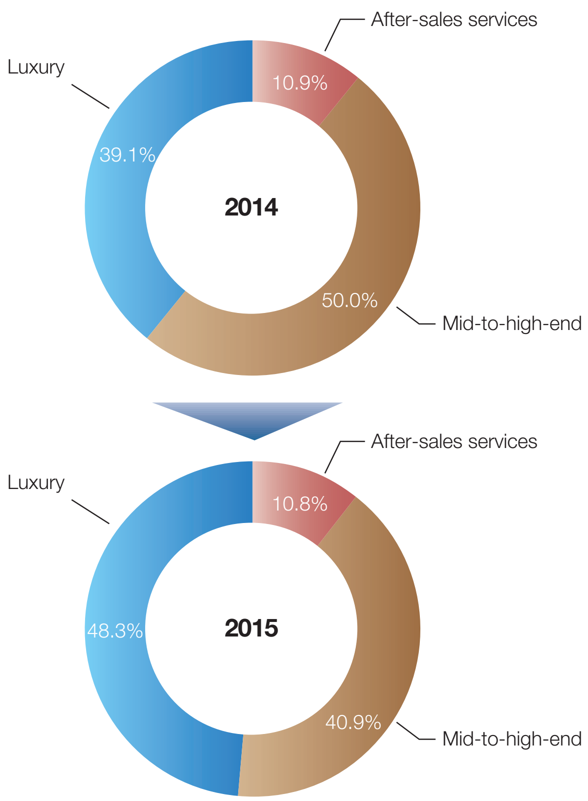
None of the properties with title defects are individually or collectively crucial to the Group's operation as each store is operated independently from each other. With the establishment of new 4S dealership stores as part of the Group's expansion, the Directors are of the view that the revenue generated from properties with title defects as a percentage of total revenue will further decrease.

FINANCIAL REVIEW

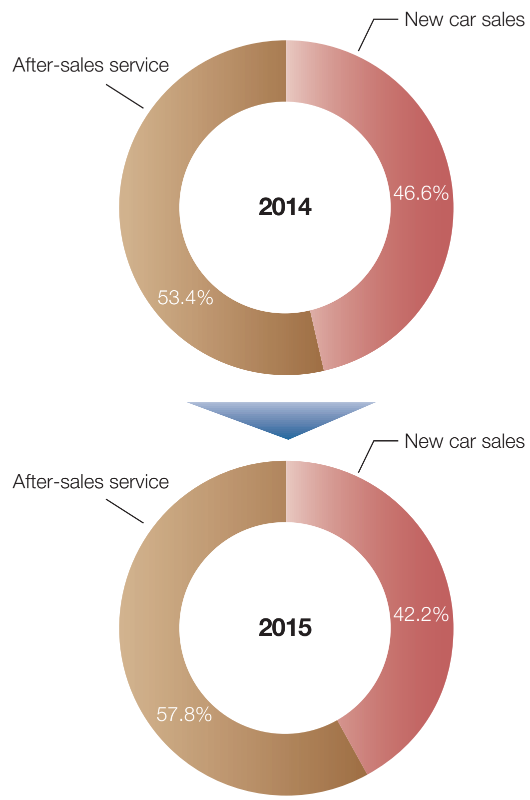
Revenue and Cost of Sales

For the year ended 31 December 2015, the Group recorded a revenue of RMB4,808.0 million, representing an increase of 24.7% from RMB3,854.8 million recorded in 2014. The increase in revenue is made up of: (i) increase in sale of new passenger vehicles from existing stores of approximately 16.8%; (ii) increase in sales of new passenger vehicles from the eight new stores opened during the year 2015 of approximately 5.4%; and (iii) increase in after sales services of approximately 2.5%. Cost of goods sold increased by 25.8% from RMB3,462.2 million in 2014 to RMB4,355.9 million for the year ended 31 December 2015. The increase in cost of goods sold is made up of: (i) increase in sale of new passenger vehicles from existing stores of approximately 19.0%; (ii) the cost incurred from new passenger vehicle sales of the new stores opened in 2015 of approximately 5.5%; and (iii) increase in after sales services of approximately 1.3%.

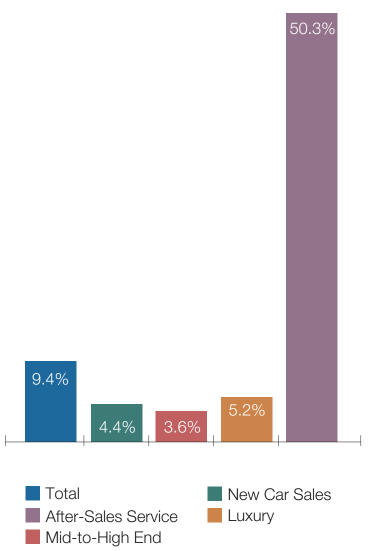
REVENUE MIX



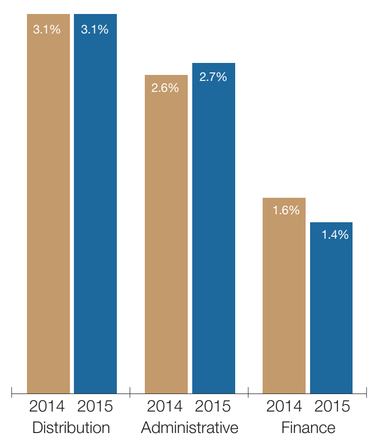
GROSS PROFIT MARGINS:



GROSS PROFIT MARGINS:



COST CONTROL:



Gross Profit

Gross profit increased significantly from RMB392.6 million in 2014 to RMB452.0 million for the year ended 31 December 2015, representing an increase of approximately 15.1%. Gross profit margin decreased slightly from 10.2% recorded in 2014 to 9.4% for the year ended 31 December 2015. The decrease is mainly attributed to: (1) higher gross margin in new car sales with the release of the new Toyota RAV 4 and Toyota Vios in the second half of 2014 slightly offset by the release of the Toyota Corolla in 2015; and (2) with the exception of Lexus which released the NX, EX and RX models, no new major models released for our other brands; but offset by the higher margins Porsche stores. After-sales gross profit margin increased from 49.7% for the year ended 31 December 2014 to 50.3% for the year ended 31 December 2015. The increase in the after-sales service margin is mainly due to the increase in service fees received from license registration services and commission received from the brokerage of financial services, gross profit margins from maintenance and repair services has continued to enjoy a slight increase from year to year.

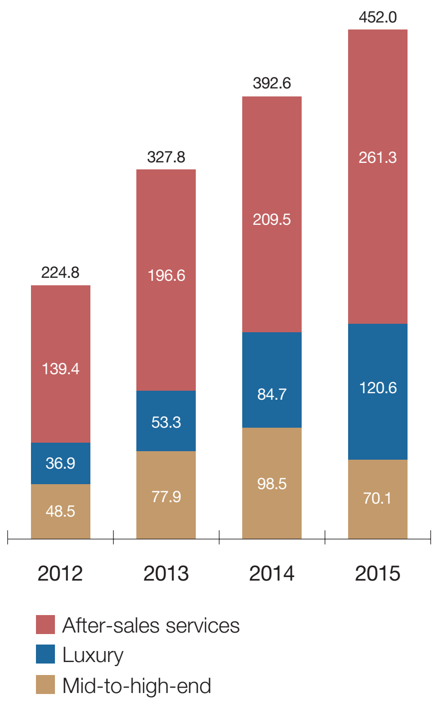
Distribution Costs and Administrative Expenses

Distribution costs increased to RMB147.3 million for the year ended 31 December 2015 from RMB120.8 million recorded in 2014 representing an increase of approximately 21.9%. Administrative expenses increased to RMB130.3 million for the year ended 31 December 2015 from RMB98.9 million recorded during 2014 representing an increase of approximately 31.7%. The increase in both distribution costs and administrative expenses mainly relates to the increase in wages and salaries, depreciation charges, professional fees, marketing and advertising, operating leases, other taxes (which includes taxes such as property taxes on owned properties), repairs and maintenance, and traveling and transportation expenses accounting for approximately 31.7%, 17.2%, 11.5%, 7.6%, 6.4%, 5.3%, 2.9% and 4.2% respectively. The increase in professional fees mainly related to the increase in audit fees, for the holding company as well as for the new stores, and fees incurred in relation to the offshore loan as well as for the bonds. Other increases are mainly attributable to the new stores that opened during the period where there is a slight mismatch between revenue and expenses. At the end of 2015, the Group had twenty-seven operating stores and four stores under construction. The administrative expenses of the stores that were under construction and prior to their respective openings could not be capitalized such as land leases or amortization, the salary and wages of the store's general manager, sales manager or after-sales manager that have been assigned/deployed for these new stores were charged to the income statement. As these stores commences operation, revenue generated by these stores will further absorb the distribution costs and administrative expenses as a percentage of revenue, which is a demonstration of the Group's ability to expand at a healthy pace without sacrificing profitability. As a result, administrative expenses as a percentage of revenue increased slightly from 2.6% in 2014 to 2.7% in 2015, which is mainly the result of the increase in costs for new stores under construction or opened during the year 2015 where there was no revenue to off-set the expenses incurred by these stores but distribution costs as a percentage of revenue has remained at 3.1% which is the same as in 2014 because distribution costs are only incurred when these stores becomes operational.

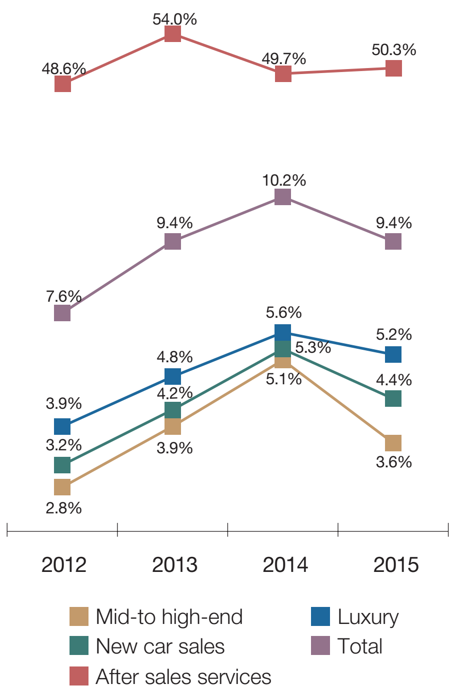
Finance Costs

Finance costs excluding the compensation paid to bond holders ("**operating finance cost**") increased by 5.4% to RMB66.4 million for the year ended 31 December 2015, from RMB63.0 million recorded in 2014. The increase was mainly attributable by the increase in the number of operating stores. However, operating finance cost as a percentage of revenue decreased significantly from 1.6% for the year ended 31 December 2014 to 1.4% for the year ended 31 December 2015.

GROSS PROFIT
(RMB million)



GROSS MARGINS OF DIFFERENT BUSINESSES



Other Income

Other income decreased slightly from RMB29.3 million for the year ended 31 December 2014 to RMB22.2 million for the year ended 31 December 2015, representing a decrease of approximately 24.2%. The decrease was attributable to the decrease in interest income from bank deposits, loss on disposal of property, plant and equipment and others. However, commission income from motor vehicle brokering increased slightly from RMB19.1 million recorded in 2014 to RMB20.6 million in 2015.

Associated Company and Joint Venture Company

Share of results of associated company and joint venture increased by approximately 50.3% from RMB16.9 million for the year ended 31 December 2014 to RMB25.4 million for the year ended 31 December 2015. The increase was mainly attributable to the higher profit achieved by Dongguan Meidong Lexus store, the day-to-day operations of which is managed by the Group.

Taxation

Taxation decreased from RMB41.4 million for the year ended 31 December 2014 to RMB40.5 million for the year ended 31 December 2015, representing a decrease of approximately 2.2%. The effective tax rate has increased slightly from 26.5% for the year ended 31 December 2014 to 27.7% for the year ended 31 December 2015. The Group's PRC subsidiaries are subject to a tax rate of 25%.

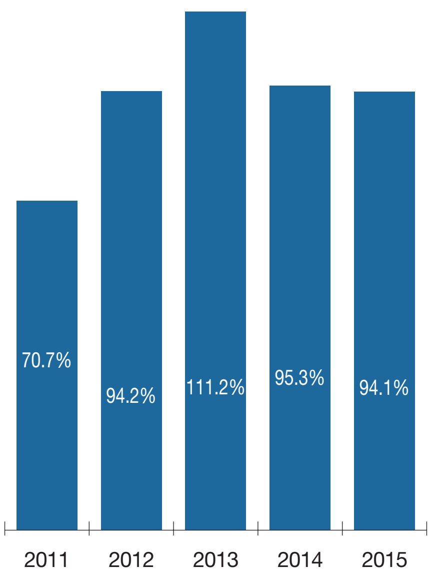
Absorption Ratio

Absorption rate is an indicator we use to measure our dealership-level services operations, which represents the recovery rate of a dealership's operating costs solely from the after-sales services. The absorption rate is calculated as follows:

$$\text{Absorption Rate} = \frac{\text{After-sales services gross profit}}{\text{Distribution Costs + Administrative Expenses}}$$

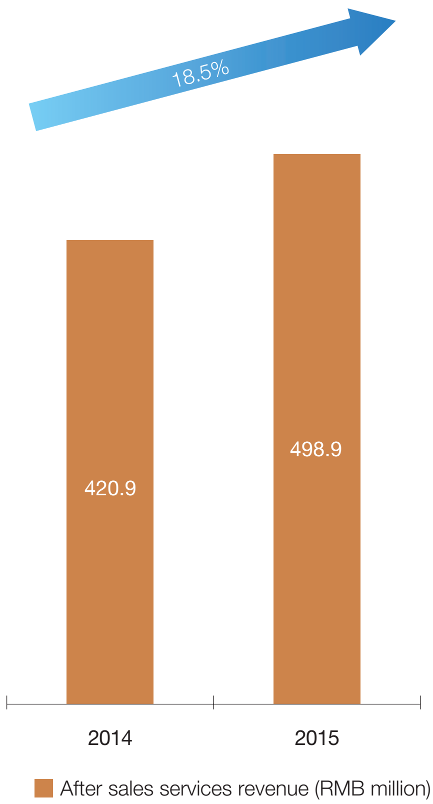
An absorption rate of 100%, or close to 100%, indicates that the dealership's operating costs can essentially be supported by after sales services alone. For the year ended 31 December 2015, our absorption rate for the Group was at 94.1%, representing a slight decrease from 95.3% for the year ended 31 December 2014. The decrease was attributable to the increase in administrative expenses as a result of the increase in costs for new stores under construction or opened during the year 2015 where there was no services revenue to off-set the expenses incurred by these stores (Please see explanation under the paragraph "Distribution Costs and Administrative Expenses" above).

ABSORPTION RATE



AFTER SALES SERVICES

(Excluding New Stores)



Use of Proceeds from Listing of the Company's Shares on the Stock Exchange

On 5 December 2013, the Company's ordinary shares (the "**Share(s)**") were successfully listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at a price of HK$1.8 per share with net proceeds from the listing (after deducting commission and other expenses relating to the listing) amounted to approximately RMB316,607,000. The designated use of the net proceeds from the listing was allocated for opening of new 4S dealership stores (50%), acquisition of other 4S dealership stores (30%), new lines of business such as used vehicles or IT system upgrades (10%), and as general working capital (10%). As at 31 December 2015, the use of proceeds is as follows:

Purpose	Per Prospectus	Utilized	Remaining
New Dealership Stores	RMB158,303,500	RMB158,303,500	Nil
Acquisition	RMB94,982,100	RMB15,515,000	RMB79,467,100
New Businesses	RMB31,660,700	RMB6,000,000	RMB25,660,700
Working Capital	RMB31,660,700	RMB31,660,700	Nil
Total	RMB316,607,000	RMB211,479,200	RMB105,127,800

Financial Resources and Position

As at 31 December 2015, the Group's loans and borrowings and corporate bonds amounted to RMB779.9 million, representing an increase of approximately 6.9% from RMB729.6 million as at 31 December 2014. With the exception of RMB138.3 million (including the corporate bonds issued by the Company) that matures after one year but within three years, all other loans are short term in nature. As at 31 December 2015, the Group had a current ratio of 1.1 times and a gearing ratio of (loans and borrowings and corporate bonds less cash and cash equivalents and bank deposits divided by equity attributable to the Shareholders) of 0.64%. As at 31 December 2015, total facilities available to the Group amounted to RMB3,955.0 million of which approximately RMB879.1 million have been utilized.

