BAOXIN AUTO GROUP LIMITED
寶信汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)

（於開曼群島註冊成立的有限公司）

Stock code 股份代號：1293

2015 年報 ANNUAL REPORT

BAOXIN AUTO GROUP LIMITED
寶信汽車集團有限公司

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. LU Linkui

Independent Non-Executive Directors

Mr. DIAO Jianshen
Mr. WANG Keyi
Mr. CHAN Wan Tsun Adrian Alan

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. CHEN Changdong

AUTHORISED REPRESENTATIVES

Mr. YANG Hansong
Mr. CHEN Changdong

STOCK CODE

1293

WEBSITE

www.klbaoxin.com

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

No. 3998 Hongxin Road,
Minhang District, Shanghai, PRC.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2205, 22/F, Bank of America Tower,
12 Harcourt Road, Hong Kong.

REGISTERED OFFICE

P.O. Box 309, Ugland House,
Grand Cayman KY1-1104,
Cayman Islands.

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall, Cricket Square,
Grand Cayman, KY1-1102,
Cayman Islands.

HONG KONG BRANCH SHARE REGISTRAR

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

LEGAL ADVISOR TO HONG KONG LAW

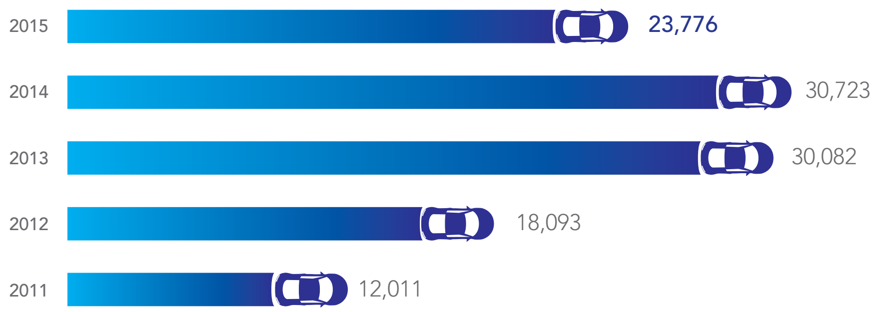
Cleary Gottlieb Steen & Hamilton (Hong Kong)
Hysan Place, 37th Floor,
500 Hennessy Road,
Causeway Bay, Hong Kong.

AUDITORS

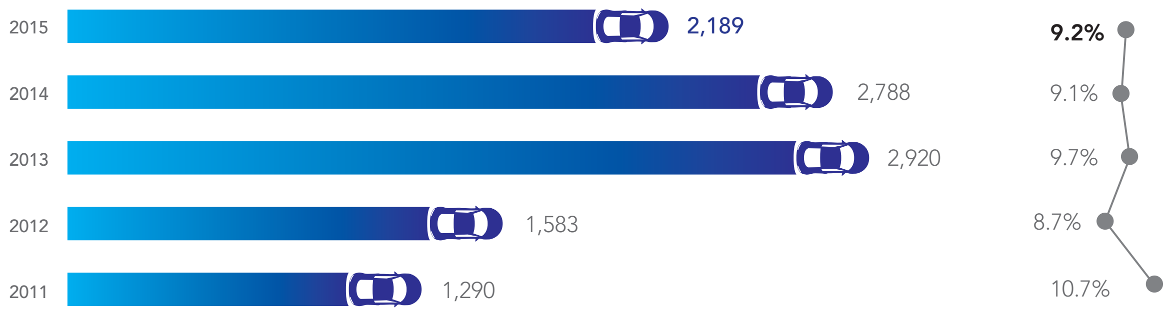
Ernst & Young
Certified Public Accountants
22/F, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong.

FINANCIAL HIGHLIGHTS

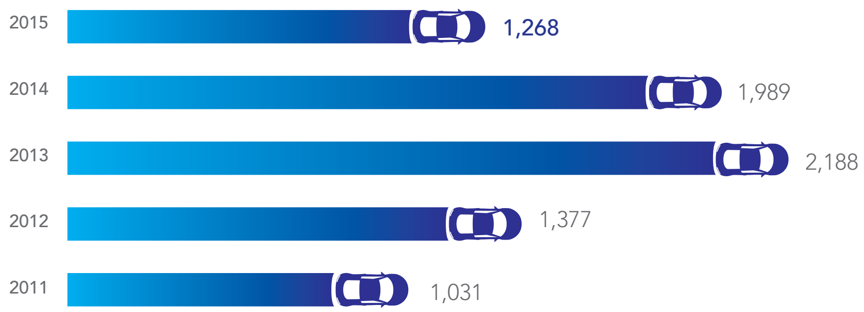
REVENUE
(RMB million)



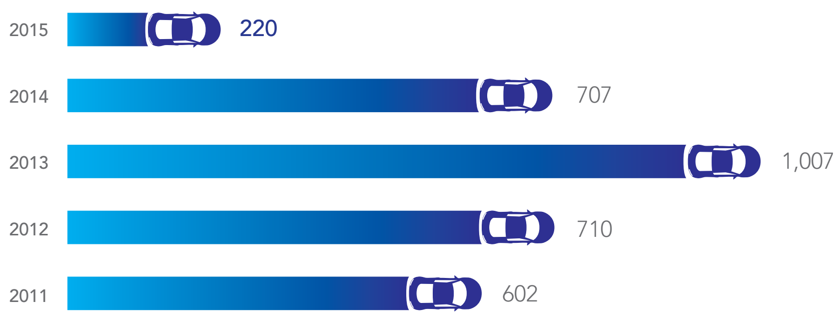
GROSS PROFIT AND GROSS PROFITS MARGIN
(RMB million)



EBITDA
(RMB million)



PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT
(RMB million)



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board (the "Board") of directors (the "Directors" and each, a "Director") and the management of Baoxin Auto Group Limited (the "Company" or "our Company" and together with its subsidiaries, "Baoxin", "we", "us", "our", the "Group" or "our Group"), I am pleased to present the annual results report of the Group for the year of 2015.

CHAIRMAN'S STATEMENT

In 2015, the Chinese economy has entered into the "new normal", and in line with the trend of national economic development, Chinese automobile industry slowed down significantly from mid-to-high speed growth to slow growth. Apart from the decrease in growth rate, as the China automobile market maturing, marketing in the future is faced with profound transformation under the ongoing impact of new situations and new business models, such as excessive production capacities, decreasing sales prices, new energy automobiles and e-commerce. During the first three quarters of 2015, the automobile market in China underwent in-depth adjustment, during which negative growth rates were recorded for both production and sales. However, with the introduction of certain government policies, including halving of vehicle purchase tax, the market started to recover in the fourth quarter. According to information published by the China Association of Automobile Manufacturers, the automobile production and sales volume in China recorded a new high of 24.5 million units and 24.6 million units in 2015, representing a year-on-year growth of 3.25% and 4.68%, respectively.

Faced with the challenging environment in 2015, the Group promptly adjusted its strategic direction and sales targets and adopted a more prudent and practical strategy for our long-term operation and development, with a view to maintain the stability of its business, enhance its core competitiveness and strengthen its presence in the current markets. As a leading automobile dealer in China, we further optimized our distribution network layout during 2015, striving to capture the market opportunities in the segment markets with vast potential. As of December 31, 2015, the sales network of the Group comprises 91 stores, including 78 dealership stores of luxury and ultra-luxury brands. In 2015, the revenue from sales of new automobiles amounted to RMB20.7584 billion, among which new automobiles sales of luxury and ultra-luxury brands amounted to RMB19.4341 billion. The slow down of the new automobiles sales have exerted pressure on the after-sales services market. In 2015, the Group's revenue from after-sales services amounted to RMB3.0119 billion, while the gross profit margin of after-sales services slightly decreased to 45.2%.

Throughout the year of 2015, the industry inventory level remained above the alert level. In view of the challenges brought by the high inventory level and the market conditions, the Group improved dealers' quality of operation, kept active communication with manufacturers, promptly managed its sales targets and slowed down its stock replenishment, while at the same time strengthened its sales efforts. As a result, the inventory level had been maintained within a reasonable range, while the Group's cash flows also improved significantly. The Group's finance costs decreased from RMB617.2 million in 2014 to RMB540.1 million in 2015. Moreover, in recognition of the Group's outstanding performance in efficient management of working capital, Baoxin was awarded the "Best Regional Renminbi Solution Award (最佳區域性人民幣解決方案獎)" in the "Triple A Awards" contest organized by *The Asset* magazine during the year. The "Best Regional Renminbi Solution Award" not only focuses on a company's efficiency in centralized management of working capital, but also put great emphasis on its ability to capture new opportunities brought by changes in policies and regulations, especially the internationalization of Renminbi. Therefore, this award fully reflected the general acceptance and high accreditation of the Group's cash management by international financial institutions and corporations.

CHAIRMAN'S STATEMENT

Looking forward, there are still a number of opportunities for automobile dealers in China in 2016, such as the introduction of relaxed sales policies by the Administrative Measures on Automobile Sales (《汽車銷售管理辦法》), which will gradually improve the business environment for dealers, the implementation of the policy which halves vehicle purchase tax for vehicles with 1.6L displacement or below, and the rapid development of new energy automobile. The Group will further expand its source of profits from different channels and continue to strengthen its leading position in the automobile dealership industry by seizing the opportunities of transformation and upgrade of the automobile dealership market. The Group will also strive to increase its income sources while control its costs, and strengthen its management of operating efficiency, so as to provide its customers with professional and efficient services.

Baoxin has also promptly established a strategic partnership with China Grand Automotive to optimize brand structure and improve the resources of marketing network with the joint efforts of both parties. Leveraging on the Group's superior operational capabilities, customer-oriented expertise and well-established reputation in the market, we are confident that our increasing efforts in adding value to our business and enhancing our management will create better economic returns and social benefits, which will in turn create a promising future for the Group's development. Last but not least, on behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, business partners, customers and employees for their long-term support, trust and encouragement. We are determined to use our best endeavours to pay back our shareholders with fruitful achievements and results.

Yang Aihua
Chairman

Hong Kong, March 31, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

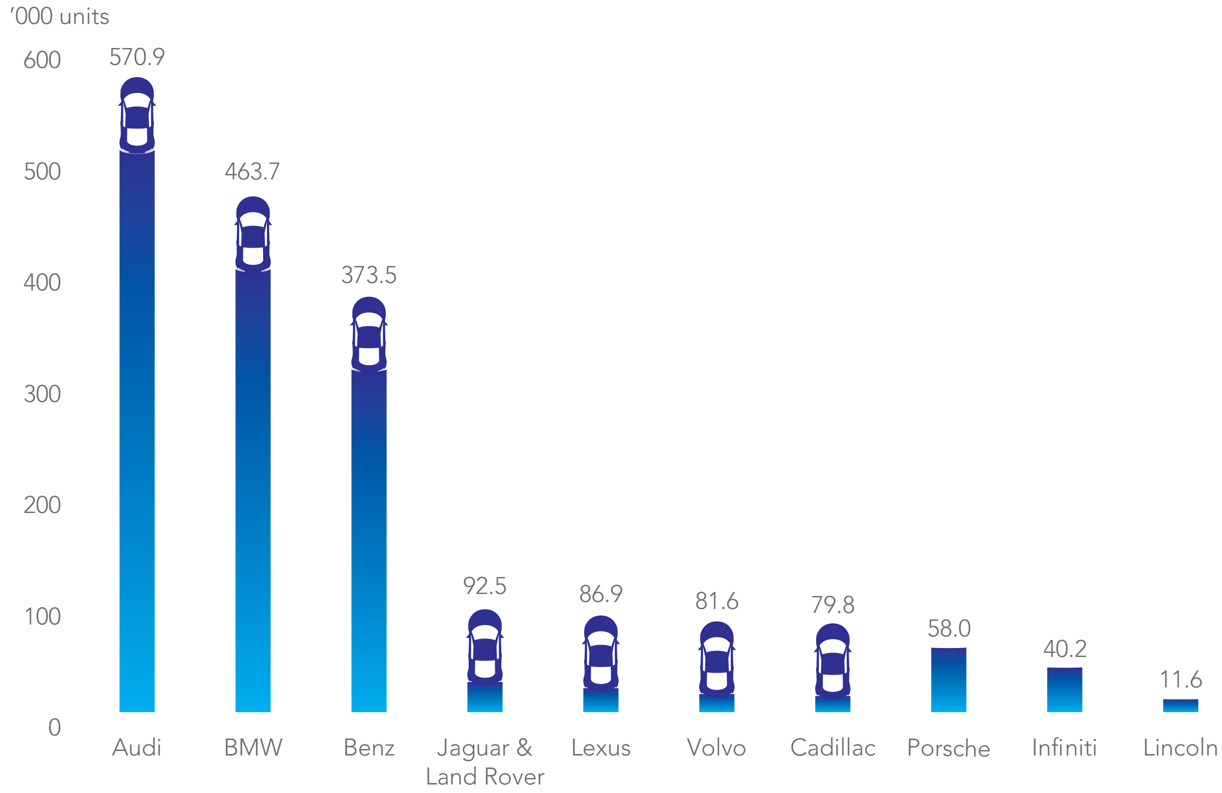
INDUSTRY OVERVIEW

In 2015, China's automobile market set another record. According to statistics from the China Association of Automobile Manufacturers, the automobile production and sales volume recorded a new high of 24.5033 million units and 24.5976 million units in 2015, representing a year-on-year growth of 3.25% and 4.68%, respectively. The growth rate, however, dropped 4.01% and 2.18%, respectively, comparing to the same period in the previous year. After over a decade of rapid growth, China's automobile market has slowed down unexpectedly in the last two years with low growth rates and has progressively moved towards the "new normal", showing the development pattern of a mature automobile market in its popularization stage. In view of the overall performance of China automobile market in 2015, sales volume continued to decline throughout the first half of the year under the influence of, among others, the overall downturn of macro-economy and drastic fluctuations in the stock markets. From October 1, 2015, driven by the new favorable policy on vehicle purchase tax, sales volume started to rebound and resulted in a V-shaped automobile market throughout the year.