Cash and cash equivalents and bank deposits amounted to RMB775.0 million as at 31 December 2015, of which RMB521.1 million have been pledged for securing facilities granted to the Group. Cash and cash equivalents are mostly denominated in Renminbi and Hong Kong Dollars. As the Group's businesses are conducted in the PRC, therefore the Group does not expect to be exposed to any material foreign exchange risks.

As at 31 December 2015, assets pledged by the Group amounted to RMB491.5 million to secure borrowings of the Group.

The operating and capital expenditure of the Group is funded by cash flow from operations, internal liquidity and financing agreements with banks and automobile manufacturer's captive finance companies. The Group has adequate financial resources to meet all contractual obligations and operating requirements.

Contingent Liabilities

Except for the disclosure in the note 31 to the consolidated financial statement, the Group had no material contingent liabilities as at 31 December 2015.

Final Dividend

The Board recommended the payment of a final cash dividend out of the share premium account under reserves of the Company of RMB0.046 per Share (2014: RMB0.03 per Share) to Shareholders whose names are on the register of members of the Company on 26 May 2016, which is subject to the approval by the Shareholders at the annual general meeting of the Company on 16 May 2016 or any adjournment thereof (the "**AGM**") and compliance with the Companies Law of the Cayman Islands.

It is expected that the cheques for cash dividends will be sent by ordinary mail to the Shareholders at their own risk on or about 10 June 2016.

PROSPECTS

In 2016, MeiDong Auto will continue to fully leverage on our excellent management strength and the "single city, single brand" network strategy to increase in both operational scale as well as profits, optimize its business structure and improve operating efficiency, and further enhance the profitability and risk management capability of the Group.

We will fully grasp the development opportunities and continue to develop through operations of our new stores and mergers and acquisitions. We will accelerate the establishment of new stores, adhering to our luxury brands and "single city, single brand" strategies, and concentrate on developing luxury brands in third-tier and fourth-tier cities in southern China and in areas neighboring Beijing. With quick build out and low investment costs, aided with our excellent management, we aim for all new stores to attain single month profit within half a year, and achieve double-digit growth in number of stores in near future. In terms of merger, acquisition and expansion, we will seek and seize market opportunities to, within the Group's human resources, capital and ability to control the market, acquire dealership stores or groups with poor operation results and achieve a turnaround within a short period with low minimal investments.

We will persist in enhancing the data-driven management system, in particular sales and inventory management and after-sales services operational efficiency, and increase value-added services. Within the value chain of automobile industry, we will also explore sectors other than traditional automobile dealership such as automobile battery manufacturing, automobile financing, car beauty and vehicle modification, so as to facilitate our rapid response to ever changing market conditions in maintaining our industry leading position in new car, inventory and after-sales efficiency.

In 2016, we will further strengthen our operational and management, exert a greater control over operating costs and financial expenses, improve our cash flow and optimise our company operational structure, continue to increase sales, profit and cash flow of the Company, expand the business scale of the Group and increase returns for our Shareholders.

EXECUTIVE DIRECTORS

Mr. Ye Fan *(Chairman)*
Mr. Ye Fan, aged 44, is the founder of the Group. He is the younger brother of Mr. Ye Tao, and is the Chairman and an executive Director of the Company. He is primarily responsible for supervising the operations of the Group, planning its business and marketing strategies and overseeing the external relationship with banks, government and other business partners. Mr. Ye Fan was awarded a Bachelor degree in Inorganic Non-metallic Materials (無機非金屬材料) from South China University of Technology (華南理工大學) in July 1993. He is a non-permanent Hong Kong resident.

As the founder of the Group, Mr. Ye Fan started his career in the automobile sector by joining an automobile distributor in Dongguan, the PRC as general manager from 1995 to 1998. In 1999, he set up 東莞市聚成汽車技術服務有限公司 (Dongguan Jucheng Auto Technical Services Co., Ltd.*) (a private company based in Dongguan, Guangdong which was principally engaged in the automobile distribution business) with a partner. In April 2003, Mr. Ye Fan set up 東莞市冠豐汽車有限公司 (Dongguan Guanfeng Auto Co., Ltd.*) ("**Dongguan Guanfeng**"), which is the first member of the Group. This 4S dealership store was opened in May 2004 and held 4S distributorship for 北京現代汽車有限公司 (Beijing Hyundai Motor Company*) vehicles. Before the establishment of 廣東大東汽車集團有限公司 (Guangdong Dadong Auto Group Co., Ltd*) ("**Dadong Group**") in 2007, he made investments in a few enterprises (including members of the Group) which were principally engaged in automobile distribution of various brands. Following the establishment of Dadong Group in 2007, which has been solely owned by Mr. Ye Fan, Dadong Group has been making investments in 4S dealership stores of various brands.

Since 2003, Mr. Ye Fan has been acting as a director of Dongguan Guanfeng and various PRC members of the Group and has been responsible for supervising their daily operations and planning their business strategies. Mr. Ye Fan is currently a director of each of the subsidiaries of the Company.

* denotes the English translation of the Chinese name for identification purpose only.

Mr. Ye Tao *(Chief Executive Officer)*
Mr. Ye Tao, aged 49, is the elder brother of Mr. Ye Fan. He is an executive Director and the Chief Executive Officer of the Company. He is primarily responsible for overseeing the daily operations and management of the Group, planning its business and marketing strategies, supervising investor relationship and serving on the Remuneration Committee and the nomination committee of the Company (the "**Nomination Committee**"). Mr. Ye Tao was awarded a Bachelor degree in Mechanics (力學) from Peking University (北京大學) in July 1989. He also obtained a Master of Science degree in Mechanical Engineering and a Master of Science degree in Management, both from Massachusetts Institute of Technology, in June 1996.

Before he joined the Group, Mr. Ye Tao worked for Objectiva Software Solutions (Beijing) Inc. (奧博傑天(北京)軟件公司) as the chief executive and legal representative overseeing the overall operations of such company, and in Document Sciences Corporation as the general manager of Asian Operations overseeing the management and operations in the Asia.

In 2008, Mr. Ye Tao was invited by Mr. Ye Fan to work in the Group as the Chief Executive Officer. Since then, he has been working together with Mr. Ye Fan closely in the expansion of the Group's business.

Ms. Liu Xuehua
Ms. Liu Xuehua, aged 52, is an executive Director. Ms. Liu is the spouse of Mr. Yu Bin, one of the senior management of the Company. She is primarily responsible for general administration of the Group, focusing principally on accounting, treasury, administrative and human resources management of the Group. She is the key person-in-charge of the formulation, implementation and enhancement of the internal control polices of the Group. Ms. Liu obtained a Bachelor degree in Administration Management from Peking University (北京大學), through long distance learning in July 2002. By profession, she is an accountant, and her qualification was conferred by the Ministry of Finance of the PRC in 1994.

Ms. Liu joined the Group in February 2008 as the Chief Financial Officer and was then in charge of financial and treasury management matters of the Group.

Ms. Liu has over 13 years of working experience in accounting and finance. Between October 2001 and February 2008, before she joined the Group, Ms. Liu worked in Objectiva Software Solutions (Beijing) Inc. (奧博傑天 (北京) 軟件公司) as financial controller, and was in charge of financial management of such company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pan Lu

Mr. Pan Lu, aged 56, was appointed as an independent non-executive Director with effect from 15 November 2013. Mr. Pan started his full-time work in early 1980s. Mr. Pan is the founder of each of Dongguan Longcheng Real Estate Company (東莞市龍城房地產公司) and Dongguan Xinghui Real Estate Company (東莞市星輝房地產公司) which were established in 2005 and 2008 respectively. He is currently the chairman of each of such companies and is responsible for such companies' strategic development and coordination of social relationship. Mr. Pan completed a professional study programme in law in Beijing Broadcast Television University (北京廣播電視大學) in July 1988.

Mr. Jip Ki Chi

Mr. Jip Ki Chi, aged 46, was appointed as an independent non-executive Director with effect from 15 November 2013. Mr. Jip is currently the chief financial officer and company secretary of Sage International Group Limited (Stock code: 8082.HK). Mr. Jip was awarded a Bachelor degree of Business in Accountancy from Queensland University of Technology, Australia in 1994, and a Master degree in Business Administration from the University of Adelaide, Australia in 2008. Mr. Jip is a Certified Practising Accountant of CPA Australia (CPA (Aust.)). He obtained his qualification as a fellow member of Hong Kong Institute of Certified Public Accountants in 2007 (FCPA). Mr. Jip has a wealth of experience in accounting, finance, management and company secretarial field, and has worked as the chief financial officer and company secretary of Inventronics Holdings Limited and Zhong Da Mining Limited, the financial controller and company secretary of Hao Tian Resources Group Limited (Stock code 474.HK) and the financial controller of Wah Shing Group.

Mr. Wang, Michael Chou

Mr. Wang, aged 46, was appointed as an independent non-executive Director with effect from 22 June 2015. Mr. Wang was awarded a Master of Business Administration by the Wharton School of Business at the University of Pennsylvania in 1997 and a Bachelor of Arts from Southwestern University in 1992. He is currently the managing partner and president of Abax Global Capital. Mr. Wang is responsible for the overall business management and investment activities at Abax and also focuses on the management of portfolio companies. Mr. Wang is a member of the fund's investment committee and is the Chairman of such firm's operating committee.

Mr. Wang has 20 years of professional advisory experience in the PRC. Prior to joining Abax, Mr. Wang was a Senior Partner in McKinsey & Company's Shanghai office, where he was a leader in its China energy, and industrial practices. As head of the McKinsey Shanghai office, which is now amongst McKinsey's top 10 largest offices globally, he oversaw its growth from 100 to 300 professionals. Mr. Wang is a known expert for performance turnaround at Chinese companies, both state owned and private. He has assisted numerous Chinese clients to improve their performance via growth strategy, operational enhancement and organizational restructuring. Mr. Wang has published numerous articles in International and Chinese media on the performance improvement topic and has been a frequent speaker and guest lecturer at government (including those for State-Owned Assets Supervision and Administration Commission of the State Council and National Development and Reform Commission in the PRC) and industry forums in the PRC and abroad.

SENIOR MANAGEMENT

Mr. Yu Man To Gerald *(Chief Financial Officer and Company Secretary)*
Mr. Yu Man To Gerald, aged 49, is the Chief Financial Officer and Company Secretary of the Company (the "**Company Secretary**") who joined the Group in May 2013. He is mainly responsible for the overall company secretarial and finance matters of our Group. Mr. Yu holds a Bachelor degree in Business and a Master degree in Business Administration. Mr. Yu is a Certified Practising Accountant of CPA Australia (CPA (Aust.)) and a fellow member of the Hong Kong Institute of Certified Public Accountants (FCPA). Mr. Yu has a wealth of experience in accounting, finance, management and company secretarial field. Prior to joining the Company, Mr. Yu has worked as the chief financial officer and company secretary of Sound Global Limited (967.HK and E6E.SI), Wai Chun Mining Industry Group Company Limited (660.HK), Wai Chun Group Limited (1013. HK) and Towngas China Company Limited (1083.HK) ("**Towngas China**"). Mr. Yu also worked as the company secretary of Sinolink Worldwide Holdings Limited. Mr. Yu was with Towngas China for almost nine years and was with an international accounting firm for over seven years prior to joining Towngas China.

Mr. Yu Bin
Mr. Yu Bin, aged 53, is our vice president of after-sales operations unit. Mr. Yu is the spouse of Ms. Liu Xuehua, one of our executive Directors. Currently, he is primarily responsible for the overall management of the after- sales services of the Group. Mr. Yu holds a Bachelor degree in Engineering of Vehicle Transportation. Mr. Yu joined the Group as the chief officer in after-sales operations in August 2011 and was then in charge of the management of the after-sales services of the Group. Mr. Yu has over 30 years of working experience in vehicle repair and technical training. Before Mr. Yu joined our Group, he worked as the vehicle repair officer, training and education officer, technical training supervisor vehicle repair and production technology supervisor for Beijing Public Transport Holding (Group) Co., Ltd. Repair Branch.

Ms. Wang Feixue
Ms. Wang Feixue, aged 35, is our vice president of sales and marketing unit. Currently, she is primarily responsible for the overall management of the sales and marketing functions of the Group. Ms. Wang completed a two-year professional study programme in Chinese language and literature in Henan Broadcast Television University. Ms. Wang joined the Group as a sales consultant in July 2004 and was then in charge of sales of new vehicles. Ms. Wang left the Group in July 2006, then rejoined the Group as a corporate planning manager in July 2007. Before Ms. Wang rejoined the Group in July 2007, she worked for Dongguan Zhicheng Trading Company Limited as the sales manager, and was in charge of managing the sales department.

Ms. Luo Liuyu

Ms. Luo Liuyu, aged 32, is our vice president of human resources and administration unit. Currently, she is primarily responsible for the overall human resources management and planning of the Group, including recruitment, job allocation, training, formulating remuneration and fringe benefit policies, etc. Ms. Luo completed a three-year professional study programme in Finance in Dongguan University of Technology. Ms. Luo joined the Group as a finance supervisor in September 2007 and was then in charge of the management of the finance department, including fund and assets management, internal auditing, costs control management and financial statements preparation. Before Ms. Luo joined the Group, she worked for Dongguan Zhicheng Trading Company Limited as accounting supervisor, taking charge of the daily operations of finance department and other accounting functions.

Ms. Chen Saijin

Ms. Chen Saijin, aged 35, is our vice president of purchasing and projects unit. Currently, she is primarily responsible for the overall procurement of the Group and supervising internal control matters. Ms. Chen was granted a technical certificate in computer software profession by the Guangdong Labour and Social Security Bureau. Ms. Chen also completed a three-year professional study programme in Accounting in Renmin University of China (中國人民大學) through Internet learning. Ms. Chen joined the Group as an accounting officer in October 2004 and was then in charge of the accounting function of the finance department. Before Ms. Chen joined the Group, she worked for Dongguan Hongyan Vehicle Trading Company Limited as the deputy manager of finance department, taking charge of the auditing of costs and other finance matters.

REPORT OF THE DIRECTORS

The Board has pleasure in presenting the Report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in automobile dealership business authorized by the respective automobile manufacturers of particular brands in the PRC including the sale of new passenger cars, spare parts, service and survey. Particulars of the subsidiaries are set out in note 14 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2015 and a discussion on the Group's future business development are provided in the section "Chairman's Statement" and "Management Discussion and Analysis" of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in the section "Chairman Statement". The financial risk management objectives and policies of the Group can be found in note 29 to the consolidated financial statements.

Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2015 are provided in page 39 of this section and note 34 to the consolidated financial statements of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Five Year Financial Summary on pages 138 of this Annual Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations.

The Group has developed environmental protection measures and policies to prevent and control pollution levels and harm caused to the environment in the form of waste gas, waste water, solid waste, dust etc. in the course of production or other activities in accordance with the applicable environmental laws and regulations.

The Group understands that a better future depends on everyone's participation and contribution. It has encouraged all employees to participate in environmental activities which benefit the community.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

RESULTS AND FINAL DIVIDEND

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on page 55 to page 138 of this Annual Report.

The Directors have recommended the payment of a final cash dividend out of the share premium account under reserves of the Company of RMB0.046 per share (2014: RMB0.03 per share) to the Shareholders whose names are on the register of members of the Company on 26 May 2016. Subject to approval by the Shareholders at the AGM and compliance with the Companies Law of the Cayman Islands, the final dividend will be paid on or about 10 June 2016 and the register of members of the Company will be closed from 23 May 2016 to 26 May 2016, both days inclusive, for determination of entitlement of the final dividend, during which period no transfer of shares will be registered.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2015 are set out in the consolidated statement of changes in equity set out on page 58 of this Annual Report.

The Company's reserves available for distribution to the Shareholders as at 31 December 2015 amounted to RMB316,848,000 (2014: RMB268,271,000), subject to the applicable statutory requirements under the laws of the Cayman Islands.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five financial years ended 31 December 2015 is set out on page 138 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the year ended 31 December 2015 are set out in note 11 to the consolidated financial statements.