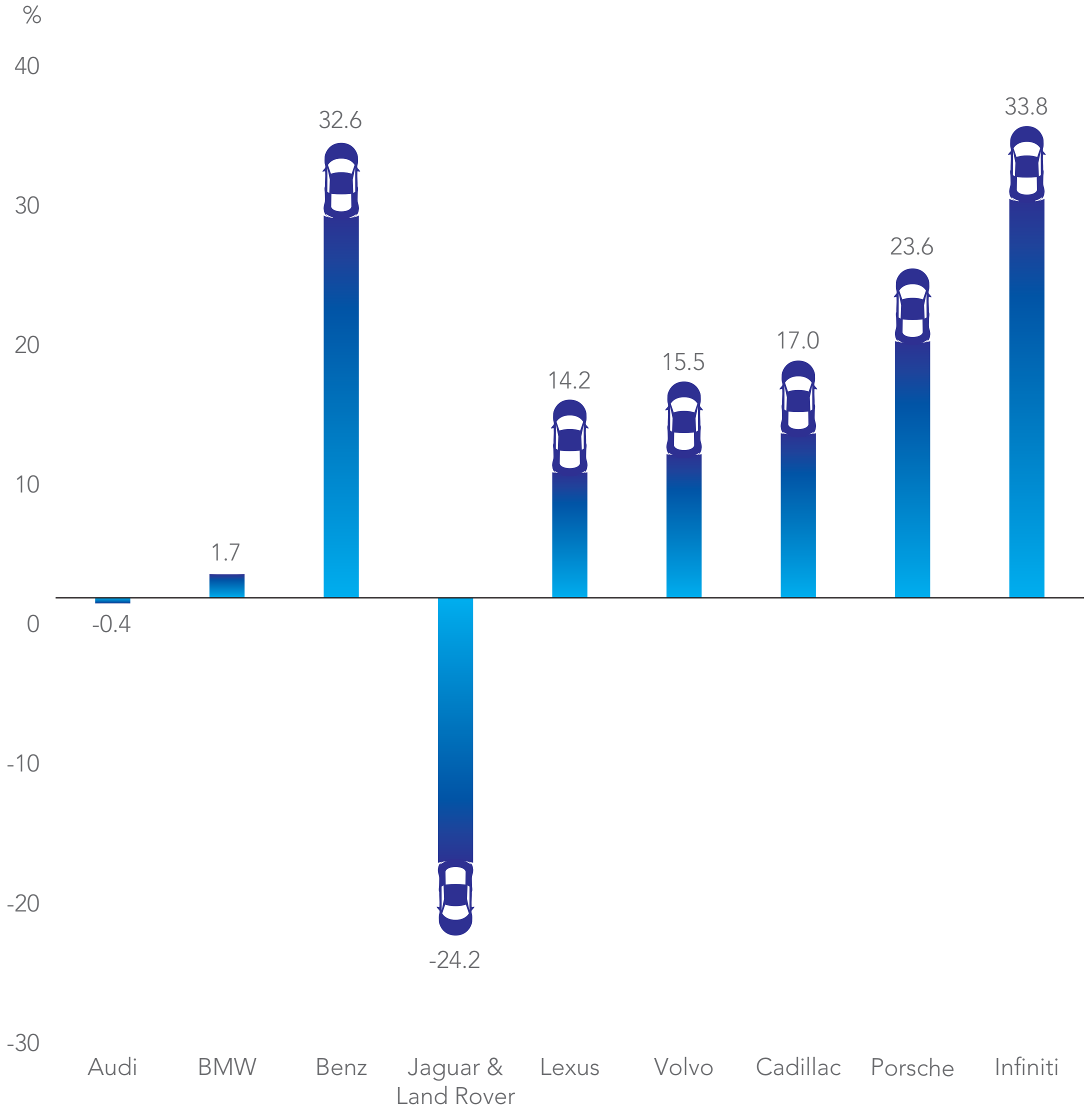
Similar to the general trend of the automobile market, the sales volume of luxury automobile also grew slowly last year. In 2015, the national sales volume of luxury automobile amounted to 1.847 million units (being the aggregated sales volume of the top nine luxury automobile brands: Audi, BMW, Benz, Jaguar & Land Rover, Lexus, Volvo, Cadillac, Porsche and Infiniti), representing a year-on-year growth of 6.7%. Among which, the sales volume of Jaguar & Land Rover, Lexus and Volvo showed downward trend. Nevertheless, some of the brands achieved better sales results. The total sales volume of Benz in 2015 was 373,500 units, representing a year-on-year growth of 32.6% and exceeding its target of 300,000 units at the beginning of the year, making it one of the best selling brands. The sales volume of domestically manufactured Benz models amounted to 250,200 units, accounting for 67% of the brand's total sales volume, a significant increase of 70% as compared to the previous year. It has also contributed to China in replacing the United States as the world's single largest market of Benz. The growth of Benz was mainly attributable to the launch of a number of new models during the year, including the new B-Class Benz, the new generation CLS and the C-Class Sport, which had significant impact on the luxury automobile market. Meanwhile, the launch of Benz GLA has filled in the gap for Benz in the compact cars market. In spite of the intensifying challenges and significantly slowing growth, China remained the world's largest segment market of BMW, recording a sales volume of 463,700 units in 2015, a year-on-year growth of 1.7%. The 2014 best seller Audi experienced its first decline in sales volume in 26 years. Although it continued to secure its No.1 position in the segment market with a sales volume of over 570,000 units, the models it launched, such as A3 Cabriolet and new TT, were relatively less popular. In addition, its main stream models like A4L and A6L had entered the final stage of product life cycle. As a result, Audi failed to reach its sales target of 600,000 units set at the beginning of the year, despite the large discount offered to end users. Nevertheless, Audi achieved a significant rebound in its monthly delivery volume in China in December 2015 to 60,197 units, and is expected to upgrade approximately 60% of its models currently selling in the Chinese market by the summer of 2016, which is worthy looking forward to. In 2015, the "ABB" brands (Audi, BMW and Benz) sold 1.4081 million units in China altogether, accounting for over 70% of the sales volume of the top ten luxury automobile brands in China. Among the second-tier brands (in terms of sales volume), Jaguar & Land Rover also recorded a substantial decrease in sales volume to only 92,500 units in 2015, representing a sharp year-on-year decrease of 24.2% as compared to that of 122,000 units in 2014. Throughout the year, Jaguar & Land Rover only recorded a growth in sales volume for two months, and suffered loss for the rest of the 10 months. Such a drop in sales volume was mainly attributable to the frequent changes in senior management and the internal friction it caused, frequent product quality issues, as well as the unsatisfactory sales performance of domestically manufactured models. Infiniti and Porsche as second-tier brands have achieved satisfactory results by further developing their localization strategy, recording a sales volume of 40,188 units and 58,009 units in 2015, a year-on-year growth of 33.8% and 23.6%, respectively.

SALES VOLUME AND YEAR-ON-YEAR GROWTH RATE OF THE TOP TEN LUXURY BRANDS IN CHINA IN 2015

Sales Volume



Year-on-year growth rate



Note: Lincoln recorded its first full year sales in China in 2015, hence no year-on-year growth data is available.

Despite the unsatisfactory overall performance of the automobile market, SUV sustained a rapid growth in 2015, with annual sales volume of 6.2203 million units and a market share of over 30%. According to the statistics from the China Association of Automobile Manufacturers, the production and sales volumes of SUVs in 2015 grew by 49.7% and 52.4%, respectively. In contrast, production and sales volumes of sedans recorded a decrease of 6.8% and 5.3%, respectively. Furthermore, the market landscape of SUV was different from that of the sedan. While the latter is dominated by compact models, the SUV market was segmented into compact SUVs and small-size SUVs, prompting companies producing a single model to accelerate their product planning progress and diversify their production lines. Domestic small-size SUV brands in China had been growing rapidly in recent years, with prices ranging from RMB100,000 to RMB150,000. With self-owned brands gradually penetrating the market, joint-venture brands and luxury brands has revised their product strategy to launch small-size, low-emission and low-price entry level SUV in the future.

On the other hand, China produced 340,500 units and sold 331,100 units of new energy automobiles in 2015, representing a year-on-year growth of 3.3 times and 3.4 times, respectively. Among which, pure electric vehicles experienced a particularly strong growth with production and sale volumes of 254,600 units and 247,500 units, a year-on-year growth of 4.2 times and 4.5 times, respectively. The production and sales volumes of plug-in hybrid power vehicles amounted to 85,838 units and 83,610 units, representing a year-on-year growth of 1.9 times and 1.8 times, respectively. Although the new energy automobile only accounted for a small proportion of the overall automobile market, it represents one of the future directions of development for automobile industry and has a promising prospect.

2015 was a difficult year for both dealers and manufacturers, as various brands announced lower official guided prices for automobile sales. The proclamation on reduction of official price made by Shanghai Volkswagen in April 2015 kicked off the official price reduction war among the automobile companies. Companies such as Changan Ford, Beijing Hyundai and FAW-Volkswagen joined the official price reduction with a reduction of generally over RMB10,000, followed by SAIC-GM a month later, which reduced its prices for 40 different models ranging from RMB10,000 to RMB53,900, and Jaguar & Land Rover, which reduced the official price of its first domestically manufactured model, Range Rover Evoque, by RMB30,000 to RMB50,000. The official price reduction has extended the price war from dealers to automobile companies, reflecting the harsh sales environment and high inventory pressure faced by both.

However, it is obvious that automobile companies have not achieved their expectations from the official price reduction. In general, major automobile companies only recorded slight growth in their sales volume, while some recorded decline. Meanwhile, there was no fundamental improvement in the inventory pressure of dealers. According to the "Investigation on Inventory Alert Index of Chinese Automobile Dealers" (中國汽車經銷商庫存預警指數調查) published by the China Automobile Dealers Association, the inventory alert index in December 2015 was 52.6%, which dropped 9.2% as compared to the previous month but remained above the warning line. Since 2015, the inventory alert index of Chinese automobile remained at a high level. Except for August, the index remained above the warning line (50%) for all the other months in 2015, and was once as high as 67.5% in March 2015. The reason was that most of the official price reductions were merely "officializing" the discounts which had already been offered by the dealers and there was no major change in the actual prices for end customers. The continued market sloppiness and the fact that spending power had been released in 2014 have also affected the outcome of official price reductions. The difficult situation remained unsolved under the influence of factors such as market slowdown, excessive production capacity and unchanged sales mission and target. Without changes in production and sales plan to reduce inventory level and to ease the conflicts between dealers, there will not be any material changes to the difficult situation faced by the automobile companies.

MANAGEMENT DISCUSSION AND ANALYSIS

According to the statistics from the China Association of Automobile Manufacturers, sale of pre-owned automobile in China through various channels to end customers amounted to 7.55 million units from January to October 2015. Affected by the halving of the vehicle purchase tax on passenger vehicles with 1.6L or lower displacement, the pre-owned automobile market dropped significantly in November and December. Nevertheless, annual sales volume of pre-owned automobile exceeded 8.5 million units as expected, representing a growth of 40% as compared to the same period last year. Along with the surging sales of pre-owned automobile, the emerging e-commerce business for pre-owned automobile became popular among investors. According to the statistics from the China Association of Automobile Manufacturers, the domestic e-commerce platform for pre-owned automobile received a total of US$440 million investment in the first half of 2015. Many established e-commerce providers, media websites and automobile dealer groups entered the automobile e-commerce industry. However, according to the statistics, offline channels still accounted for approximately 65% of market share in the pre-owned automobile market in China, while the online platform, which is yet to be the mainstream channel, only had a market share of 10% to 15%. With the introduction of "Made in China 2025" strategy in 2015, automobile companies had reached a consensus on promoting the upgrade of the automobile industry through the Internet. The China Association of Automobile Manufacturers estimated that the sales of pre-owned automobile in China will increase to over 10 million units in 2016. By that time, with the increasing number of market participants, the growth of online trading volume and diversification in profit models of companies, automobile e-commerce will become an inevitable trend.

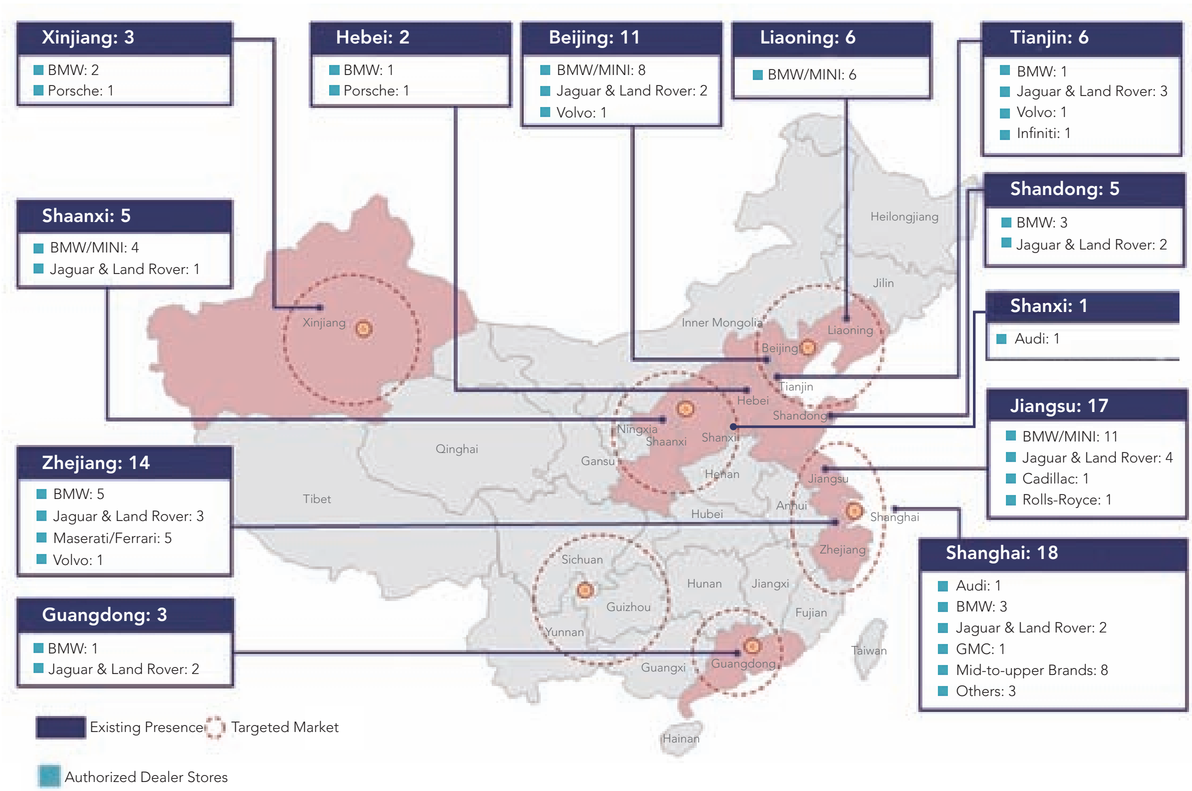
BUSINESS OVERVIEW

In view of the slowing trends in China's macro economy and automobile industry, we adopted a more prudent and practical strategy in our operation and development in 2015. We adjusted our orders from manufacturers based on the market demand and specific business strategy in respect of each brand in a timely manner, with an aim to further lower our indebtedness by strictly controlling the inventory level and actively improving our cash flow position.

Distribution network layout

In 2015, we further optimized our distribution network layout, strictly controlled the costs and pace of constructing and opening new outlets, and selectively focused on markets and brands with large consumption potential. In 2015, we opened three new 4S stores of luxury brands, including one 4S store of BMW, one 4S store of Porsche and one 4S store of Infiniti. As at December 31, 2015, we had 91 stores, including 78 dealership stores of luxury brands, 8 dealership stores of mid-to-upper brands, 2 independent repair centres and 3 decoration and damage assessment centres.

As at December 31, 2015, our distribution network layout across the nation was as follows:



New car sales

For the year ended December 31, 2015, we sold 61,766 new cars, representing a year-on-year decrease of 15.1%, of which 51,374 were luxury brands automobiles and 10,392 were mid-to-upper brands automobiles, representing a year-on-year decrease of 15.5% and 13.0%, respectively. The decrease in sales was mainly affected by sales of BMW and Jaguar & Land Rover, while sales trend of other luxury and ultra-luxury brands remains relatively stable. With an aim to increasing the dealers' operation quality and business soundness, BMW Group implemented a series of strategic adjustments in relation to China market in 2015, including setting more practical sales target, which effectively eased dealers' inventory pressure. We imposed stringent control on orders from the manufacturers based on market demand, in order to maintain a reasonable and safe inventory level at all times. The decrease in sales of Jaguar & Land Rover brand was mainly due to two factors, namely, (1) the decrease in the supply of "Discovery Sport" ("發現神行SUV"), the new generation automobile that superseded the "Freelander" ("神行SUV") after the latter had ceased production and withdrawn from the market in the second half of 2014, resulting in an undersupply in the market; and (2) the significant decrease in demand of domestically manufactured "Range Rover Evoque" ("攬勝極光") new model due to pricing issues. The decrease in sales of Jaguar & Land Rover by our Group was in line with the decrease in overall sales of Jaguar & Land Rover. Despite the remedial actions taken by the manufacturer, the overall sales of the Jaguar & Land Rover brand in China inevitably decreased sharply by 24.2% in 2015. In 2015, our Group remained one of the largest dealers of BMW and Jaguar & Land Rover in China, with a market share of 8.1% and 8.3%, respectively, despite the relatively conservative sales strategy that we have adopted.