TAX RELIEF

The Company is not aware of any tax relief available to the Shareholders by reason of their holdings in the Company's securities.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year ended 31 December 2015 are set out in note 27(c) to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2015 and up to the date of this Annual Report were as follows:

Executive Directors

Mr. Ye Fan *(Chairman)* (1)
Mr. Ye Tao *(Chief Executive Officer)* (1)
Ms. Liu Xuehua (2)

Independent Non-executive Directors

Mr. Pan Lu (2)
Mr. Jip Ki Chi (2)
Mr. Wang, Michael Chou (3)

Notes:

1. Mr. Ye Fan and Mr. Ye Tao were appointed on 24 February 2012.

2. Ms. Liu Xuehua, Mr. Pan Lu and Mr. Jip Ki Chi were all appointed on 13 November 2013.

3. Mr. Wang, Michael Chou was appointed on 22 June 2015.

The biographical details of the Directors and senior management of the Company are set out on page 21 to 25 of this Annual Report.

In accordance with Article 105 of the articles of association of the Company (the "**Articles of Association**"), Mr. Jip Ki Chi and Mr. Pan Lu shall retire from office by rotation at the AGM and, all of them being eligible, would offer themselves for re-election.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company considers all the independent non-executive Directors to be independent.

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing with effect from 15 November 2013, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Each of the independent non-executive Directors, namely, Mr. Pau Lu, Mr. Jip Ki Chi and Mr. Li Lin (retired on 22 June 2015) has entered into a letter of appointment with the Company for an initial term of three years from 15 November 2013, Mr. Wang, Michael Chou has entered into an appointment letter with the Company for an initial term of three years from 22 June 2015, which can be terminated by either party giving not less than three months' notice in writing to the other party. Each of the independent non-executive Directors is subject to the provisions for retirement by rotation and re-election at the AGM in accordance with the Articles of Association.

Save as disclosed above, no Director proposed for re-election at the AGM has service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Details of emoluments of the Directors are set out in note 8 to the consolidated financial statements.

Mr. Jip Ki Chi is entitled to a director's fee of HK$166,560 per annum. Each of Mr. Pan Lu and Mr. Michael, Wang Chou is entitled to a director's fee of HK$100,000 per annum. Save for Director's fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

The Directors' fees are subject to the Shareholders' approval at the AGM. Other emoluments are determined by the Board with reference to the recommendations from the Remuneration Committee taking into account the directors' duties, responsibilities and performance and the results of the Group.

Interests in Contracts

Other than as disclosed in note 32 to the consolidated financial statements, there is no contract of significance to which the Company, its holding company, or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Competing Business

Save as disclosed in this Annual Report, none of the Directors or their respective associates (as defined in the Listing Rules) had any interests in any business (apart from the Group's business), which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the year and up to the date of this Annual Report.

Directors' Interests or Short Positions in Shares and Underlying Shares

As at 31 December 2015, the interests and short positions of the Directors and chief executive in the Shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") to be notified to the Company and the Stock Exchange, were as follows:

Long Positions or Short Positions in Shares and Underlying Shares

		Interest in shares				
Name of Director	**Capacity**	**Personal interest shares**	**Family interest**	**Total interest in shares**	**Interest in underlying Shares pursuant to share options**	**Approximate percentage of shareholding as at 31 December 2015**
Mr. Ye Fan (1 and 2)	Settlor of trust	–	754,400,000	754,400,000	–	69.07%
Mr. Ye Tao	Beneficial Owner	–	–	–	2,000,000	0.18%
Ms Liu Xuehua	Beneficial Owner	–	–	–	2,150,000	0.20%

Notes:

(1) Mr. Ye Fan is the settlor of the Ye Family Trust, a revocable discretionary family trust. The entire capital of Apex Holdings Enterprises Limited ("**Apex Holdings**") is an asset of such family trust, and Apex Holdings in turn holds the entire issued share capital of Apex Sail Limited ("**Apex Sail**"). Apex Sail directly hold 754.4 million Shares and by virtue of the SFO, Mr. Ye Fan is deemed to be interested in the Shares of Apex Sail. An aggregate of 194,706,000 Shares out of those Shares held by Apex Sail had been pledged in favor of Honorsky Group Limited (the "**Lender**") on 17 November 2014 and further pledged on 6 October 2015 to secure a loan granted to the Company, details of which are set out in the announcement dated 17 November 2014 and 6 October 2015.

Subsequent to 31 December 2015, the Company has repaid HK$50,000,000 of the HK$70,000,000 loan amount to the Lender on 23 February 2016 and a total of 114,706,000 of the pledged Shares and the further pledged Shares previously pledged have been released back to Apex Sail on 3 March 2016. Pursuant to the terms and conditions of the loan agreement, an aggregate of 80,000,000 Shares remains pledged as a security for a term loan facility of the remaining outstanding amount of HK$20,000,000 provided to the Company by the Lender, details of which are set out in the announcement dated 3 March 2016.

(2) During the year ended 31 December 2015, an additional 175,838,151 Shares and 180,000,000 Shares out of those Shares held by Apex Sail had been pledged as security for the obligations of the Company under the bonds issued with the warrants on 9 March 2015 and 26 August 2015 respectively, details of which are set out in the announcements dated 21 January 2015, 9 March 2015 and 26 August 2015.

Details of Directors' interests in share options granted by the Company are set out under the heading "Directors' Rights to Acquire Shares" below.

Directors' Rights to Acquire Shares

Pursuant to the Company's share option scheme adopted by the Shareholders on 13 November 2013 (the "**SOS**"), the Company has granted to certain Directors options to subscribe Shares, details of which as at 31 December 2015 were as follows:

Name of Director	Date of Grant	Exercisable period	Number of Shares subject to the outstanding options as at 01.01.2014	Exercise price HK$	At at 31 December 2015 Number of Shares subject to outstanding options	At at 31 December 2015 Approximate percentage of shareholding
Mr. Ye Tao	20.01.2014	01.01.2015 – 12.11.2023	–	1.80	500,000	0.05%
	20.01.2014	01.01.2016 – 12.11.2023	–	1.80	500,000	0.05%
	20.01.2014	01.01.2017 – 12.11.2023	–	1.80	500,000	0.05%
	20.01.2014	01.01.2018 – 12.11.2023	–	1.80	500,000	0.05%
Ms. Liu Xuehua	20.01.2014	01.01.2015 – 12.11.2023	–	1.80	537,500	0.05%
	20.01.2014	01.01.2016 – 12.11.2023	–	1.80	537,500	0.05%
	20.01.2014	01.01.2017 – 12.11.2023	–	1.80	537,500	0.05%
	20.01.2014	01.01.2018 – 12.11.2023	–	1.80	537,500	0.05%

On 20 January 2014, share options to subscribe for 4,150,000 Shares were granted under the SOS to two Directors at an exercise price of HK$1.80 per share, details of which are as follows:

Mr. Ye Tao	2,000,000
Ms. Liu Xuehua	2,150,000

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) During the period, no options held by the Directors had lapsed, cancelled or exercised.

(3) These options represent personal interests held by the Directors as beneficial owners.

Save as disclosed above, as at 31 December 2015, none of the Directors had any interests or short positions in the Shares or underlying shares of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Arrangements to Purchase Shares or Debentures

Other than the SOS, at no time during the year ended 31 December 2015 was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following Shareholders (other than the Directors or chief executives of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholder	Capacity	Number of Shares Held	Approximate percentage of shareholding
Apex Sail (1, 3 and 4)	Beneficial owner	754,400,000	69.07%
Apex Holdings (1)	Interest in a controlled corporation	754,400,000	69.07%
Ms. Hu Huanran (2)	Interest of spouse	754,400,000	69.07%
Honorsky Group Limited (3)	Person having a security interest in shares	194,706,000	17.83%
Mr. Zhang Li Ming (3)	Beneficial owner	194,706,000	17.83%
Mr. Zhang Yan Bing (3)	Beneficial owner	194,706,000	17.83%
Mr. Zhang Yan Bo (3)	Beneficial owner	194,706,000	17.83%
FIL Limited	Investment manager	88,022,000	8.06%
Everbright Securities Company Limited (4)	Interest in a controlled corporation	355,838,151	32.58%
Sun Hung Kai Financial Group Limited (4)	Interest in a controlled corporation	355,838,151	32.58%
PA Venture Opportunity IV Limited (4) and (5)	Person having a security interest in shares	355,838,151	32.58%
	Other	24,143,698	2.21%
Pacific Alliance Asia Opportunity Fund L.P. (4) and (5)	Interest in a controlled corporation	379,981,849	34.79%
Pacific Alliance Group Limited (4) and (5)	Interest in a controlled corporation	379,981,849	34.79%
Pacific Alliance Investment Management Limited (4) and (5)	Interest in a controlled corporation	379,981,849	34.79%
PAG Holdings Limited (4) and (5)	Interest in a controlled corporation	379,981,849	34.79%

Name of Shareholder	Capacity	Number of Shares Held	Approximate percentage of shareholding
Asian Equity Special Opportunities Portfolio Master Fund Limited (4) and (5)	Person having a security interest in shares	355,838,151	32.58%
	Other	38,629,916	3.54%
	Beneficial Owner	1,394,000	0.15%
RAYS Capital Partners Limited (4) and (5)	Investment Manager	397,088,067	34.79%
Ruan David Ching-chi (4) and (5)	Interest in a controlled corporation	397,088,067	34.79%
Yip Yok Tak Amy (4) and (5)	Interest in a controlled corporation	397,088,067	34.79%

Notes:

(1) Apex Sail is wholly owned by Apex Holdings. The entire issued share capital of Apex Holdings is wholly owned by Fiducia Suisse as the trustee of the Ye Family Trust. The Ye Family Trust is a revocable discretionary family trust founded by Mr. Ye Fan as the settlor. The Ye Brothers and certain of their family members are the discretionary objects of the Ye Family Trust.

(2) Mr. Ye Fan is the settlor of the Ye Family Trust. By virtue of the SFO, Mr. Ye Fan is deemed to be interested in the Shares held by Apex Sail. Mr. Ye Fan's spouse, Ms. Hu Huanran, is deemed to be interested in such 754,400,000 Shares by virtue of the SFO.

(3) An aggregate of 194,706,000 Shares out of the Shares held by Apex Sail had been pledged in favor of Honorsky Group Limited (which is owned as to 60%, 20% and 20% by Mr. Zhang Li Ming, Mr. Zhang Yan Bing and Mr. Zhang Yan Bo respectively) to secure a loan granted to the Company, details of which are set out in the announcement dated 17 November 2014 and 6 October 2015.

Subsequent to 31 December 2015, the Company has repaid HK$50,000,000 of the HK$70,000,000 loan amount to the Lender on 23 February 2016 and a total of 114,706,000 of the pledged Shares and the further pledged Shares previously pledged have been released back to Apex Sail on 3 March 2016. Pursuant to the terms and conditions of the Loan Agreement, an aggregate of 80,000,000 Shares remains pledged as a security for a term loan facility of the remaining outstanding amount of HK$20,000,000 provided to the Company by the Lender, details of which are set out in the announcement dated 3 March 2016.

(4) During the year 2015, an additional 175,838,151 Shares and 180,000,000 Shares out of those Shares held by Apex Sail had been pledged as security for the obligations of the Company under the bonds issued with the warrants on 9 March 2015 and 26 August 2015 respectively, details of which are set out in the announcements dated 21 January 2015, 9 March 2015 and 26 August 2015.

(5) The Bonds were issued with warrants, of which 24,143,698 warrants were held by PA Venture Opportunity IV Limited and 38,629,916 warrants were held by RAYS Capital Partners Limited (which is owned as to 50% and 50% by Mr. Ruan David Ching-chi and Ms. Yip Yok Tak Amy respectively), details of which are set out in the announcements dated 21 January 2015 and 9 March 2015.

Save for the Shareholders as disclosed herein, the Directors are not aware of any persons (other than the Directors and chief executive of the Company) who had an interest or a short position in the Shares or underlying shares of the Company as recorded as at 31 December 2015 in the register to be kept by the Company under Section 336 of the SFO.

Short positions in Shares and underlying Shares in the Company

As at 31 December 2015, the Company had not been notified of any short positions being held by any substantial Shareholder in the Shares or underlying Shares of the Company.

Other Persons

As at 31 December 2015, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executives and the substantial Shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

SHARE OPTION SCHEME

Pursuant to the SOS, the Company may, at their discretion, invite full-time or part-time employees of the Group, including Directors and subsidiaries of the Company, and any suppliers, customers, consultants, agents and advisors, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up options to subscribe for Shares. The exercise price of the share option will be determined at the higher of the average of closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the Shares on the Stock Exchange on the date of grant or the nominal value of the Shares.

The SOS will remain in force for a period of 10 years commencing on 13 November 2013.

The share options under the SOS are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years after the date of grant.

The total number of Shares in respect of which options may be granted under the SOS is not permitted to exceed 10% of the Shares in issue on the date of the listing of the Company on 5 December 2013 (the "**Listing Date**") without prior approval from the Shareholders. No option may be granted in any 12-month period to any one employee which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 1% of the number of Shares issued and issuable under all the options which may be granted under the SOS or any other share option schemes at the time it is proposed to grant the relevant options to that employee.

Options granted under the SOS must be taken up within 21 days of the date of grant, upon payment of HK$1.00 per grant.

On 20 January 2014, share options to subscribe for 11,400,000 Shares were granted under the SOS to two Directors and eligible employees (the "**Grant**"). The Grant represents approximately 1.14% of the issued share capital of the Company as at the date of this report. Details of the share options outstanding as at the date of this report are as follows:

Option Type	Date of Grant	Exercisable Period	Exercise Price
2014 Options	20.01.2014	01.01.2015 – 12.11.2023	HK$1.80
	20.01.2014	01.01.2016 – 12.11.2023	HK$1.80
	20.01.2014	01.01.2017 – 12.11.2023	HK$1.80
	20.01.2014	01.01.2018 – 12.11.2023	HK$1.80

The following table discloses movements in the share options of the Company during the period:

Name of Director	Option type	Date of Grant	Exercisable Period	Exercise price HK$	Number of Shares subject to the outstanding options as at 01.01.2015	Granted during the period	Lapsed during the period	Number of Shares subject to the outstanding options as at 31.12.2015	Weighted average closing price of Shares immediately before the date(s) on which the options were exercised HK$
Category [1]: Directors									
Mr. Ye Tao	2014 Options	20.01.2014	01.01.2015 – 12.11.2023	1.80	500,000	–	–	500,000	–
		20.01.2014	01.01.2016 – 12.11.2023	1.80	500,000	–	–	500,000	–
		20.01.2014	01.01.2017 – 12.11.2023	1.80	500,000	–	–	500,000	–
		20.01.2014	01.01.2018 – 12.11.2023	1.80	500,000	–	–	500,000	–
Ms. Liu Xuehua	2014 Options	20.01.2014	01.01.2015 – 12.11.2023	1.80	537,500	–	–	537,500	–
		20.01.2014	01.01.2016 – 12.11.2023	1.80	537,500	–	–	537,500	–
		20.01.2014	01.01.2017 – 12.11.2023	1.80	537,500	–	–	537,500	–
		20.01.2014	01.01.2018 – 12.11.2023	1.80	537,500	–	–	537,500	–
Total for Directors					4,150,000	–	–	4,150,000	–
Category [2]: Employees	2014 Options	20.01.2014	01.01.2015 – 12.11.2023	1.80	1,772,500	–	(167,500)	1,605,000	–
		20.01.2014	01.01.2016 – 12.11.2023	1.80	1,772,500	–	(167,500)	1,605,000	–
		20.01.2014	01.01.2017 – 12.11.2023	1.80	1,772,500	–	(167,500)	1,605,000	–
		20.01.2014	01.01.2018 – 12.11.2023	1.80	1,772,500	–	(167,500)	1,605,000	–
Total for Employees					7,090,000	–	(670,000)	6,420,000	
All Category					11,240,000	–	(670,000)	10,570,000	

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) During the period, no options had been cancelled or exercised.

(3) The closing price of the Shares immediately before 20 January 2014, the date of grant of the 2014 Options, was HK$1.63.

(4) The fair value of the 2014 Options granted at the date of grant (20 January 2014) totaled approximately HK$8,505,000.

CONNECTED TRANSACTION

During the year ended 31 December 2015, the Group had no transaction which need to be disclosed as connected transaction in accordance with the requirements of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in note 32 to the consolidated financial statements.

NON-COMPETITION UNDERTAKINGS

Each of the controlling Shareholders has provided to the Company a written confirmation in respect of his/its compliance with the Non-Compete Undertakings dated 13 November 2013 (the "**Non-Complete Undertakings**") for the year ended 31 December 2015. The independent non-executive Directors have also reviewed the status of compliance by each of the controlling Shareholders with the undertakings in the Non-Compete Undertakings and have confirmed that, as far as he/it can ascertain, there is no breach of any of the undertakings in the Non-Compete Undertakings.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2015 are set out in note 22 to the consolidated financial statements.