Automobile after-sales services and extended service

As at December 31, 2015, income from our after-sales services amounted to RMB3,011.9 million, among which RMB2,873.4 million was income from after-sales services for luxury and ultra-luxury brands, maintaining the same level as that of 2014. Our after-sales services performance was directly affected by the decrease in the number of in-store maintenance and sales of automobile decoration caused by the decrease in new vehicle sales of BMW and Jaguar & Land Rover. In the meantime, since the luxury and ultra-luxury brands generally generate higher gross profits in after-sales repair and maintenance services than that of mid-to-upper brands, the decrease in sales of luxury and ultra-luxury brands also affected the gross profits generated from after-sales services to a certain extent, resulting in our gross profit margin of after-sales repair and maintenance services decreasing from 47.3% in 2014 to 45.2% in 2015. The decrease in new vehicle sales not only affected the income from after-sales services, but also imposed pressure on the growth of automobile value-added services, particularly automobile financing and automobile insurance. For the year ended December 31, 2015, commission income from automobile value-added services recorded a 27.6% decrease to RMB269.0 million from the same period in 2014.

Strict control of inventory level and improvement of cash flow

In 2015, high inventory level remained the main challenge for the automobile distribution industry in China. Throughout the year, the industry inventory level remained above the alert level. Despite the ease in the sales target from manufacturers, it is still difficult to reduce inventory level due to sluggish consumption. For the first nine months of 2015, the automobile sales market, including luxury brands automobile sales market, grew at a gradually decreasing rate, causing great pressure on sales and inventory. We keep active communication with the manufacturers, promptly manage our sales target, slow down our stock replenishment and strengthen our sales effort according to market conditions in order to keep our inventory level within a reasonable range throughout the year. Meanwhile, as a result of reducing inventory level, our bank bills payable reduced by 22.9% from RMB4.8 billion as at December 31, 2014 to RMB3.7 billion as at December 31, 2015. With the decrease in bank bills payable and overall interest rates for bank loan, our finance costs decreased from RMB617.2 million in 2014 to RMB540.1 million in 2015.

FINANCIAL REVIEW

Significant Accounting Judgments and Estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. The significant accounting judgments and estimates are set out in note 3 to the financial statements.

	2015 RMB'000	2014 RMB'000
REVENUE	**23,776,461**	30,723,432
Cost of sales and services provided	**(21,587,955)**	(27,935,772)
Gross profit	**2,188,506**	2,787,660
Other income and gains, net	**357,311**	454,574
Selling and distribution expenses	**(977,024)**	(983,221)
Administrative expenses	**(643,434)**	(608,813)
Profit from operations	**925,359**	1,650,200
Finance costs	**(540,111)**	(617,234)
Share of profits and losses of:		
A joint venture	**5,830**	6,783
An associate	**(16,151)**	–
Profit before tax	**374,927**	1,039,749
Income tax expense	**(150,656)**	(326,115)
Profit for the year	**224,271**	713,634
Attributable to:		
Owners of the parent	**220,094**	706,644
Non-controlling interests	**4,177**	6,990
	224,271	713,634
Earnings per share attributable to ordinary equity holders of the parent		
Basic and diluted		
— For profit for the year (RMB)	**0.09**	0.28

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the year ended December 31, 2015, our revenue was RMB23,776.5 million, representing a decrease of approximately 22.6%. The decrease was primarily due to a 25.0% decrease in revenue generated from automobile sales from RMB27,663.0 million for the year ended December 31, 2014 to RMB20,758.4 million for the same period of 2015. In particular, the sales revenue of Jaguar & Land Rover decreased significantly among the luxury brands. Meanwhile, revenue from our after-sales services business remained relatively stable.

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

	Year ended December 31			
	2015		2014	
Revenue source	**Revenue (RMB'000)**	**Contribution to total Revenue (%)**	Revenue (RMB'000)	Contribution to total Revenue (%)
Automobile Sales	**20,758,358**	**87.3**	**27,662,990**	**90.0**
Luxury and ultra-luxury brands	19,434,146	81.7	26,139,097	85.0
Mid-to-upper market brands	1,324,212	5.6	1,523,893	5.0
After-sales Business	**3,011,922**	**12.7**	**3,059,534**	**10.0**
Luxury and ultra-luxury brands	2,873,416	12.1	2,850,345	9.3
Mid-to-upper market brands	138,506	0.6	209,189	0.7
Finance leasing services	**6,181**	**0.0**	**908**	**0.0**
Total revenue	**23,776,461**	**100.0**	**30,723,432**	**100.0**

Revenue from the sales of automobiles decreased by 25.0%, primarily due to (1) the number of new cars sold by the Group decreased from 72,709 units for the year ended December 31, 2014 to 61,766 units for the same period in 2015, among which the sales volume of Jaguar & Land Rover dropped significantly; and (2) average selling price gradually decreased over the year.

Automobile sales generated a substantial portion of our revenue, accounting for 87.3% of our total revenue for the year ended December 31, 2015 (2014: 90.0%). Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 93.6% (2014: 94.4%) and 6.4% (2014: 5.6%), respectively, of our revenue from the sales of automobiles.

Revenue from our after-sales business decreased by 1.6% from RMB3,059.5 million for the year ended December 31, 2014 to RMB3,011.9 million for the same period in 2015. The relative contribution of our after-sales services business to our revenue increased from 10.0% in 2014 to 12.7% in 2015.

Cost of sales and services

For the year ended December 31, 2015, our cost of sales and services decreased by 22.7%, from RMB27,935.8 million for the same period in 2014 to RMB21,588.0 million. This decrease was basically consistent with the decrease in our sales for the year ended December 31, 2015.

The cost of sales and services attributable to our automobile sales business amounted to RMB19,937.3 million for the year ended December 31, 2015, representing a decrease of RMB6,387.0 million, or 24.3%, from the same period in 2014. The cost of sales attributable to our after-sales services business amounted to RMB1,650.3 million for the year ended December 31, 2015, representing an increase of RMB38.8 million, or 2.4% from the same period in 2014.

Gross profit and gross profit margin

Gross profit for the year ended December 31, 2015 was RMB2,188.5 million, representing a decrease of RMB599.2 million, or 21.5%, from the same period in 2014. Gross profit from automobile sales decreased by 38.7% from RMB1,338.7 million for the year ended December 31, 2014 to RMB821.1 million for the same period in 2015, of which RMB832.0 million was from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales services business decreased by 6.0% from RMB1,448.0 million for the year ended December 31, 2014 to RMB1,361.6 million for the same period in 2015. Automobile sales and after-sales services business contributed 37.5% (2014: 48.1%) and 62.2% (2014: 51.9%), respectively, to the total gross profit for the year ended December 31, 2015.

Gross profit margin for the year ended December 31, 2015 was 9.2% (2014: 9.1%), of which the gross profit margin of automobile sales was 4.0% (2014: 4.8%) and of after-sales services business was 45.2% (2014: 47.3%). The decrease in gross profit margin from automobile sales was mainly due to the drop in sales price of new cars as a result of the changing supply and demand. The decrease in gross profit margin from after-sales services business was mainly because (1) gross profit margin of after-sales services for mid-to-upper brands decreased as the after-sales services market for mid-to-upper brands was shrinking; and (2) gross profit margin of after-sales services for luxury brands decreased because Jaguar & Land Rover, which has higher gross profit margin of after-sales services, generated less revenue as its new vehicle sales decreased.