DONATIONS

During the year ended 31 December 2015, the Group made charitable and other donations amounting to RMB0.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, there is sufficient public float of not less than 25% of the Shares in issue as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, the five largest customers of the Group accounted for approximately 0.19% of the total revenue and sales to the largest customer accounted for approximately 0.04% of the total revenue. The five largest suppliers of the Group in aggregate accounted for about 77.27% of its operating costs for the year ended 31 December 2015. Purchases from the largest supplier accounted for about 25.93% of its operating costs for the year ended 31 December 2015. None of the Directors, their close associates, or any Shareholder (who to the knowledge of the Directors owned more than 5% of the Company's share capital) had any interest in the Group's five largest customers or suppliers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2015, save as disclosed herein, the Company has not entered into any equity-linked agreement.

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

On 12 June 2015, a total of 100,000,000 new Shares were issued by the Company at the subscription price of HK$1.83 per Share. The gross proceeds and the net proceeds (after deducting commission paid to the Placing Agent at other expenses) are HK$183,000,000 and approximately HK$176,396,000 respectively, details are set out in the announcements dated 1 and 12 June 2015.

The Company repurchased an aggregate of 9,072,000 Shares on the market during the year ended 31 December 2015. Subsequent to 31 December 2015, the Company repurchased an aggregate of 2,798,000 Shares on the market during the period from 11 January 2016 to 20 January 2016.

Particulars of the Shares repurchased on the Stock Exchange during the year ended 31 December 2015 are as follow:

2015	Number of Shares repurchased by the Company	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$
August	2,136,000	1.00	0.71	1,856,331
September	1,202,000	0.92	0.81	1,058,152
October	370,000	0.94	0.88	339,757
November	3,528,000	0.94	0.70	2,859,600
December	1,836,000	1.00	0.75	1,670,198
TOTAL	9,072,000			7,784,038

The Directors believe that the above repurchases would lead to an enhancement of the earnings per share of the Company, which is in the best interests of the Company and the Shareholders.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2015 and until the date of this Annual Report.

Highest Paid Individuals and the Remuneration of the Directors and Senior Management

Details of the Directors' remuneration and the five individuals with highest emoluments are set out in notes 8 and 9 respectively of the consolidated financial statements in this Annual Report.

For the year ended 31 December 2015, the remuneration of the senior management whose profiles are included in the Profile of Directors and Senior Management section of this Annual Report fell within the following bands:

Remuneration band	Number of Individuals
HK$Nil – HK$500,000	4
HK$500,001 – HK$1,000,000	–
HK$1,000,001 – HK$1,500,000	1

EMOLUMENT POLICY

As at 31 December 2015, the Group had a total of 2,240 employees, the majority of whom are situated in the PRC. In addition to offering competitive remuneration packages to employee, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

The Group also encourages its employees to pursue a balanced life and provides a good working environment for its employees to maximise their potential and contribution to the Group.

The Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his close associates, and executive, is involved in dealing with his own remuneration.

The Company has adopted the SOS as an incentive to Directors and eligible employees, details of the schemes is set out in note 25 to the consolidated financial statements and under the heading "Share Option Scheme" in this Report of Directors.

DIRECTORS' INDEMNITY

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**Code**") during the year ended 31 December 2015. Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in this Annual Report.

SIGNIFICANT LEGAL PROCEEDINGS

During the year ended 31 December 2015, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

EVENTS AFTER THE REPORTING PERIOD

Particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2015 are provided in note 34 to the consolidated financial statements and in this section on page 30 of "Long Positions or Short Positions in Shares and Underlying Shares" and page 32 of "Substantial Shareholders".

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2015 have been audited by KPMG, the Company's external auditors (the "**Auditors**"). A resolution will be proposed at the AGM to re-appoint KPMG as the Auditors.

On behalf of the Board
Ye Fan
Chairman

Hong Kong, 21 March 2016

CORPORATE GOVERNANCE REPORT

The Directors and other members of the management team of the Company are dedicated to maintain high standards of corporate governance. They will continue to exercise leadership, enterprise, integrity and judgement so as to achieve continuing prosperity and to act in the best interests of the Company and its Shareholders as a whole in a transparent and responsible manner. Strategic development with prudence and adherence to ethical principles form the core of the Company's corporate governance practices.

The Company continues to devote efforts on promoting good corporate governance so as to ensure its ability to attract investment, protect the rights of the Shareholders and stakeholders, and enhance Shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code as its own code on corporate governance practices. The Company has taken various measures to cope with the latest development in the corporate governance regime.

The Company has complied with the code provisions as set out in the Code during the year ended 31 December 2015.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this Annual Report, the Board comprises six members as follows:

Executive Directors
Mr. Ye Fan *(Chairman)*
Mr. Ye Tao *(Chief Executive Officer)*
Ms. Liu Xuehua

Independent Non-executive Directors
Mr. Pan Lu
Mr. Wang, Michael Chou
Mr. Jip Ki Chi

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 21 to 23 of this Annual Report.

The Company has arranged appropriate directors' and officers' liabilities insurance for Directors and officers of the Company. Details of the directors' indemnity are provided in the Report of the Directors on page 39 of this Annual Report. The insurance coverage is reviewed on an annual basis.

Each independent non-executive Director has confirmed, in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules that he is independent of the Company and the Company also considers that all of them are independent.

Except for the family relationship between Mr. Ye Fan and Mr. Ye Tao as disclosed in the biographical details on pages 21 to 22 of this Annual Report, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

The list of Directors is disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 15 November 2013, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Each of the independent non-executive Directors, namely, Mr. Pau Lu, Mr. Jip Ki Chi and Mr. Li Lin (retired on 22 June 2015) has entered into a letter of appointment with the Company for an initial term of three years from 15 November 2013, Mr. Wang, Michael Chou has entered into an appointment letter with the Company for an initial term of three years from 22 June 2015, which can be terminated by either party giving not less than three months' notice in writing to the other party.

Pursuant to the Articles of Association, at least one-third of the Directors shall retire from office but are eligible for re-election by the Shareholders at each annual general meeting of the Company and each Director shall retire on a rotational basis at least once every three years.

During the year ended 31 December 2015, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules and the appointment of independent non-executive Directors representing at least one-third of the Board pursuant to Rule 3.10A of the Listing Rules.

Functions of the Board

The Board, headed by the chairman of the Board (the "**Chairman**"), is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

The executive Directors are responsible for day-to-day management of the Company's operations, financial management and conducting meetings with senior management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring internal control system and risk management function.

Matters specifically decided by the Board and those reserved for the management, such as daily management, administration, operation of the Company and so forth, are reviewed by the Board on a periodic basis. The management shall report back to the Board.

In addition, the Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

The Articles of Association sets out the responsibilities and proceedings of the Board. The Board meets regularly, at least four times a year, to consider operational reports and policies of the Company. Significant operational policies are discussed and passed by the Board.

Corporate Governance Functions

The Board is responsible for performing corporate governance duties that include:

(a) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) reviewing and monitoring the training and continuous professional development of the Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

(e) reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2015, the Board approved the terms of reference of the Board (with respect to corporate governance duties), and the terms of reference of the Nomination Committee, the audit committee (the "**Audit Committee**") and the Remuneration Committee and the Shareholders communication policy of the Company (the "**Shareholders Communication Policy**").

Directors' Training and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and management to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organized by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, the Company Secretary updates and provides written training materials on the latest developments of applicable laws, rules and regulations to the Directors.

Each of the Directors have attended training sessions arranged by the Company on the continuing obligations of listed companies and directors, disclosure obligations of listed companies and amendments to the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) in relation to "inside information".

In addition to the above-mentioned training sessions, some Directors and members of the senior management of the Company have also attended several presentations organized by the Company on the compliance of the Listing Rules and conducts of listed companies.

Board Meetings

Code provision A.1.1 of the Code prescribes that at least four regular board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. Due notices and board papers were given to all Directors prior to each meeting in accordance with the Articles of Association and the Code.

During the year ended 31 December 2015, five Board meetings were held. Details of individual attendance of each of the Directors are set out below:

	Attendance/ Number of Meetings Eligible to Attend
Executive Directors:	
Mr. Ye Fan *(Chairman)*	5/5
Mr. Ye Tao *(Chief Executive Officer)*	5/5
Ms. Liu Xuehua	5/5
Independent non-executive Directors:	
Mr. Li Lin (retired on 22 June 2015)	4/4
Mr. Pan Lu	5/5
Mr. Wang, Michael Chou (appointed on 22 June 2015)	1/1
Mr. Jip Ki Chi	5/5

Board Process

Directors are provided with relevant information to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management for information and making enquires if necessary. In addition, Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

Every Director is entitled to have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures, and all applicable rules and regulations, are complied with. All minutes are kept by the Company Secretary and are opened for inspections by any Director during normal office hours by giving reasonable advance notice.

If a substantial Shareholder or a Director has a conflict of interest in a matter before the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. The Chairman is Mr. Ye Fan; and the chief executive officer of the Company (the "**Chief Executive Officer**") is Mr. Ye Tao. The roles of Chairman and Chief Executive Officer are separate. Such division of responsibilities has been clearly established. It allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each of the Board and management of the Group. The Chairman oversees the Board so that it acts in the best interests of the Group. With the support of the executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate, clear, complete and reliable information in a timely manner. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development of the Group and ensuring that good corporate governance practices and procedures are established.

The Chief Executive Officer, who is assisted by other executive Directors, is responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and maintaining an effective executive support team. The Chief Executive Officer is accountable to the Board for keeping the Chairman and all the Directors fully informed of all major business developments and issues.

Responsibilities of the Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its Shareholders. Their responsibilities include:

- attending regular Board meetings focusing on business strategy, operational issues and financial performance;
- active participation on the boards of subsidiaries and associated companies;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- consideration of misuse of corporate assets and abuse in related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to meet their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

BOARD COMMITTEES

The Company has set up a number of committees of the Board, including the Remuneration Committee, the Audit Committee and the Nomination Committee, with specific terms of reference relating to their authority and duties, which strengthen the Board's functions and enhance its expertise.

Remuneration Committee

The Remuneration Committee comprises one executive Director, Mr. Ye Tao and two independent non-executive Directors, namely Mr. Pan Lu and Mr. Jip Ki Chi. Mr. Pan Lu is the chairman of the Remuneration Committee.

The Remuneration Committee was established in November 2013 and written terms of reference of the Remuneration Committee have been adopted by the Board and posted on the websites of the Company and the Stock Exchange.

The Remuneration Committee's responsibilities include but not limited to the review and consideration of the Company's remuneration policy for the Directors and senior management, the recommendations to the Board on the remuneration packages of individual executive Director and senior management including benefits in kind, pension rights and compensation payments, and recommendations relating to remunerations of independent non-executive Directors.

The Remuneration Committee held two meetings during the year ended 31 December 2015 with individual attendance as follows:

Members of the Remuneration Committee	Attendance/ Number of Meetings
Mr. Pan Lu *(Chairman)*	2/2
Mr. Ye Tao	2/2
Mr. Jip Ki Chi	2/2

The Group remunerates its employees based on their individual performance, job nature and responsibilities. The Group also provides training and various benefits to its employees including medical welfare, provident funds, bonuses and other incentives. The Group also encourages its employees to pursue a balanced life and provides a good working environment to maximize their potential and contribution to the Group.

Audit Committee

The Audit Committee comprises, Mr. Pan Lu, Mr. Wang, Michael Chou and Mr. Jip Ki Chi, all of whom are independent non-executive Directors. Mr. Jip Ki Chi is the chairman of the Audit Committee.

The Audit Committee was established in November 2013 and written terms of reference, which describe the authority and duties of the Audit Committee have been adopted and posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

The Audit Committee reports directly to the Board and reviews financial statements and internal control, and to protect the interests of the Shareholders.

The Audit Committee meets regularly with the Auditors to discuss various accounting issues, and reviews the effectiveness of internal controls.

The Audit Committee held two meetings during the year ended 31 December 2015 with individual attendance as follow:

Members of the Audit Committee	**Attendance/ Number of Meetings Eligible to Attend**
Mr. Jip Ki Chi *(Chairman)*	2/2
Mr. Li Lin (ceased on 22 June 2015)	1/1
Mr. Pan Lu	2/2
Mr. Mr. Wang, Michael Chou (appointed on 22 June 2015)	1/1

A meeting of the Audit Committee was held on 21 March 2016 to review the Group's consolidated financial statements for the year ended 31 December 2015.

Nomination Committee

The Nomination Committee comprises one executive Director, Mr. Ye Tao and two independent non-executive Directors, Mr. Pan Lu, and Mr. Jip Ki Chi. Mr. Ye Tao is the chairman of the Nomination Committee.

The Nomination Committee was established in November 2013 and written terms of reference of the Nomination Committee have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange.

The Nomination Committee's responsibilities include but not limited to formulating policy and making recommendation to the Board on nominations and appointments of Directors and Board succession.

The Nomination Committee is also responsible for reviewing the structure, size and composition of the Board, assessing independence of the independent non-executive Directors and making recommendations on any proposed changes to the Board.

The Nomination Committee held two meetings during the year ended 31 December 2015. The attendance records of the meetings are as follow:

Members of the Nomination Committee	**Attendance/ Number of Meetings**
Mr. Ye Tao *(Chairman)*	2/2
Mr. Pan Lu	2/2
Mr. Jip Ki Chi	2/2

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2015.

EXTERNAL AUDITOR

The Auditors is KPMG. KPMG provided services in respect of the audit of Company's consolidated financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the year ended 31 December 2015. KPMG also reviewed the 2015 unaudited interim financial information of the Group prepared in accordance with Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the HKICPA.

During the year ended 31 December 2015, total fees charged by KPMG in respect of audit services amounted to RMB3,500,000, including interim review of the financial statement of the Company for the six months ended 30 June 2015.

Non-audit service fees charged by KPMG during the year ended 31 December 2015 are as follows:

Description of services performed

	RMB
Tax service	**7,000**
	7,000

The statement of the Auditors regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 53 to 54 of this Annual Report.

DIRECTORS' RESPONSIBILITIES IN PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for the Company's risk management and internal control systems and for reviewing its effectiveness. The Group's internal audit department and senior management conduct reviews of the effectiveness of the risk management and internal control systems of the Group. The Audit Committee reviews the findings and recommendations of the internal audit department and the senior management in their meetings held at least twice a year and reports to the Board on such review.

The risk management and internal control systems are designed to manage, rather than eliminate business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss. In addition, it should provide a basis for the maintenance of proper and fair accounting records and assist in the compliance with relevant rules and regulations.

In respect of the year ended 31 December 2015, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget.

The Board believes that there are no material internal controls deficiencies that may affect the Shareholders and an effective system is in place to safeguard the assets of the Group. The Group will continue to enhance the system to cope with the changes in the business environment.

COMPANY SECRETARY

The Company Secretary is Mr. Yu Man To, Gerald. The Company Secretary has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

There were no changes to the memorandum of association of the Company and Articles of Association from the date of its listing on HKEx (the "**Listing Date**").

A copy of the memorandum and Articles of Association of the Company is posted on the websites of the Company and HKEx.

COMMUNICATION WITH SHAREHOLDERS

The Directors are aware of the importance of maintaining good relations and communications with the Shareholders. The Board established a Shareholders Communication Policy setting out the principles of the Company in relation to Shareholders' communications, with the objective of ensuring that its communication with the Shareholders are timely and accurate.

The Company uses a range of communication tools, such as annual general meetings, annual reports, various notices, announcements and circulars, to ensure the Shareholders are kept well informed of the Group's key business imperatives.

The Company has maintained a website at www.meidongauto.com which serves as a forum for corporate communications with the Shareholders and the general public. All corporate communications required under the Listing Rules are displayed and archived since the Listing Date on the Company's website and there are established procedures to ensure timely update in compliance with the Listing Rules.

At the AGM, separate resolutions will be proposed by the Chairman in respect of each issue itemized on the agenda, including the re-election of the Directors. The Chairman, the chairman of each of the Remuneration Committee, the Audit Committee and the Nomination Committee and members of senior management, together with representative(s) from the Auditors will attend the AGM to answer questions from the Shareholders.

The notice of the AGM will be distributed to all Shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules.

During the year ended 31 December 2015, an AGM and an adjourned AGM were held on 22 May 2015 and 22 June 2015 respectively, details of individual attendance of each of the Directors are as follows:

	Attendance/ Annual General Meeting Eligible to Attend
Executive Directors	
Mr. Ye Fan *(Chairman)*	2/2
Mr. Ye Tao *(Chief Executive Officer)*	2/2
Ms. Li Xuehua	2/2
Independent non-executive Directors:	
Mr. Li Lin (retired on 22 June 2015)	2/2
Mr. Pan Lu	2/2
Mr. Wang, Michael Chou (appointed on 22 June 2015)	0/0
Mr. Jip Ki Chi	2/2

SHAREHOLDERS' RIGHTS

Convening an Extraordinary general Meeting by Shareholders and Putting Forward Proposals

Under the Articles of Association, an extraordinary general meeting ("**EGM**") may be convened by the Board upon requisition by any one or more Shareholders holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at any general meetings. The Shareholder(s) shall make a written requisition to the Board or the Company Secretary at the head office of the Company in Hong Kong, specifying the shareholding information of the Shareholder(s), his/her/their contact details and the proposal regarding any specifying transaction/business and its supporting documents.

If within 21 days of deposit of such written requisition, the Board does not proceed to convene such EGM, the requisitionist(s) himself/herself/themselves may convene an EGM in the same manner as that in which such meeting may be convened by the Board, provided that such meeting so convened shall not be held after the expiration of two months from the date of deposit of such requisition.

Making Enquiries to the Board

Shareholders may send written enquiries, either by post or by facsimiles, together with his/her/its contact details, such as postal address or fax, addressing to the head office of the Company at 2404, 24th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong or facsimile number (852) 2668 5798.

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the shareholders of
China MeiDong Auto Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China MeiDong Auto Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 55 to 137, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This 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 auditor's judgment, 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 auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in RMB'000)

	Note	2015	2014
Revenue	4	**4,807,980**	3,854,807
Cost of sales		**(4,355,932)**	(3,462,182)
Gross profit		**452,048**	392,625
Other income	5	**22,210**	29,283
Distribution costs		**(147,253)**	(120,760)
Administrative expenses		**(130,294)**	(98,936)
Profit from operations		**196,711**	202,212
Interest expenses		**(66,429)**	(63,003)
Compensation to bondholders		**(9,099)**	–
Net finance costs	6(a)	**(75,528)**	(63,003)
Share of profits of an associate	15	**6,671**	3,789
Share of profits of a joint venture	16	**18,733**	13,117
Profit before taxation	6	**146,587**	156,115
Income tax	7(a)	**(40,535)**	(41,367)
Profit and total comprehensive income for the year		**106,052**	114,748
Profit and total comprehensive income attributable to:			
Equity shareholders of the Company		**102,163**	110,680
Non-controlling interests		**3,889**	4,068
Profit and total comprehensive income for the year		**106,052**	114,748
Earnings per share	10		
Basic and diluted (RMB cents)		**9.69**	11.07

The notes on pages 60 to 137 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in RMB'000)

	Note	**31 December 2015**	31 December 2014
Non-current assets			
Property, plant and equipment	11	**550,985**	437,039
Lease prepayments	12	**103,428**	102,511
Intangible assets	13	**11,155**	10,684
Interest in an associate	15	**14,671**	8,000
Interest in a joint venture	16	**46,387**	36,485
Other non-current assets	17	**22,829**	–
Deferred tax assets	26(b)	**14,171**	8,729
		763,626	603,448
Current assets			
Inventories	18	**466,318**	641,529
Trade and other receivables	19	**373,773**	308,806
Bank deposits	20	**521,084**	428,748
Cash and cash equivalents	21	**253,915**	127,183
		1,615,090	1,506,266
Current liabilities			
Loans and borrowings	22	**641,606**	609,134
Trade and other payables	23	**782,285**	802,317
Income tax payables	26(a)	**16,923**	8,862
		1,440,814	1,420,313
Net current assets		**174,276**	85,953
Total assets less current liabilities		**937,902**	689,401

The notes on pages 60 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in RMB'000)

	Note	**31 December 2015**	31 December 2014
Non-current liabilities			
Loans and borrowings	22	**60,500**	120,476
Corporate bonds	24	**77,810**	–
Deferred tax liabilities	26(b)	**4,451**	3,625
Other non-current liabilities		**1,488**	–
		144,249	124,101
NET ASSETS		**793,653**	565,300
EQUITY			
Share capital	27(c)	**85,869**	78,620
Reserves	27(f)	**678,887**	465,672
Total equity attributable to equity shareholders of the Company		**764,756**	544,292
Non-controlling interests		**28,897**	21,008
TOTAL EQUITY		**793,653**	565,300

Approved and authorised for issue by the board of directors on 21 March 2016.

Ye Fan
Directors

Ye Tao
Directors

The notes on pages 60 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015
(Expressed in RMB'000)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000 (note 27(f)(i))	Capital redemption reserve RMB'000 (note 27(f)(ii))	Capital reserves RMB'000 (note 27(f)(iii))	PRC statutory reserves RMB'000 (note 27(f)(iv))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014	78,620	309,531	–	(56,612)	30,820	97,913	460,272	16,940	477,212
Changes in equity for 2014:									
Profit and total comprehensive income for the year	–	–	–	–	–	110,680	110,680	4,068	114,748
Appropriation to reserves	–	–	–	–	5,311	(5,311)	–	–	–
Dividends declared and paid (note 27(b))	–	(30,000)	–	–	–	–	(30,000)	–	(30,000)
Equity settled share-based transactions (note 25)	–	–	–	3,340	–	–	3,340	–	3,340
Balance at 31 December 2014 and 1 January 2015	**78,620**	**279,531**	**–**	**(53,272)**	**36,131**	**203,282**	**544,292**	**21,008**	**565,300**
Changes in equity for 2015:									
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**102,163**	**102,163**	**3,889**	**106,052**
Capital injection by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,000**	**4,000**
Appropriation to reserves	**–**	**–**	**–**	**–**	**29,526**	**(29,526)**	**–**	**–**	**–**
Dividends declared and paid (note 27(b))	**–**	**(30,000)**	**–**	**–**	**–**	**–**	**(30,000)**	**–**	**(30,000)**
Equity settled share-based transactions (Note 25)	**–**	**–**	**–**	**1,501**	**–**	**–**	**1,501**	**–**	**1,501**
Issuance of warrants, net of issuance expenses (note 27(d))	**–**	**–**	**–**	**12,976**	**–**	**–**	**12,976**	**–**	**12,976**
Issuance of new shares, net of issuance expenses (note 27(e))	**7,895**	**131,365**	**–**	**–**	**–**	**–**	**139,260**	**–**	**139,260**
Repurchase of own shares (note 27(c)(iii))	**(646)**	**(5,436)**	**646**	**–**	**–**	**–**	**(5,436)**	**–**	**(5,436)**
Balance at 31 December 2015	**85,869**	**375,460**	**646**	**(38,795)**	**65,657**	**275,919**	**764,756**	**28,897**	**793,653**

The notes on pages 60 to 137 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015
(Expressed in RMB'000)

	Note	2015	2014
Operating activities:			
Cash generated from operations	21(b)	**240,989**	168,537
Income tax paid	26(a)	**(37,732)**	(46,905)
Net cash generated from operating activities		**203,257**	121,632
Investing activities:			
Payment for the purchase of property, plant and equipment		**(181,031)**	(181,029)
Proceeds from disposal of property, plant and equipment		**29,239**	13,126
Payment for purchase of lease prepayments		**(3,761)**	–
Payment for the acquisition of a subsidiary, net of cash acquired	28	**(14,900)**	–
Advances to related parties		**–**	(5,432)
Repayment of advances to related parties		**5,432**	114
Interest received		**10,592**	4,305
Decrease/(increase) in deposits with a bank		**145,400**	(145,400)
Dividends received from a joint venture	16	**8,831**	–
Net cash used in investing activities		**(198)**	(314,316)
Financing activities:			
Proceeds from loans and borrowings		**1,084,374**	2,702,866
Repayment of loans and borrowings		**(1,286,101)**	(2,777,988)
Proceeds from issuance of new shares, net of issuance expenses	27(e)	**139,260**	–
Proceeds from issuance of bonds and warrants, net of issuance expenses		**80,102**	–
Payment for repurchase of own shares	27(c)(iii)	**(5,436)**	–
Advances from related parties		**32,900**	121,000
Repayment of advances from related parties		**(32,900)**	(121,865)
Dividends declared and paid	27(b)	**(30,000)**	(30,000)
Capital injection by non-controlling interests		**4,000**	–
Interest paid		**(53,427)**	(65,351)
Compensation paid to bondholders	6(a)(i)	**(9,099)**	–
Net cash used in financing activities		**(76,327)**	(171,338)
Net increase/(decrease) in cash and cash equivalents		**126,732**	(364,022)
Cash and cash equivalents at 1 January		**127,183**	491,205
Cash and cash equivalents at 31 December	21(a)	**253,915**	127,183

The notes on pages 60 to 137 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND THE BASIS OF PRESENTATION

China MeiDong Auto Holdings Limited ("the Company") was incorporated in the Cayman Islands on 24 February 2012 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company and its subsidiaries (together, the "Group") are principally engaged in 4S dealership business in the People's Republic of China (the "PRC").

Pursuant to a group reorganisation completed in July 2013 (the "Reorganisation") to rationalise the Group's structure in preparation for the public offering (the "Offering") of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") as defined in the Company's prospectus dated 22 November 2013 (the "Prospectus"), the Company became the holding company of the Group. Details of the Reorganisation are set out in the Prospectus. The Company's shares were listed on the Stock Exchange on 5 December 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries and the Group's interests in an associate and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– derivative financial instruments (see note 2(g)).

These consolidated financial statements are presented in Renminbi ("RMB") which is the Group's presentation currency, rounded to the nearest thousands, except for earnings per share information.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- Annual improvements to HKFRSs 2010-2012 Cycle
- Annual improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 2(e)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note 2(k)(ii)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholder of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholder of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(k)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see note 2(k)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Buildings	15-30 years
–	Leasehold improvements	over the shorter of the unexpired term of lease and 5 years
–	Plant and machinery	5-10 years
–	Passenger vehicles	4-5 years
–	Office equipment and furniture	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment (continued)

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 2(k)(ii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(i) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(k)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Car dealership is amortised from the date of acquisition over its estimated useful life of 20 years.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(ii) Lease prepayments

Lease prepayments represent cost of land use right paid to the PRC governmental authorities or third parties.

Lease prepayments are stated at cost less accumulated amortisation and impairment losses (see note 2(k)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– lease prepayments;

– intangible assets; and

– investment in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated on specific identification or weighted average 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 necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

(i) Short-term employee benefits

Salaries and annual bonuses are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution retirement plan

Contributions to PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the binomial option-pricing model, taking into account the terms and condition upon which the option were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits (continued)

(iii) Share-based payments (continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial guarantees issued, provisions and contingent liabilities (continued)

(i) Financial guarantees issued (continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (continued)

(ii) Services income

Revenue arising from after-sales services is recognised when the relevant service is rendered without further performance obligations.

(iii) Commission income

Commission income is recognised at the time when the services concerned are rendered to customers.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) Vendor rebates

Incentive rebates provided by vendors are recognised on an accrual basis based on the expected entitlement earned up to the reporting date pursuant to each relevant supplier contract.

Incentive rebates relating to vehicles purchased and sold are deducted from cost of sales, while incentive rebates relating to vehicle purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Translation of foreign currencies (continued)

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the statement of financial position date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities 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).

(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).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Depreciation and amortisation

As described in note 2(h), property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in note 2(i), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(b) Sources of estimation uncertainty (continued)

(ii) Net realisable value of inventories

As described in note 2(l), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(iii) Impairment of trade and other receivables

Management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade and other receivables at the end of reporting period.

(iv) Fair value of assets acquired and liabilities assumed upon acquisition

In connection with acquisition of subsidiaries through business combination, the assets acquired and liabilities assumed are adjusted to their estimated fair values on the date of acquisition. The determination of the values of assets acquired and liabilities assumed involves management's judgement and assumptions. Any change in such judgement and assumptions would affect the fair value of assets acquired and liabilities assumed.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The amount of each significant category of revenue recognised during the year is as follows:

	2015 **RMB'000**	2014 RMB'000
Sales of passenger vehicles	**4,289,063**	3,433,618
After-sales services	**518,917**	421,189
	4,807,980	3,854,807

(b) Segment reporting

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sales of passenger vehicles and provision of after-sales services.

(i) Information about geographical area

All of the Group's revenue is derived from the sales of passenger vehicles and provision of after-sales services in mainland China and the principal non-current assets employed by the Group are located in mainland China. Accordingly, no analysis by geographical segments has been provided for the reporting period.

(ii) Information about major customers

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenues.

5 OTHER INCOME

	2015 RMB'000	2014 RMB'000
Commission income	**20,610**	19,124
Bank interest income	**6,549**	9,016
Gain on a bargain purchase (see note 28)	**3,157**	–
Net loss on disposal of property, plant and equipment	**(4,485)**	(14)
Others	**(3,621)**	1,157
	22,210	29,283

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		Note	2015 RMB'000	2014 RMB'000
(a)	**Net finance costs:**			
	Interest on			
	– loans and borrowings		**40,336**	52,952
	– corporate bonds		**12,332**	–
	Total borrowing costs		**52,668**	52,952
	Less: interest expense capitalised		**–**	(1,896)
			52,668	51,056
	Other finance cost	(i)	**13,761**	11,947
	Total interest expenses		**66,429**	63,003
	Compensation to bondholders (see note 24)		**9,099**	–
			75,528	63,003
(b)	**Staff costs:**			
	Salaries, wages and other benefits		**157,787**	134,769
	Equity settled share-based payment expenses	(ii)	**1,501**	3,340
	Contributions to defined contribution retirement plans	(iii)	**7,261**	6,181
			166,549	144,290

6 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs: (continued)

(i) It represents the interest expenses borne by the Group arising from discount of bills issued to automobile manufacturers.

(ii) The Group recognised an expense of RMB1,501,000 (2014: RMB3,340,000) for the year ended 31 December 2015 in relation to share options granted to certain employees of the Group pursuant to a share option scheme (see note 25).

(iii) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

		2015 RMB'000	2014 RMB'000
(c)	**Other items:**		
	Cost of inventories	**4,313,880**	3,425,499
	Depreciation	**38,293**	26,886
	Amortisation of lease prepayments	**2,844**	2,812
	Amortisation of intangible assets	**796**	754
	Operating lease charges	**19,881**	16,182
	Net foreign exchange loss/(gain)	**4,649**	(540)
	Auditors' remuneration	**3,500**	2,800

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	2015 RMB'000	2014 RMB'000
Current tax:		
Provision for PRC income tax for the year (note 26(a))	**45,793**	39,470
Deferred tax:		
(Origination)/reversal of temporary differences (note 26(b))	**(5,258)**	1,897
	40,535	41,367

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

	2015 RMB'000	2014 RMB'000
Profit before taxation	**146,587**	156,115
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned (i)	**48,380**	40,680
Tax effect of non-deductible expenses	**1,831**	1,184
Tax effect of non-taxable income on share of profits of an associate	**(1,668)**	(947)
Tax effect of non-taxable income on share of profits of a joint venture	**(4,683)**	(3,279)
Tax effect of recognition of prior years' unused tax losses	**(3,667)**	–
Tax effect of unused tax losses not recognised	**342**	3,729
Actual tax expense	**40,535**	41,367

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

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

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits Tax was made for the subsidiary located in Hong Kong as the subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the reporting period. The payments of dividends by companies in Hong Kong are not subject to any Hong Kong withholding tax.