Other income and gains, net

The majority of other income is commission income, which decreased from RMB371.4 million for the year ended December 31, 2014 to RMB269.0 million for the same period in 2015. Other income and gains, net, decreased by 21.4% from RMB454.6 million for the year ended December 31, 2014 to RMB357.3 million for the same period in 2015, primarily due to the year-on-year decrease in insurance commission, commission from financing services business and commission from automobile licensing agency business resulting from the decrease in new car sales.

Selling and distribution expenses and administrative expenses

For the year ended December 31, 2015, our selling and distribution expenses decreased by 0.6%, from RMB983.2 million for the same period in 2014 to RMB977.0 million; and our administrative expenses increased by 5.7%, from RMB608.8 million for the same period in 2014 to RMB643.4 million. Our relatively stable selling and distribution expenses and increase in administrative expenses were mainly due to the relatively high fixed costs and the increase in labor costs and lease expenses.

Profit from operations

As a result of the foregoing, our profit from operations for the year ended December 31, 2015 decreased by 43.9% to RMB925.4 million from RMB1,650.2 million for the same period in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Finance costs decreased by 12.5% from RMB617.2 million for the year ended December 31, 2014 to RMB540.1 million for the same period in 2015, primarily due to the decrease in interest rate of bank loans and bills over the year. Benefitting from several interest rate cuts by the central bank of China in 2015, our interest expenses on bank loans and bank notes has dropped.

Profit for the year

As a result of the cumulative effect of the foregoing, our profit for the year ended December 31, 2015 decreased by 68.6% to RMB224.3 million from RMB713.6 million for the same period in 2014.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at December 31, 2015, our cash and cash equivalents amounted to RMB2,161.0 million, representing a decrease of 1.9% from RMB2,202.9 million in the year ended December 31, 2014.

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

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time. For the year ended December 31, 2015, our net cash generated from operating activities was RMB588.2 million (2014: RMB1,478.1 million). The decrease in cash generated from operating activities was in line with the decrease in revenue in the year ended December 31, 2015.

Net current assets

As at December 31, 2015, we had net current assets of RMB13.2 million, representing a decrease of RMB2,481.2 million from a net current assets of RMB2,494.4 million as at December 31, 2014.

Capital expenditure

Our capital expenditures primarily comprised expenditures on property, plant and equipment, land use rights and intangible assets. For the year ended December 31, 2015, our total capital expenditures amounted to RMB729.1 million (2014: RMB1,160.9 million).

Inventories

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

Our inventories decreased by 19.7% from RMB3,056.8 million as of December 31, 2014 to RMB2,454.9 million as of December 31, 2015, which was in line with the decrease in automobile sales.

Our average inventory turnover days in the year ended December 31, 2015 increased to 46.6 days from 39.6 days in 2014, primarily due to a greater decrease in sales volume comparing to the decrease of year-end inventory balance.

Trade Receivables

Trade receivables decreased from RMB393.2 million for the year ended December 31, 2014 to RMB358.2 million for the year ended December 31, 2015, primarily due to our strict control over the repayment of trade receivables at all times to maintain it at a relatively low level.

Bank loans and other borrowings

As at December 31, 2015, the Group's available and unutilized banking facilities amounted to approximately RMB12,358.0 million (December 31, 2014: RMB8,325.6 million).

Our interest-bearing bank loans and other borrowings as at December 31, 2015 were RMB8,280.9 million, representing an increase of RMB552.3 million from RMB7,728.6 million as at December 31, 2014. The increase was to provide for working capital and capital expenditures.

Interest rate risk and foreign exchange rate risk

The Group currently has not used any derivatives to hedge interest rate risk. The Group conducts its business primarily in Renminbi. Certain bank deposits, bank loans and credit enhanced bond were denominated in foreign currencies. The Group has entered into various forward currency options to manage its exchange rate risk exposure. These forward currency options are not designated for hedging purposes and are measured at fair value through profit or loss. As at December 31, 2015, a fair value of RMB15.9 million (December 31, 2014: Nil) was recognized by the Group on the forward currency options.

Gearing ratio

The Group monitors its capital using a gearing ratio, which is calculated as net debt divided by the equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, trade, bills and other payables, accruals, and bonds less cash and cash equivalents. Our gearing ratio for the year ended December 31, 2015 was 69.3% (2014: 69.5%).

Human resources

As at December 31, 2015, the Group had approximately 5,941 employees (December 31, 2014: 6,744). Total staff costs for the year ended December 31, 2015, excluding Directors' remuneration, were approximately RMB740.7 million (2014: RMB698.9 million).

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

Contingent liabilities

As at December 31, 2015, the Group had no significant contingent liabilities (December 31, 2014: Nil).

Pledge of the Group's assets

Our Group had pledged our Group's assets, shares in certain subsidiaries and letters of credit as securities against bank loans and other borrowings and bills payable which were used to finance daily business operation and acquisition. As at December 31, 2015, the pledged assets of the Group amounted to approximately RMB3,941.2 million (December 31, 2014: RMB4,693.3 million); the pledged letters of credit with an aggregate credit amount of approximately RMB194.0 million (December 31, 2014: RMB13.0 million).

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

Except as disclosed in this annual report, during the year ended December 31, 2015, the Company had no material investment held, had not carried out any material acquisition or disposal of subsidiaries and associates, and had no definite plan for material investment or acquisition of capital assets.

OUTLOOK AND STRATEGY

In 2016, there will be a number of major reforms on policies and regulations in the Chinese automobile industry, including the Administrative Measures on Automobile Sales (《汽車銷售管理辦法》), the Anti-Monopoly Laws for Automobile Industry (《汽車業反壟斷法》) and the Measures for the Administration of the Circulation of Pre-owned Automobiles (《二手車流通管理辦法》). These regulations will further regulate the conducts of automobile sales, maintain the fairness and impartiality in market competition and actively promote the development of the new automobile market, the pre-owned automobile market and the after-sales services market. Adhering to its pragmatic attitude, the Group will continue to actively capture market opportunities and avoid market risks. It will also continue to work closely with automobile manufacturers with a view to strengthen its position in the luxury automobile market, properly develop the dealer network and proactively expand businesses involving parallel imported automobiles, pre-owned automobiles, automobile financing as well as automobile repair and maintenance. Meanwhile, the Group will step up its efforts to control costs, including the construction costs for network development, procurement costs for components and spare parts, marketing costs and finance costs.

CORPORATE GOVERNANCE PRACTICES

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

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

The Company adopted revised terms of reference of the Audit Committee on August 31, 2015 in compliance with and to address the new provisions in the CG Code dealing with risk management and internal control systems and effective for the accounting period beginning on January 1, 2016.

In the opinion of the Directors, throughout the year ended December 31, 2015, the Company has complied with all the code provisions as set out in the CG Code, save and except for code provisions A.2.1, A.4.1 and E.1.2.

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

Under code provision A.4.1, the non-executive directors should be appointed for a specific term, subject to re-election. Mr. Lu Linkui, who was appointed as a non-executive Director of the Company with effect from March 31, 2014, did not enter into any service contract with the Company and does not have a specific term of appointment. However, Mr. Lu is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than exacting than those in the CG Code.

Under code provision E.1.2, the chairman of the Board should invite the chairmen of its Board committees to attend the annual general meeting. In their absence, the chairman of the Board should invite another committee member (or failing this his duly appointed delegate) to attend. Save as Mr. Wang Keyi, the independent non-executive Director, the Chairmen of Audit Committee and Remuneration Committee and all other members of the Audit Committee, Nomination Committee and Remuneration Committee of the Company were unable to attend the annual general meeting of the Company held on June 18, 2015 due to other business commitments. The attendance of the Chairman of the Board and a majority of executive Directors of the Company at such annual general meeting was sufficient for (i) answering the questions raised by the shareholders who attended the annual general meeting and (ii) effectively communicating with shareholders who attended the annual general meeting. The Company has optimized the planning and procedures of annual general meetings, give adequate time to all Directors to accommodate their work arrangement and provide all necessary support for their presence and participation at annual general meetings such that all Directors will be able to attend future annual general meetings of the Company.