Under the Corporate Income Tax Law of the PRC (the ”new CIT Law”) which was passed by the Fifth Plenary Session of the Tenth National People’s Congress, effective from 1 January 2008, the PRC’s statutory income tax rate is 25%. The Group’s PRC subsidiaries are subject to income tax at the statutory tax rate.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2015

	Note	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (note ii) RMB'000	Total RMB'000
Executive directors								
Mr. Ye Fan		–	603	1,642	–	2,245	–	2,245
Mr. Ye Tao		–	2,418	560	–	2,978	291	3,269
Ms. Liu Xuehua		–	739	594	–	1,333	313	1,646
Non-executive directors								
Mr. Wang, Michael Chou	(i)	44	–	–	–	44	–	44
Mr. Li Lin	(i)	47	–	–	–	47	–	47
Mr. Pan Lu		84	–	–	–	84	–	84
Mr. Jip Ki Chi		140	–	–	–	140	–	140
		315	3,760	2,796	–	6,871	604	7,475

Year ended 31 December 2014

	Note	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (note ii) RMB'000	Total RMB'000
Executive directors								
Mr. Ye Fan		–	603	–	–	603	–	603
Mr. Ye Tao		–	2,404	–	–	2,404	610	3,014
Ms. Liu Xuehua		–	452	300	17	769	656	1,425
Non-executive directors								
Mr. Li Lin	(i)	78	–	–	–	78	–	78
Mr. Pan Lu		78	–	–	–	78	–	78
Mr. Jip Ki Chi		131	–	–	–	131	–	131
		287	3,459	300	17	4,063	1,266	5,329

8 DIRECTORS' EMOLUMENTS (CONTINUED)

(i) Mr. Li Lin retired on 22 June 2015 and Mr. Wang, Michael Chou was appointed on the same day.

(ii) These represent the estimated value of share options granted to the directors under the Company's share option scheme in January 2014. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(q)(iii) and, in accordance with that policy, includes adjustments to reverse amounts accrued where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 25.

No directors of the Company waived or agreed to waive any remuneration during the year.

During the year, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2014: three) are directors whose emoluments is disclosed in note 8. The aggregate of the emoluments in respect of the other two (2014: two) individuals are as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries, allowance and benefits in kind	**1,279**	1,059
Discretionary bonuses	**–**	500
Share-based payments	**154**	322
	1,433	1,881

The emoluments of the two (2014: two) individuals with the highest emoluments are within the following bands:

	2015 **Number of individuals**	2014 Number of individuals
HK$		
Nil – 1,000,000	**1**	2
1,000,000 – 1,500,000	**1**	–

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB102,163,000 (2014: RMB110,680,000) and the weighted average of 1,054,002,000 ordinary shares in issue (2014: 1,000,000,000 shares) during the year ended 31 December 2015.

Weighted average number of ordinary shares

	2015	2014
Issued ordinary shares at 1 January	**1,000,000,000**	1,000,000,000
Effect of new shares issued (see note 27(e))	**55,616,000**	–
Effect of shares repurchased (see note 27(c)(iii))	**(1,614,000)**	–
Weighted average number of ordinary shares at 31 December	**1,054,002,000**	1,000,000,000

The impact of share options and warrants to earnings per share was anti-dilutive for the year ended 31 December 2015 and therefore there were no dilutive potential ordinary shares during the year, as a result, the diluted earnings per share is equivalent to the basic earnings per share.

The impact of share options to earnings per share was anti-dilutive for the year ended 31 December 2014 and therefore there were no dilutive potential ordinary shares during the year, as a result, the diluted earnings per share is equivalent to the basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	**Leasehold improvements**	**Plant and machinery**	**Passenger vehicles**	**Office equipment and furniture**	**Construction in progress**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 1 January 2014	171,106	15,214	25,791	43,352	26,921	73,872	356,256
Additions	1,715	2,040	22,496	42,666	9,172	110,606	188,695
Transfer	138,834	2,473	–	–	–	(141,307)	–
Disposals	–	–	(720)	(21,398)	(139)	–	(22,257)
At 31 December 2014 and 1 January 2015	311,655	19,727	47,567	64,620	35,954	43,171	522,694
Acquisition through business combinations	**9,195**	**-**	**1,366**	**837**	**626**	**-**	**12,024**
Additions	**254**	**6,381**	**19,305**	**41,154**	**11,385**	**95,460**	**173,939**
Transfer	**90,617**	**11,459**	**-**	**-**	**-**	**(102,076)**	**-**
Disposals	**-**	**-**	**(361)**	**(44,978)**	**(608)**	**-**	**(45,947)**
At 31 December 2015	**411,721**	**37,567**	**67,877**	**61,633**	**47,357**	**36,555**	**662,710**

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings	Leasehold improvements	Plant and machinery	Passenger vehicles	Office equipment and furniture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:							
At 1 January 2014	20,286	12,322	7,815	12,225	15,238	–	67,886
Charge for the year	7,647	1,774	3,840	10,219	3,406	–	26,886
Written back on disposals	–	–	(683)	(8,330)	(104)	–	(9,117)
At 31 December 2014 and 1 January 2015	27,933	14,096	10,972	14,114	18,540	–	85,655
Charge for the year	**12,513**	**2,676**	**4,650**	**13,341**	**5,113**	**–**	**38,293**
Written back on disposals	**–**	**–**	**(215)**	**(11,594)**	**(414)**	**–**	**(12,223)**
At 31 December 2015	**40,446**	**16,772**	**15,407**	**15,861**	**23,239**	**–**	**111,725**
Net book value:							
At 31 December 2015	**371,275**	**20,795**	**52,470**	**45,772**	**24,118**	**36,555**	**550,985**
At 31 December 2014	**283,722**	**5,631**	**36,595**	**50,506**	**17,414**	**43,171**	**437,039**

The Group's property, plant and equipment are located in the PRC.

The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB281,623,000 as at 31 December 2015 (2014: RMB223,444,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2015.

Property, plant and equipment with net book value of RMB8,645,000 are pledged as security for bank loans (see note 22(b)(i)) as at 31 December 2015 (2014: RMB8,967,000).

12 LEASE PREPAYMENTS

	2015	2014
	RMB'000	RMB'000
Cost:		
At 1 January	**111,890**	111,890
Additions	**3,761**	–
At 31 December	**115,651**	111,890
Accumulated amortisation:		
At 1 January	**(9,379)**	(6,567)
Charge for the year	**(2,844)**	(2,812)
At 31 December	**(12,223)**	(9,379)
Net book value:		
At 31 December	**103,428**	102,511

Lease prepayments represent cost of land use rights in respect of land located in the PRC with a lease period of 34 – 40 years when granted.

Lease prepayments with net book value of RMB79,712,000 are pledged as security for bank loans (see note 22(b)(i)) as at 31 December 2015 (2014: RMB61,899,000).

13 INTANGIBLE ASSETS

	Car dealership RMB'000
Cost:	
At 1 January 2014, 31 December 2014 and 1 January 2015	15,083
Acquisition through business combination	1,267
At 31 December 2015	16,350
Accumulated amortisation:	
At 1 January 2014	(3,645)
Charge for the year	(754)
At 31 December 2014 and 1 January 2015	(4,399)
Charge for the year	(796)
At 31 December 2015	(5,195)
Net book value:	
At 31 December 2015	11,155
At 31 December 2014	10,684

The Group's identifiable intangible assets represent car dealership in the PRC, arising from the relationship with the automobile manufacturer, with an estimated useful life of 20 years. The intangible assets were recognised as a result of the acquisition of Beijing Zhongye Toyota Auto Sales and Services Co., Ltd. ("Beijing Zhongye") in 2009 and Xinyu Dongbu Toyota Auto Sales and Services Co., Ltd. ("Xinyu Dongbu") in 2015 (see note 28). The fair value of the car dealership as at the acquisition date was determined by using the multiple-period excess earning method.

14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
China MeiDong Auto International Limited ("MeiDong International") (中國美東汽車國際有限公司)	British Virgin Islands	100 shares of USD1 each	100%	100%	–	Investment holding
China Meidong Auto (HK) Limited ("MeiDong HK") (中國美東汽車(香港)有限公司)	Hong Kong	10,000 shares	100%	–	100%	Investment holding
Dongguan Meixin Business Consulting Co., Ltd. ("Dongguan Meixin") (東莞美信企業管理諮詢有限公司)	The PRC	RMB150,000,000	100%	–	100%	Investment holding
Beijing Zhongye (北京中業豐田汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Dongguan Guanfeng Auto Co., Ltd. (東莞市冠豐汽車有限公司)	The PRC	RMB10,000,000	70%	–	70%	Automobile dealership
Dongguan Dongbu Toyota Auto Sales and Services Co., Ltd. (東莞市東部豐田汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Dongguan Dongmei Toyota Auto Sales and Services Co., Ltd. (東莞東美豐田汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Dongguan Dongxin Auto Sales and Services Co., Ltd. (東莞市東鑫汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Xiamen Meidong Auto Sales and Services Co., Ltd. (廈門美東汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Zhuzhou Meibaohang Auto Sales and Services Co., Ltd. (株洲市美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Quanzhou Meidong Toyota Auto Sales and Services Co., Ltd. (泉州美東豐田汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Lanzhou Meidong Lexus Auto Sales and Services Co., Ltd. (蘭州美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Yiyang Dongxin Auto Sales and Services Co., Ltd. (益陽市東鑫汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Heyuan Guanfenghang Auto Co., Ltd. (河源市冠豐行汽車有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Hengyang Meibaohang Auto Sales and Services Co., Ltd. (衡陽市美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Chengde Meibaohang Auto Sales and Services Co., Ltd. (承德美寶行汽車銷售服務有限公司)	The PRC	RMB10,000,000	70%	–	70%	Automobile dealership
Beijing Meibaohang Auto Sales and Services Co., Ltd. (北京美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	75%	–	75%	Automobile dealership
Foshan Dongbao Auto Sales and Services Co., Ltd. (佛山東保汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Changsha Meidong Lexus Auto Sales and Services Co., Ltd. (長沙美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Dongguan Dongyue Used Vehicles Co., Ltd. (東莞市東粵二手車有限公司)	The PRC	RMB5,000,000	100%	–	100%	Used vehicle trading
Changde Meibaohang Auto Sales and Services Co., Ltd. (常德市美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Shantou Dongbao Auto Sales and Services Co., Ltd. (汕頭市東保汽車銷售服務有限公司)	The PRC	RMB5,000,000	100%	–	100%	Automobile dealership
Longyan Meidong Lexus Auto Sales and Services Co., Ltd. (龍岩美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Yueyang Meibaohang Auto Sales and Services Co., Ltd. (岳陽市美寶行汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Shanghai Dongyue International Trading Co., Ltd. (上海東粵國際貿易有限公司)	The PRC	RMB100,000/nil	100%	–	100%	Trading business
Jingdezhen Meibaohang Auto Sales and Services Co., Ltd. (景德鎮美寶行汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Xinyu Dongbu (新余東部豐田汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Zhuhai Meidong Lexus Auto Sales and Services Co., Ltd. (珠海美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Huanggang Baoxinhang Auto Sales and Services Co., Ltd. (黃岡寶鑫行汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Foshan Meixin Lexus Auto Sales and Services Co., Ltd. (佛山美興雷克薩斯汽車銷售服務有限公司)	The PRC	RMB30,000,000/ 13,600,000	60%	–	60%	Automobile dealership

Note:

(i) Except for MeiDong International and MeiDong HK, the English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

15 INTEREST IN AN ASSOCIATE

	2015 RMB'000	2014 RMB'000
Share of net assets	**14,671**	8,000

The following contains the particulars for the associate during the year, which is an unlisted limited liability company established in the PRC whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Dongguan Anxin Toyota Auto Sales and Service Co., Ltd. ("Dongguan Anxin")	Incorporated	The PRC	RMB12,000,000	49%	–	49%	Automobile dealership

The above associate is accounted for using the equity method in the consolidated financial statements.

16 INTEREST IN A JOINT VENTURE

	2015 RMB'000	2014 RMB'000
Share of net assets	**46,387**	36,485

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest			
Name of Joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Dongguan Meidong Automotive Service Co., Ltd. ("Dongguan Meidong")	Incorporated	The PRC	RMB20,000,000	49%	–	49%	Automobile dealership

16 INTEREST IN A JOINT VENTURE (CONTINUED)

Dongguan Meidong is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in Dongguan Meidong as a joint venture.

Dongguan Meidong, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

Summarised financial information of the joint venture and reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2015 **RMB'000**	2014 RMB'000
Gross amounts of Dongguan Meidong's		
Current assets	**130,153**	101,723
Non-current assets	**18,658**	19,955
Current liabilities	**(53,440)**	(47,218)
Non-current liabilities	**(704)**	–
Equity	**(94,667)**	(74,460)
Included in the above assets and liabilities:		
Cash and cash equivalents	**75,882**	21,097
Current financial liabilities (excluding trade and other payables and provisions)	**(17,780)**	(14,255)
Revenue	**543,126**	560,113
Profit and total comprehensive income	**38,230**	26,770
Profit distribution to Dongguan Meixin	**8,831**	–
Included in the above profit:		
Depreciation and amortisation	**(3,230)**	(2,210)
Interest income	**575**	385
Interest expense	**(120)**	(2,835)
Income tax expense	**(12,774)**	(8,954)
Reconciled to the Group's interest in Dongguan Meidong		
Gross amounts of Dongguan Meidong's net assets	**94,667**	74,460
Group's effective interest	**49%**	49%
Group's share of Dongguan Meidong's net assets and carrying amount in the consolidated financial statements	**46,387**	36,485

17 OTHER NON-CURRENT ASSETS

	2015 **RMB'000**	2014 RMB'000
Prepayments for property, plant and equipment and intangible assets	**4,716**	–
Long-term deposits	**18,113**	–
	22,829	–

18 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2015 **RMB'000**	2014 RMB'000
Motor vehicles	**428,341**	609,640
Others	**37,977**	31,889
	466,318	641,529

No inventory provision was made as at 31 December 2015 and 2014, and the inventories as at 31 December 2015 and 2014 were stated at cost.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2015 **RMB'000**	2014 RMB'000
Carrying amount of inventories sold	**4,313,880**	3,425,499

Inventories with carrying amount of RMB148,382,000 have been pledged as security for loans and borrowings (see note 22(b)(i)) as at 31 December 2015 (2014: RMB148,456,000).

Inventories with carrying amount of RMB170,307,000 have been pledged as security for the bills payable (see note 23(b)) as at 31 December 2015 (2014: RMB320,433,000).

19 TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**31,379**	23,671
Prepayments	**82,943**	42,792
Other receivables and deposits	**258,390**	236,506
Amounts due from third parties	**372,712**	302,969
Amounts due from related parties (note 32(c))	**1,061**	5,837
Trade and other receivables	**373,773**	308,806

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Other receivables with carrying amount of RMB38,000,000 have been pledged as security for loans and borrowings (see note 22(b)(i)) as at 31 December 2015 (2014: RMB33,700,000).

Prepayments with carrying amount of RMB10,012,000 have been pledged as security for loans and borrowings (see note 22(b)(i)) as at 31 December 2015 (2014: RMB6,090,000).

Prepayments with carrying amount of RMB7,592,000 have been pledged as security for the bills payable (see note 23(b)) as at 31 December 2015 (2014: RMB1,994,000).

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables) based on the invoice date that are neither individually nor collectively considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Within 1 month	**28,142**	21,434
1 to 2 months	**1,632**	1,054
2 to 3 months	**182**	281
Over 3 months	**1,423**	902
	31,379	23,671

Details on the Group's credit policy are set out in note 29.

20 BANK DEPOSITS

	2015 RMB'000	2014 RMB'000
Restricted bank deposits pledged in respect of loans and borrowings	**206,768**	61,479
Restricted bank deposits pledged in respect of bills payable	**314,316**	221,869
Unrestricted bank deposits with an initial term of over three months but within one year	**–**	145,400
	521,084	428,748

As of the end of the reporting period, the restricted bank deposits are pledged in respect of:

	2015 RMB'000	2014 RMB'000
Loans and borrowings (note 22(b)(i))	**206,768**	61,479
Bills payable (note 23(b))	**314,316**	221,869
	521,084	283,348

The pledged bank deposits will be released upon the settlement of relevant loans and borrowings and bills payable.