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

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code throughout the year ended December 31, 2015.

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

THE BOARD

Role of the Board

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

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

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

Composition

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

The Board

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

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

The biographical details of the Directors are set out on pages 34 to 36 of this annual report. In addition, a list of the names of the Directors and their role and function is published on the websites of the Company and the Stock Exchange.

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

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

Insurance Coverage

Appropriate insurance cover on Director's and officer's liabilities in respect of legal actions against them arising from corporate activities has been arranged by the Company.

Chairman and chief executive officer

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

Independent Non-executive Directors

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

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

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

Appointment and Re-election of Directors

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

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election. Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of one year with effect from their respective dates of appointment, subject to renewal. Mr. Lu Linkui, the non-executive director of the Company, has no fixed terms of service with the Company. However, he is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company.

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

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

Mr. Diao Jianshen, Mr. Wang Keyi and Mr. Chan Wan Tsun Adrian Alan have decided to retire and submit themselves for re-election at the forthcoming annual general meeting of the Company scheduled to be held on June 16, 2016. The Nomination Committee has confirmed that the Company will support their re-election.

Board Committees

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

The Board committees are provided with sufficient resources to discharge their duties and are able to seek independent professional advice where appropriate and upon request. Details of these Board committees, including their compositions, major responsibilities and functions, and work performed during the year ended December 31, 2015 are set out below.

Audit Committee

The Audit Committee consists of the following members during the year ended December 31, 2015:

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

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

During the year ended December 31, 2015, the Audit Committee met twice to:

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

- make arrangements for employees to discuss any possible operational improprieties; and

- make recommendation to the Board to revise its terms of reference in compliance with and to address the new provisions in the CG Code dealing with risk management and internal control systems.

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

Remuneration Committee

The Remuneration Committee consists of the following members during the year ended December 31, 2015:

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

Executive Director
Mr. Yang Hansong

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

During the year ended December 31, 2015, the Remuneration Committee met once to:

- review the remuneration policy and structure of the Company and the remuneration packages of executive Directors and senior management; and

- review and make recommendations to the Board on remuneration packages of the Directors and senior management and other related matters.

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

Nomination Committee

The Nomination Committee consists of the following members during the year ended December 31, 2015:

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

Executive Director
Mr. Yang Hansong

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

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

During the year ended December 31, 2015, the Nomination Committee met once to:

- review the structure, size and composition of the Board;
- assess the independence of the independent non-executive Directors;
- consider the qualifications of the retiring Directors standing for election at the annual general meeting; and
- review the Board diversity policy and the progress on achieving the measurable objectives in the course of implementing the Board diversity policy.

Board Meetings

During the year ended December 31, 2015, the Board has held four board meetings to review financial and operating performance of the Company and to discuss future strategies. The Directors participated in the Board meetings in person or through electronic means.

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

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

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

All the Directors have access to advice and services of the company secretary, who is responsible for ensuring that Board procedures and applicable regulations under the Company's articles of association or otherwise are complied with. Each Director is entitled, if necessary, to seek independent professional advice at the Company's expense.

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

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

Attendance Record of Directors and Committee Members

The attendance record of each Director at the Board and Board Committee meetings and the general meeting of the Company held during the year ended December 31, 2015 is set out in the table below:

	Number of meetings attended/held in 2015				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Yang Aihua	4/4	N/A	N/A	N/A	1/1
Mr. Yang Hansong	4/4	N/A	1/1	1/1	0/1
Mr. Yang Zehua	4/4	N/A	N/A	N/A	1/1
Ms. Hua Xiuzhen	4/4	N/A	N/A	N/A	1/1
Mr. Zhao Hongliang	4/4	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Lu Linkui	4/4	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Diao Jianshen	4/4	2/2	1/1	1/1	0/1
Mr. Wang Keyi	4/4	2/2	1/1	1/1	1/1
Mr. Chan Wan Tsun Adrian Alan	4/4	2/2	N/A	N/A	0/1

Apart from regular Board meetings, the Chairman of the Board also held a meeting with the non-executive Director and independent non-executive Directors without the presence of executive Directors during the year ended December 31, 2015.

Continuous Professional Development of Directors

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

Each newly appointed Director will receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

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

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

During the year ended December 31, 2015, all Directors have been required to provide the Company with a record of the training they received on a half-year basis, and such records have been maintained by the Company.

A summary of the current Directors' participation in internal and other external training for the year ended December 31, 2015 is as follows:

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

CORPORATE GOVERNANCE FUNCTIONS

The Audit Committee is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

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

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

BOARD DIVERSITY POLICY

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

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

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

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

PERFORMANCE OF THE DEED OF NON-COMPETITION

The independent non-executive Directors were delegated with the authority to review, on an annual basis, the compliance with the deed of non-competition (the "**Deed of Non-Competition**") executed by Baoxin Investment Management Limited ("**Baoxin Investment**"), Auspicious Splendid Global Investments Limited ("**Auspicious Splendid**") and Mr. Yang Aihua (the "**Controlling Shareholders**") on November 23, 2011, in favour of the Company (for itself and for the benefit of its subsidiaries). Each of the Controlling Shareholders has confirmed that he/it had complied with the Deed of Non-Competition during the year ended December 31, 2015 and up to the date of this annual report. The independent non-executive Directors were not aware of any non-compliance of the Deed of Non-Competition given by the Controlling Shareholders during the year ended December 31, 2015 and up to the date of this annual report. Details of the Deed of Non-Competition have been set out in the section headed "Relationship with our Controlling Shareholders — Non-Competition Undertaking" of the prospectus of the Company dated December 2, 2011 (the "**Prospectus**").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended December 31, 2015.

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

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditors' Report on pages 48 to 49 of this annual report.

AUDITORS' REMUNERATION

The remuneration paid to the Group's external auditors, Ernst & Young for the year ended December 31, 2015 is set out below:

Services provided	Fees (RMB'000)
Audit services	5,100
Non-audit services	–
Total	5,100

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

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

Based on the results of evaluations and representations made by the management and the internal auditor during the year ended December 31, 2015, the Audit Committee is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business objectives; and that an appropriate system of internal control and risk management has been in place during the year ended December 31, 2015 and up to the date of approval of this annual report.

COMPANY SECRETARY

Mr. Chen Changdong, the company secretary, is also the chief financial officer of the Company and has day-to-day knowledge of the Company's affairs. Mr. Chen reports to the Chairman of the Board and is responsible for advising the Board on governance matters.

According to Rule 3.29 of the Listing Rules, Mr. Chen has confirmed that he has taken no less than 15 hours of professional training to update his skills and knowledge for the year ended December 31, 2015. The biographical details of Mr. Chen is set out on page 37 of this annual report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on the remuneration of senior management of the Group. Details of the remuneration of each Director for the year ended December 31, 2015 are set out in note 9 to the financial statements of this annual report.

For the year ended December 31, 2015, the aggregate emolument paid to members of non-director senior management was within the following bands:

By Band	Number of Individuals
HK$500,001–HK$1,000,000	1
HK$1,000,001–HK$1,500,000	3
HK$1,500,001–HK$2,000,000	1
HK$2,500,001–HK$3,000,000	1

SHAREHOLDERS' RIGHTS

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

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

Procedure for Convening an Extraordinary General Meeting by Shareholders

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

Procedure for Putting Forward Proposals at General Meetings

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

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

Procedure for Putting Forward Enquiries to the Board

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

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

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

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

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

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

CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2015, the Company has not made any changes to its articles of association. An up-to-date version of the Company's article of association is available on both the websites of the Stock Exchange and the Company.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. YANG Aihua (楊愛華), aged 54, is an executive Director and chairman of the Group. Mr. Yang has substantial experience in the automobile dealership industry. Mr. Yang founded the Group and has been Chairman of the Group since 1999. Prior to that, he was the chairman of Shanghai Baoxin Automobile Sales & Services Co., Ltd. from 2004 to 2007. From 1999 to 2004, he was chairman of Shanghai Kailong Automobile Trading Co., Ltd. Prior to joining the Company, he was a general manager at 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1999. From 1988 to 1995, Mr. Yang had assumed various positions in Shanghai Jinling Trading Company, a state-owned company. Mr. Yang obtained an EMBA degree from Dalian University of Technology in 2006. Mr. Yang was appointed as an executive Director of the Company on November 22, 2011. Mr. Yang Aihua is the elder brother of Mr. Yang Hansong and Mr. Yang Zehua.