21 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2015 RMB'000	2014 RMB'000
Cash at bank and in hand	**253,915**	127,183

21 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2015	2014
Profit before taxation		**146,587**	156,115
Adjustments for:			
– Depreciation	6(c)	**38,293**	26,886
– Amortisation of lease prepayments	6(c)	**2,844**	2,812
– Amortisation of intangible assets	6(c)	**796**	754
– Net loss on disposal of property, plant and equipment and lease prepayment	5	**4,485**	14
– Net finance costs	6(a)	**75,528**	63,003
– Share of profits of an associate		**(6,671)**	(3,789)
– Share of profits of a joint venture		**(18,733)**	(13,117)
– Interest income	5	**(6,549)**	(9,016)
– Equity settled share-based payment expenses	6(b)	**1,501**	3,340
– Gain on a bargain purchase	5	**(3,157)**	–
Changes in working capital:			
Increase in inventories		**184,106**	(183,609)
Increase in trade and other receivables		**(70,868)**	(56,423)
Increase in pledged bank deposits		**(98,468)**	(101,758)
Increase in trade and other payables		**9,408**	283,325
Increase in other non-current assets		**(18,113)**	–
Cash generated from operations		**240,989**	168,537

22 LOANS AND BORROWINGS

(a) At 31 December 2015, loans and borrowings were repayable as follows:

	2015	2014
	RMB'000	RMB'000
Within 1 year or on demand (i)	**641,606**	609,134
After 1 year but within 2 years (i)	**40,500**	120,476
After 2 year but within 5 years (i)	**20,000**	–
	60,500	120,476
	702,106	729,610

(i) Loans and borrowings of RMB130,199,000 repayable within 1 year were guaranteed by a related party as at 31 December 2015, of which HK$70,000,000 (RMB equivalent: 58,646,000) borrowed by the Company was also secured by 194,706,000 ordinary shares of the Company held by Apex Sail Limited ("Apex Sail") (see note 32(d)).

Loans and borrowings of RMB40,500,000 repayable after 1 year but within 2 years were guaranteed by a related party as at 31 December 2015 (see note 32(d)).

Loans and borrowings of RMB20,000,000 repayable after 2 year but within 5 years were guaranteed by a related party as at 31 December 2015 (see note 32(d)).

Loans and borrowings of RMB120,476,000 repayable after 1 year but within 2 years were guaranteed by a related party as at 31 December 2014, of which HK$70,000,000 (RMB equivalent: 55,476,000) borrowed by the Company was also secured by 164,706,000 ordinary shares of the Company held by Apex Sail (see note 32(d)).

22 LOANS AND BORROWINGS (CONTINUED)

(b) At 31 December 2015, loans and borrowings were secured as follows:

	2015 RMB'000	2014 RMB'000
Unsecured bank loans	**33,087**	190,033
Unsecured borrowings from related parties (note 32 (c))	**–**	40,000
Unsecured borrowings from other financial institutions	**27,631**	3,850
	60,718	233,883
Secured bank loans (i)	**399,123**	261,525
Secured borrowings from other financial institutions (i)	**183,619**	178,726
Secured borrowings from a third party (note 22(a)(i))	**58,646**	55,476
	641,388	495,727
	702,106	729,610

(i) Loans and borrowings were secured by the following assets of the Group:

	2015 RMB'000	2014 RMB'000
Inventories	**148,382**	148,456
Other receivables	**38,000**	33,700
Prepayments	**10,012**	6,090
Property, plant and equipment	**8,645**	8,967
Lease prepayments	**79,712**	61,899
Pledged bank deposits	**206,768**	61,479
	491,519	320,591

23 TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**41,378**	31,428
Bills payable	**492,215**	544,296
	533,593	575,724
Receipts in advance	**178,211**	167,771
Other payables and accruals	**68,914**	55,708
Amounts due to third parties	**780,718**	799,203
Amounts due to related parties (note 32(c))	**1,567**	3,114
Trade and other payables	**782,285**	802,317

(a) All trade and other payables are expected to be settled within one year.

(b) Bills payable were secured by the following assets of the Group:

	2015 RMB'000	2014 RMB'000
Pledged bank deposits	**314,316**	221,869
Inventories	**170,307**	320,433
Prepayments	**7,592**	1,994
	492,215	544,296

As at 31 December 2015, bills payable of RMB48,500,000 were guaranteed by a related party (2014: Nil) (see note 32(d)).

23 TRADE AND OTHER PAYABLES (CONTINUED)

(c) As of the end of the reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2015 **RMB'000**	2014 RMB'000
Within 3 months	**477,384**	572,783
After 3 months but within 6 months	**56,209**	2,941
	533,593	575,724

24 CORPORATE BONDS

On 9 March 2015, the Company issued bonds in the aggregate principal amount of HK$101,400,000 and warrants (see note 27(d)) to certain third parties. The fair value of the bonds amounting to RMB67,126,000 was estimated at the issuance date using the Discounted Cashflow Method.

According to the terms and conditions of the bonds, the bonds bear an interest rate of 9% per annum and will mature in 3 years. The bonds may additionally bear a default interest rate of 25% per annum subject to the occurrence of certain default events. The bondholders were entitled to redeem the bonds after the second anniversary of the issuance date but no later than the date which is fourteen days before the bond maturity date, in a maximum principal amount equal to 50 percent of the principal amount. Unless previously redeemed or cancelled as provided herein, the Company shall redeem any outstanding bonds on the maturity date in an amount equal to the redemption amount and an additional redemption amount HK$22,815,000 on the bonds, to be payable to each bondholder pro-rata to the principal amount of the bonds held by that bondholder. The redemption rights of the bonds were separately evaluated with nil fair value at both the issuance date and the reporting period end.

In addition, the Company shall pay certain compensation in cash to bondholders if the Company breaches certain conditions stipulated in the bond instrument contract. During the year ended 31 December 2015, the Company settled the compensation of RMB9,099,000 payable to the bondholders due to the breach of such conditions, which was recorded in finance costs.

As at 31 December 2015, the balance of corporate bonds represented initial fair value of RMB67,126,000 and the amortised interests of RMB13,063,000, deducted by the corresponding interests of RMB2,379,000 at the nominal interest rate of 9% on the principal amount of the corporate bonds, which was recorded in trade and other payables.

The bonds were guaranteed by Mr. Ye Fan and Mr. Ye Tao and secured by 355,838,151 ordinary shares of the Company held by Apex Sail (see note 32(d)).

25 EQUITY SETTLED SHARE-BASED TRANSATIONS

Pursuant to a resolution of the board of directors of the Company passed on 20 January 2014, 11,400,000 share options were granted to certain eligible employees of the Group under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 11,400,000 shares of the Company in aggregate with an exercise price of HK$1.8, among which 2,000,000 and 2,150,000 share options were granted to Mr. Ye Tao and Ms. Liu Xuehua, the executive directors of the Company, respectively. Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the Company.

(a) The term and conditions of the grants are as follows:

	Number of Instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– On 20 January 2014	4,150,000	25% on 1 January 2015 25% on 1 January 2016 25% on 1 January 2017 25% on 1 January 2018	9.82 years
Options granted to employees:			
– On 20 January 2014	7,250,000	25% on 1 January 2015 25% on 1 January 2016 25% on 1 January 2017 25% on 1 January 2018	9.82 years
Total share options granted	11,400,000		

(b) The number and exercise prices of share options are as follows:

	2015		2014	
	Exercise price	**Number of options**	Exercise price	Number of options
Outstanding at the beginning of the year	**HK$1.8**	**11,240,000**	HK$1.8	–
Granted during the year		**–**		11,400,000
Exercised during the year		**–**		–
Forfeited during the year		**(670,000)**		(160,000)
Outstanding at the end of the year		**10,570,000**		11,240,000
Exercisable at the end of the year		**10,570,000**		–

No options were exercised during the year ended 31 December 2015 (2014: nil).

25 EQUITY SETTLED SHARE-BASED TRANSATIONS (CONTINUED)

(c) Fair value of share options and assumptions:

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measure based on a binomial option-pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option-pricing model.

Fair value of share options and assumptions

Fair value at measurement date (expressed as weighted average fair value under binomial option-pricing model)	**HK$0.75**
Share price	**HK$1.63**
Exercise price	**HK$1.80**
Expected volatility (expressed as weighted average volatility used in the modelling under binomial option-pricing model)	**54.34%**
Option life (expressed as weighted average life used in the modelling under binomial option-pricing model)	**9.82 years**
Expected dividends	**2.02%**
Risk-free interest rate (based on HKMA Hong Kong Exchange Fund Notes)	**2.23%**

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on the historical earning per share and management's estimation of dividend payment. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2015 RMB'000	2014 RMB'000
At the beginning of the year	**8,862**	16,297
Provision for current income tax for the year	**45,793**	39,470
Payment during the year	**(37,732)**	(46,905)
At the end of the year	**16,923**	8,862

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised

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

	Fair value adjustment arising from business combinations RMB'000	Depreciation/ amortisation charges in excess of depreciation/ amortisation allowances RMB'000	Unused tax losses RMB'000	Accruals RMB'000	Capitalised interest RMB'000	Total RMB'000
Deferred tax (liabilities)/ assets arising from:						
At 1 January 2014	(2,859)	462	6,795	4,000	(1,397)	7,001
Credited/(charged) to profit or loss (note 7(a))	188	38	(1,452)	(197)	(474)	(1,897)
At 31 December 2014	(2,671)	500	5,343	3,803	(1,871)	5,104
At 1 January 2015	**(2,671)**	**500**	**5,343**	**3,803**	**(1,871)**	**5,104**
Arising from business combination (note 28)	**(642)**	**–**	**–**	**–**	**–**	**(642)**
Credited/(charged) to profit or loss (note 7(a))	**234**	**(50)**	**3,643**	**1,390**	**41**	**5,258**
At 31 December 2015	**(3,079)**	**450**	**8,986**	**5,193**	**(1,830)**	**9,720**

Deferred tax assets in respect of unused tax losses are related to subsidiaries that were established in recent years, which are progressing to their normal operating stage and are expected to derive profits in the foreseeable future. Accordingly, it is considered probable that sufficient taxable profits will be available to utilise their unused tax losses before they expire.

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised (continued)

(ii) Reconciliation to consolidated statement of financial position:

	The Group	
	2015	2014
	RMB'000	RMB'000
Representing:		
Net deferred tax assets	**14,171**	8,729
Net deferred tax liabilities	**(4,451)**	(3,625)
	9,720	5,104

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB20,287,000 (2014: RMB17,141,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity before they expire. The PRC deductible tax losses in PRC expire within 5 years from the year when such losses were incurred. The tax losses incurred by MeiDong HK do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

The new CIT Law and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of PRC enterprises accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2015 in respect of undistributed earnings of RMB329,821,000 (2014: RMB198,385,000) as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributable in the foreseeable future.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2014	78,620	309,531	–	–	(12,579)	375,572
Total comprehensive income for the year	–	–	–	–	(2,021)	(2,021)
Dividend approved and paid in respect of the previous year (note 27(b))	–	(30,000)	–	–	–	(30,000)
Equity settled share-based transactions (note 25)	–	–	–	3,340	–	3,340
Balance at 31 December 2014	78,620	279,531	–	3,340	(14,600)	346,891
Balance at 1 January 2015	**78,620**	**279,531**	**–**	**3,340**	**(14,600)**	**346,891**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(62,475)**	**(62,475)**
Dividend approved and paid in respect of the previous year (note 27(b))	**–**	**(30,000)**	**–**	**–**	**–**	**(30,000)**
Equity settled share-based transactions (note 25)	**–**	**–**	**–**	**1,501**	**–**	**1,501**
Issuance of warrants, net of issuance expenses (note 27(d))	**–**	**–**	**–**	**12,976**	**–**	**12,976**
Issuance of new shares, net of issuance expenses (note 27(e))	**7,895**	**131,365**	**–**	**–**	**–**	**139,260**
Repurchase of own shares (note 27(c)(iii))	**(646)**	**(5,436)**	**646**	**–**	**–**	**(5,436)**
Balance at 31 December 2015	**85,869**	**375,460**	**646**	**17,817**	**(77,075)**	**402,717**

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2015 RMB'000	2014 RMB'000
Final dividend proposed after the statement of financial position date of RMB0.046 per ordinary share (2014: RMB0.03 per ordinary share)	**50,054**	30,000

The final dividend proposed after the statement of financial position date has not been recognised as a liability at the statement of financial position date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.03 per share (2014: RMB0.03 per share)	**30,000**	30,000

(c) Share capital

The share capital of the Group as at 31 December 2015 represented the amount of issued and paid-up capital of the Company with details set out below:

Authorised:

			2015		2014	
	Note	**Par value HK$**	**Number of shares (thousand)**	**Nominal value of ordinary shares HK$'000**	Number of shares (thousand)	Nominal value of ordinary shares HK$'000
At 31 December	(i)	0.1	**20,000,000**	**2,000,000**	20,000,000	2,000,000

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

Ordinary shares, issued and fully paid:

	Note	Number of ordinary shares (thousand)	Nominal value of ordinary shares HK$('000)
At 1 January 2014, 31 December 2014 and 1 January 2015		1,000,000	100,000
Shares repurchased and cancelled	(iii)	(7,830)	(783)
Issuance of new shares	27(e)	100,000	10,000
At 31 December 2015		1,092,170	109,217
RMB equivalent ('000)			85,869

(i) Authorised share capital

The Company was incorporated on 24 February 2012 with an authorised capital of HK$10,000,000 divided into 100,000,000 ordinary shares of HK$0.1 each. Pursuant to a resolution dated 16 October 2013 passed by its sole shareholder, Apex Sail, the authorised share capital of the Company was increased from HK$ 10,000,000 to HK$ 2,000,000,000 by the creation of 19,900,000,000 new share of HK$ 0.1 each.

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

Ordinary shares, issued and fully paid: (continued)

(ii) Issued and fully paid share capital

The Company was incorporated on 24 February 2012 with 1,000,000 issued ordinary share of HK$100,000, as nil paid.

On 16 October 2013, the Company issued and allotted 749,000,000 shares of HK$0.1 each at par and nil paid, to Apex Sail.

The total outstanding subscription amount of HK$75,000,000 (RMB equivalent: 58,965,000) on the 750,000,000 shares that were previously allotted and issued to Apex Sail (representing the 1,000,000 shares issued on 24 February 2012 and the aforementioned 749,000,000 shares) were subsequently paid up on 24 October 2013.

On 5 December 2013, the Company issued 250,000,000 new ordinary shares of HK$0.1 each by way of the Offering to Hong Kong and overseas investors. Consequently, HK$25,000,000 (equivalent to RMB19,655,000) was recorded in share capital.

(iii) Repurchase of own shares

During the year, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased (thousand)	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid HK$ ('000)
August 2015	2,136	1.00	0.71	1,856
September 2015	1,202	0.92	0.81	1,058
October 2015	370	0.94	0.88	340
November 2015	3,528	0.94	0.70	2,860
December 2015	1,836	1.00	0.75	1,670

The Company repurchased 1,242,000 number of ordinary shares with aggregate price of HK$1,209,009 on 31 December 2015, which was not yet paid or cancelled as of 31 December 2015. Except for this, the repurchased shares were cancelled as of 31 December 2015 and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of RMB646,000 was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of RMB4,790,000 was charged to the share premium account as well.

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Warrants

On 9 March 2015, the Company issued warrants, which entitled the holders thereof to subscribe up to RMB118,202,715 for 62,774,000 warrant shares at a subscription price of RMB1.883 per warrant share within three years after the issuance date. The fair value of warrants amounting to RMB13,103,000 net of direct warrant issuance expenses of RMB127,000 was credited to capital reserve.

During the year ended 31 December 2015, no warrants were exercised.

(e) Issuance of new shares

On 12 June 2015, the Company issued 100,000,000 new ordinary shares at the subscription price of HK$1.83 per share. The gross proceeds of HK$183,000,000 (RMB equivalent 144,473,000), net of direct share issuance expenses of HK$6,605,000 (RMB equivalent 5,213,000), were raised, of which RMB7,895,000 and RMB131,365,000 was credited to share capital and share premium account, respectively.

(f) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the share premium of the Company.

(iii) Capital reserves

Capital reserve comprises the following:

- contributions by the Controlling Shareholder at the respective dates;
- balances arising from transactions with owners in their capacity as the equity owners; and
- the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(q)(iii).

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Nature and purpose of reserves (continued)

(iv) PRC statutory reserve

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to equity shareholders.

For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of equity shareholders, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(g) Distributability of reserves

As at 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including share premium, capital reserve and accumulated losses, was RMB316,848,000 (2014: RMB268,271,000). After the end of the reporting period, the directors proposed a final dividend of RMB0.046 per ordinary share (2014: RMB0.03 per ordinary share), amounting to RMB50,054,000 (2014: RMB30,000,000) (note 27(b)). This dividend has not been recognised as a liability at the statement of financial position date.

(h) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholder and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as loans and borrowings and bills payable plus unaccrued proposed dividends, less pledged bank deposits and cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(h) Capital management (continued)

The adjusted net debt-to-capital ratio at 31 December 2015 was as follows:

		The Group	
		2015	2014
	Note	**RMB'000**	RMB'000
Current liabilities:			
Loans and borrowings	22	**641,606**	609,134
Bills payable	23	**492,215**	544,296
		1,133,821	1,153,430
Non-current liabilities:			
Loans and borrowings	22	**60,500**	120,476
Corporate bonds	24	**77,810**	–
Total debt		**1,272,131**	1,273,906
Add: Proposed dividends	27(b)	**50,054**	30,000
Less: Bank deposits	20	**(521,084)**	(428,748)
Cash and cash equivalents	21(a)	**(253,915)**	(127,183)
Adjusted net debt		**547,186**	747,975
Total equity		**793,653**	565,300
Less: Proposed dividends	27(b)	**(50,054)**	(30,000)
Adjusted capital		**743,599**	535,300
Adjusted net debt-to-capital ratio		**0.74**	1.40

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28 BUSINESS COMBINATION

Xinyu Dongbu

On 1 September 2015, the Group acquired 100% equity interest in Xinyu Dongbu from an independent third party at a total consideration of RMB15,515,000. Xinyu Dongbu is principally engaged in the business of automobile dealership and after-sales services. Its major assets consist of one Toyota 4S dealership store located in Xinyu, Jiangxi Province, the PRC.

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

	Pre-acquisition Carrying amount RMB'000	Fair value adjustment RMB'000	Recognised value on acquisition RMB'000
Property, plant and equipment	10,723	1,301	12,024
Car dealership (note 13)	–	1,267	1,267
Inventories	8,895	–	8,895
Trade and other receivables	3,574	–	3,574
Cash and cash equivalents	615	–	615
Trade and other payables	(780)	–	(780)
Loans and borrowings	(6,281)	–	(6,281)
Deferred tax liabilities (note 26(b)(i))	–	(642)	(642)
Net identified assets	16,746	1,926	18,672
Percentage attributable to the Group			100%
Net identified assets attributable to the Group			18,672
Gain on a bargain purchase			(3,157)
Total consideration			15,515
Analysis of the net cash flow in respect of the acquisition			
Cash consideration paid			15,515
Less: cash acquired			(615)
Net cash outflow in acquisition			14,900

28 BUSINESS COMBINATION (CONTINUED)

Xinyu Dongbu (continued)

Pre-acquisition carrying amounts were determined based on applicable HKFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

The revenue and loss that Xinyu Dongbu contributed to the Group during the year ended 31 December 2015 are RMB30,580,000 and RMB647,000, respectively. If the acquisition had occurred on 1 January 2015, management estimates that the Group's consolidated revenue and consolidated profit and comprehensive income for the year ended 31 December 2015 would have been RMB4,890,631,000 and RMB102,982,000, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the above acquisition would have been the same if the acquisition had occurred on 1 January 2015.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit risk in respect of trade receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade receivables balances mainly represent mortgage granted by major financial institutions to customers of the Group, which is normally settled within one month directly by major financial institutions. Normally, the Group does not obtain collateral from customers.

At the end of reporting period, the Group has certain concentration of credit risk as prepayments to vendors and other receivables due from vendors constitute a large portion of trade and other receivables. The receivables from the five largest debtors at 31 December 2015 represented 58% of the total trade and other receivables (2014: 53%), while 16% of the total trade and other receivables were due from the largest single debtor (2014: 15%).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	At 31 December 2015 Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 year but less than 5 years RMB'000**	**Total RMB'000**	**Balance sheet carrying amount RMB'000**
Corporate bonds	**7,242**	**7,242**	**103,206**	**117,690**	**77,810**
Loans and borrowings	**673,133**	**42,861**	**20,488**	**736,482**	**702,106**
Trade and other payables	**782,285**	**–**	**–**	**782,285**	**782,285**
Other non-current liabilities	**–**	**1,488**	**–**	**1,488**	**1,488**
	1,462,660	**51,591**	**123,694**	**1,637,945**	**1,563,689**

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

	At 31 December 2014 Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Loans and borrowings	639,067	133,754	772,821	729,610
Trade and other payables	802,317	–	802,317	802,317
	1,441,384	133,754	1,575,138	1,531,927

(c) Interest rate risk

(i) Interest rate profile

Cash at bank, bank deposits and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk. Cash at bank and bank deposits are with fixed interest rates ranging from 0.35% to 3.2% per annum as at 31 December 2015 (2014: 0.35% to 3.20%).

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

(i) Interest rate profile (continued)

The Group's interest-bearing borrowings and interest rates at the end of the reporting period are set out as follows:

	2015		2014	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings				
Bank loans	**1.11-7.38**	**232,006**	5.88-7.80	238,468
Borrowings from a third party	**16.00**	**58,646**	16.00	55,476
Corporate bonds	**23.82**	**77,810**	–	–
		368,462		293,944
Variable rate borrowings				
Bank loans	**4.36-7.60**	**200,203**	5.04-6.60	213,090
Borrowings from other financial institutions	**6.14-9.25**	**211,251**	8.25-8.73	182,576
		411,454		395,666
		779,916		689,610

(ii) Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect profit or loss.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis (continued)

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis during the reporting period for 2014.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit after tax and retained profits for the year
At 31 December 2015		
Basis points	**100**	**(3,086)**
Basis points	**(100)**	**3,086**
At 31 December 2014		
Basis points	100	(2,967)
Basis points	(100)	2,967

(d) Currency risk

The Group is exposed to currency risk primarily through financing activities which give rise to cash and cash equivalents and loans and borrowings that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to the risk is primarily Hong Kong dollars.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in Renminbi)	
	2015	2014
	Hong Kong Dollars	Hong Kong Dollars
	RMB'000	RMB'000
Cash and cash equivalents	**61,291**	1,732
Loans and borrowings	**(58,646)**	(55,476)
Corporate bonds	**(77,810)**	–
Net exposure arising from recognised assets and liabilities	**(75,165)**	(53,744)

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rate to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2015		2014	
	Increase/ (decrease) in foreign exchange rate	**(Decrease)/ increase in profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rate	(Decrease)/ increase in profit after tax and retained profits RMB'000
Hong Kong Dollars	**5%**	**(3,758)**	5%	(2,687)
	(5%)	**3,758**	(5%)	2,687

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2014.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group hired external valuation company performing valuations for the financial instruments, including the redemption option embedded in the corporate bonds. The external valuation company reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2015	Fair value measurement as at 31 December 2015 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instruments:				
– Redemption option embedded in corporate bonds	–	N/A	N/A	–

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

There is no financial instrument measured at fair value at 31 December 2014.

During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Redemption option embedded in bonds	Swaption Model	Discount rate	22% (2014: nil)	22% (2014: nil)

The fair value of redemption option embedded in the corporate bonds is determined using swaption model and the significant unobservable input used in the fair value measurement is discount rate. The fair value measurement is negatively correlated to the discount rate. As at 31 December 2015, it is estimated that with all other variables held constant, an increase/decrease in the discount rate by 1% would have decreased/increased the Group's profit by 0% (2014: nil).

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	2015 RMB'000
Redemption option embedded in bonds – at issuance date (9 March 2015) and 31 December 2015	–

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 31 December 2014.

30 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2015 not provided for in the consolidated financial statements were as follows:

	The Group	
	2015	2014
	RMB'000	RMB'000
Contracted for	**26,440**	45,901
Authorised but not contracted for	**48,117**	116,247
	74,557	162,148

(b) At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2015	2014
	RMB'000	RMB'000
Within one year	**17,798**	12,063
After 1 year but within 5 years	**68,384**	46,337
After 5 years	**195,726**	119,414
	281,908	177,814

The Group is the lessee in respect of a number of land and properties held under operating leases. The leases typically run for an initial period of 1 to 20 years, with an option to renew the leases when all the terms are renegotiated.

31 CONTINGENT LIABILITIES

As at 31 December 2015, one subsidiary of the Group issued financial guarantees to a financial institution in respect of financial facilities granted to related parties of the Group amounting to RMB158,000,000 (2014: RMB20,000,000) and the financial facility utilised by the related party amounted to RMB87,692,000 (2014: RMB14,962,000) as at 31 December 2015 (see note 32(e)).

As at 31 December 2015, the directors do not consider it probable that a claim will be made under the above guarantees.

32 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2015, the directors are of the view that the following companies are related parties of the Group:

Name of party	Relationship
Ye Fan 葉帆	Controlling Shareholder
Ye Tao 葉濤	Close family member of the Controlling Shareholder
Liu Haiming 劉海銘	Non-controlling shareholder of a subsidiary
Wang Shenwu 王慎武	Non-controlling shareholder of subsidiaries
Shenzhen Tengjin Property Management Co., Ltd. 深圳滕進物業管理有限公司	Non-controlling shareholder of a subsidiary
Guangdong Dadong Automotive Group Co., Ltd. (”Dadong Group”) 廣東大東汽車集團有限公司	Controlled by the Controlling Shareholder
Dongguang Meidong 東莞美東汽車服務有限公司	Joint venture
Dongguan Anxin 東莞安信豐田汽車銷售服務有限公司	Associate

Notes: The English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

32 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Recurring transactions

	2015 RMB'000	2014 RMB'000
Rental expense:		
Dadong Group	**456**	456

The Company's directors are of the opinion that the above related party transactions were conducted on terms no less favourable to the Group than terms available to or from independent third parties and in the ordinary course of business.

(b) Non-recurring transactions

	2015 RMB'000	2014 RMB'000
Sales of passenger vehicles:		
Dongguan Meidong	**15,822**	9,347
Dongguan Anxin	**1,595**	1,669
Dadong Group	**–**	63
	17,417	11,079
Purchases of passenger vehicles:		
Dongguan Meidong	**22,135**	7,880
Dongguan Anxin	**640**	1,475
	22,775	9,355
Advance to a related party:		
Ye Fan	**–**	5,432
	–	5,432

32 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Non-recurring transactions (continued)

	2015 RMB'000	2014 RMB'000
Repayment of advance to related parties:		
Dadong Group	**–**	114
Ye Fan	**5,432**	–
	5,432	114
Advance from related parties:		
Dadong Group	**–**	58,400
Ye Fan	**32,900**	62,600
	32,900	121,000
Entrusted loan from a related party:		
Ye Fan	**–**	40,000
Repayment of entrusted loan from a related party		
Ye Fan	**40,000**	–
Repayment of advance from related parties:		
Dadong Group	**–**	58,474
Hunan Meibohang	**–**	146
Ye Fan	**32,900**	63,245
	32,900	121,865

32 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties

At 31 December 2015, the Group had the following balances with related parties:

	2015 RMB'000	2014 RMB'000
Other receivables due from:		
Dongguan Meidong	**1,061**	405
Ye Fan	**–**	5,432
	1,061	5,837
Other payables due to:		
Dadong Group	**1,140**	–
Dongguan Meidong	**427**	3,114
	1,567	3,114
Entrusted loan from:		
Ye Fan	**–**	40,000

The amounts due from/to related parties are unsecured, interest free and have no fixed terms of repayment. The entrusted loan from Ye Fan is unsecured, interest free and was repaid in 2015.

32 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Guarantees and securities issued by related parties

	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000
Guarantees issued by a related party in respect of loans and borrowings borrowed by the Group:		
– Ye Fan (i)	**190,699**	120,476
Guarantees issued by a related party in respect of bills issued by the Group:		
– Ye Fan	**48,500**	–
Guarantees issued by related parties in respect of corporate bonds issued by the Group:		
– Ye Fan/Ye Tao (ii)	**77,810**	–

	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000
Securities provided by a related party in respect of a loan borrowed by the Group:		
– Apex Sail (i)	**58,646**	55,476
Securities provided by a related party in respect of corporate bonds issued by the Group:		
– Apex Sail (ii)	**77,810**	–

(i) Loans and borrowings of RMB190,699,000 were guaranteed by Mr. Ye Fan as at 31 December 2015 (2014: RMB120,476,000), of which HK$70,000,000 (equivalent to RMB58,646,000) was borrowed by the Company in November 2014 and secured by 194,706,000 ordinary shares (2014: 164,706,000 shares) of the Company held by Apex Sail as at 31 December 2015.

(ii) Corporate bonds of RMB77,810,000 were guaranteed by Mr. Ye Fan and Mr. Ye Tao and secured by 355,838,151 ordinary shares of the Company held by Apex Sail as at 31 December 2015.

32 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Guarantees issued by the Group

	2015 RMB'000	2014 RMB'000
Guarantees issued by the Group in respect of financial facilities granted to related parties:		
– Dongguan Meidong	**80,000**	–
– Dongguan Anxin	**78,000**	20,000
	158,000	20,000

(f) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	**5,354**	5,622
Equity compensation benefits	**758**	1,588
	6,112	7,210

Total remuneration is included in staff costs (see note 6(b)).

(g) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of rental expense and financial assistance as disclosed above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2015**	31 December 2014
Non-current assets			
Interests in a subsidiary		**386,565**	403,996
Current assets			
Trade and other receivables		**155,784**	1,108
Cash and cash equivalents		**1,183**	410
		156,967	1,518
Current liabilities			
Trade and other payables		**4,359**	3,147
Loans and borrowings		**58,646**	–
		63,005	3,147
Net current assets/(liabilities)		**93,962**	(1,629)
Total assets less current liabilities		**480,527**	402,367
Non-current liabilities			
Corporate bonds		**77,810**	–
Loans and borrowings		**–**	55,476
		77,810	55,476
NET ASSETS		**402,717**	346,891
EQUITY	27		
Share capital		**85,869**	78,620
Reserves		**316,848**	268,271
TOTAL EQUITY		**402,717**	346,891

Approved and authorised for issue by the board of directors on 21 March 2016.

Ye Fan)
Ye Tao) Directors

34 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Final dividend

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 27(b).

(b) Share repurchase

The Company repurchased 2,798,000 ordinary shares with aggregate price of HK$2,455,034 in January 2016. On 3 March 2016, the Company cancelled 4,040,000 repurchased ordinary shares, including 1,242,000 ordinary shares repurchased on 31 December 2015 (see note 27(c)). As at the financial statements approval date, the number of the Company's ordinary shares in issue is 1,088,130,000.

35 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2015, the directors consider the immediate parent of the Group to be Apex Sail, which is incorporated under the laws of the British Virgin Islands, and the ultimate controlling party of the Group to be Mr. Ye Fan.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of the financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 27, Equity method in separate financial statements	1 January 2016
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to HKAS 1, Disclosure initiative	1 January 2016
HKFRS 15, Revenue from contracts with customers	1 January 2017
HKFRS 9, Financial instruments	1 January 2018

The directors have confirmed that the Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

In addition, the International Accounting Standards Board issued a new standard, IFRS 16, Leases, effective for annual periods beginning on or after 1 January 2019. We expect that the HKICPA will issue the equivalent standard soon to maintain convergence with Internal Financial Reporting Standards. IFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, IFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces IAS 17, Leases and the related interpretations including IFRIC 4, Determining whether an arrangement contains a lease. The Group is the lessee in respect of a number of store premises to operate 4S dealership stores in the PRC. The new lease accounting standard is expected to have significant impact on the Group's results of operations and financial position. The Group is still in the process of making a detailed assessment of what the impact of the new standard is expected to be in the period of initial application.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
Revenue	2,824,058	2,949,497	3,479,663	3,854,807	**4,807,980**
Profit before taxation	101,060	61,580	149,358	156,115	**146,587**
Taxation	(22,983)	(13,797)	(39,164)	(41,367)	**(40,535)**
Profit for the year	78,077	47,783	110,194	114,748	**106,052**
Profit attributable to equity shareholders of the Company	76,677	47,647	105,956	110,680	**102,163**
Non-controlling interests	1,400	136	4,238	4,068	**3,889**
Profit for the year	78,077	47,783	110,194	114,748	**106,052**
	RMB	RMB	RMB	RMB	RMB
Earnings per share Basic and diluted	0.10	0.06	0.14	0.11	**0.10**

ASSETS AND LIABILITIES

	As at 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
Total Assets	1,222,235	1,401,803	1,815,639	2,109,714	**2,378,716**
Total Liabilities	(843,297)	(942,832)	(1,338,427)	(1,544,414)	**(1,585,063)**
	378,938	458,971	477,212	565,300	**793,653**
Equity attributable to equity shareholders of the Company	373,199	450,331	460,272	544,292	**764,756**
Non-controlling interests	5,739	8,640	16,940	21,008	**28,897**
Total Equity	378,938	458,971	477,212	565,300	**793,653**

Note:
The figures for the year ended 31 December 2011 and 2012 have been extracted from the Prospectus of the Company dated 22 November 2013.