Mr. YANG Hansong (楊漢松), aged 53, is an executive Director, vice chairman and chief executive officer of the Group. He is currently also a director of NCGA Holdings Limited. He is also a member of the nomination committee and remuneration committee of the Company. Mr. Yang has substantial experience in the automobile dealership industry. He was appointed in 2008 as a director and president of the Group. With effect from September 18, 2013, he has been appointed as vice-chairman and chief executive officer of the Company and ceased to act as the president on the same date. From 2004 to 2008, he was an executive director of Suzhou Baoxin Automobile Sales & Services Co., Ltd. and from 2002 to 2004 he was the general manager of Shanghai Taipingyang Jinsha Automobile Sales & Services Co., Ltd. From 1999 to 2002, he was appointed as vice chairman of Shanghai Kailong Automobile Trading Co., Ltd. Prior to joining the Group, he worked as a deputy general manager at 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1999. Mr. Yang Hansong graduated with a bachelor's degree in history at the Jiangxi Normal University in 1983. He obtained an EMBA degree from Dalian University of Technology in 2006. He has completed a PhD degree in management studies at Dalian University of Technology in 2014. Mr. Yang Hansong was appointed as an executive Director of the Company on November 22, 2011. Mr. Yang Hansong is the brother of Mr. Yang Aihua and Mr. Yang Zehua.

Mr. YANG Zehua (楊澤華), aged 44, is an executive Director and a vice president of the Group. Mr. Yang has substantial experience in the automobile dealership industry. He joined Shanghai Kailong Automobile Trading Co., Ltd. in 1999 as deputy general manager until 2002. Mr. Yang Zehua was appointed general manager of Shanghai Xinlong Automobile Sales & Service Co., Ltd. from 2002 to 2008. He became the general manager of Shanghai Baoxin Automobile Sales & Services Co., Ltd. from 2008 to 2009. Since 2010, he has served as a vice president of the Group. Prior to joining the Group, he worked as a sales manager at 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1999. He has obtained an EMBA degree from Dalian University of Technology in 2006. Mr. Yang Zehua was appointed as an executive Director of the Company on November 22, 2011. Mr. Yang Zehua is the younger brother of Mr. Yang Aihua and Mr. Yang Hansong.

Ms. HUA Xiuzhen (華秀珍), aged 63, is an executive Director and the chief supervisor of the treasury department. Ms. Hua has worked in our Group for over 16 years. She joined the Group in 1999 as finance manager of Shanghai Kailong Automobile Trading Co., Ltd. until 2004. She has been appointed as the chief supervisor of the treasury department in 2004. Prior to joining the Group, Ms. Hua worked in 國泰機電設備公司 (Guotai Engineering Equipment Company Limited) in its finance department from 1990 to 1999. Ms. Hua was appointed as an executive Director of the Company on November 22, 2011.

Mr. ZHAO Hongliang (趙宏良), aged 49, is an executive Director and vice president of the Group. Mr. Zhao has substantial experience in the automobile dealership industry. He joined Shanghai Kailong Automobile Trading Co., Ltd. in 1999 as deputy general manager until 2001. Mr. Zhao was appointed general manager of Shanghai Kailong Automobile Services Co., Ltd. from 2002 to 2006. Mr. Zhao was general manager of Suzhou Baoxin Automobile Sales & Services Co., Ltd. from 2006 to 2008. Mr. Zhao was appointed vice president of the Group in 2008 and has since maintained that role. Prior to joining the Group, he was the deputy general manager of 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1998. He obtained an MBA degree from the University of Management and Technology (long distance teaching service) in 2005. Mr. Zhao was appointed as an executive Director of the Company on November 22, 2011.

Non-executive Director

Mr. LU Linkui (陸林奎), aged 70, is a non-executive Director of the Group. Mr. Lu joined the predecessor of FAW (First Automobile Works) Group Corporation ("**FAW**") in April 1970 and served various roles such as technician, deputy section chief, section chief, deputy director and later director of the quality control department. In May 1985 and November 1991, he assumed the positions of assistant factory manager and executive assistant factory manager respectively; and later became the deputy general manager of FAW. From January 1996 to December 2001, Mr. Lu was the director and general manager of FAW-Volkswagen Automotive Co. Ltd. In June 2002, he was engaged by Volkswagen and received management training, following which he assumed the position as general manager of Volkswagen Transmission (Shanghai) Co., Ltd from January 2003 to October 2008. He retired from Volkswagen in November 2008. He graduated from Beijing Mechanics College with a bachelor degree in mechanics in 1968. Mr. Lu was appointed as a non-executive Director of the Company on March 31, 2014.

Independent non-executive Directors

Mr. DIAO Jianshen (刁建申), aged 62, is an independent non-executive Director, chairman of the audit committee and remuneration committee, and a member of the nomination committee of the Group. Mr. Diao has been a vice president of the China Automobile Dealers Association since 2008. He was a director and executive deputy general manager of 華星新世界汽車服務有限公司 (Huaxing New World Auto Service Company Limited) from 2002 to 2008. From 1998 to 2002, he was a general manager of 中國汽車貿易華北公司 (China Automobile Trading (North China) Corporation). He graduated from 中共北京市委黨校 (CPC Beijing Municipal Party School) with a major in economic management in 1988 and from the Chinese Academy of Social Sciences with a major in business economics in 1998. Mr. Diao was appointed as an independent non-executive Director of the Company on November 22, 2011.

Mr. WANG Keyi (汪克夷), aged 71, is an independent non-executive Director, chairman of the nomination committee, and a member of both the audit committee and remuneration committee of the Group. Since 1982, Mr. Wang has been a lecturer and professor at Dalian University of Technology. From 1992 to 1996, Mr. Wang was an assistant to the principal of Dalian University of Technology and was responsible for business management affairs. Mr. Wang was an independent director of 瓦房店軸承股份有限公司 (Wa Fang Dian Zhou Cheng Stock Company Limited) (Stock Code: 200706), a company whose shares are listed on the Shenzhen Stock Exchange, from 2009 to 2013. He was also an independent director of 遼寧紅陽能源投資股份有限公司 (Liaoning Hongyang Energy Resource Invest Co., Ltd.) (Stock Code: 600758), a company whose shares are listed on the Shanghai Stock Exchange, from 2005 to 2011. Mr. Wang graduated with an undergraduate degree in automotive control from the Dalian University of Technology in 1966. He obtained a Master's degree in systems engineering from Dalian University of Technology in 1982 and then a PhD degree in systems engineering from the same university in 1988. Mr. Wang was appointed as an independent non-executive Director of the Company on November 22, 2011.

DIRECTORS AND SENIOR MANAGEMENT

Mr. CHAN Wan Tsun Adrian Alan (陳弘俊), aged 37, is an independent non-executive Director and a member of the audit committee of the Group. Mr. Chan has been the chief financial officer of Sun Ray Capital Investment Corporation since July 2015. From 2009 to June 2015, he was the chief financial officer of Enviro Energy International Holdings Limited (stock code: 1102), a company whose shares are listed on the Stock Exchange. He has over 13 years of experience in corporate finance. He was an associate director of UOB Asia (Hong Kong) Limited from 2005 to 2009, mainly responsible for the execution of financial advisory, initial public offering, merger and acquisitions, privatisation and other equity capital market transactions in the Greater China Region and Southeast Asia. He has also previously worked for the equity capital markets department of DBS Asia Capital Limited from 2002 to 2005, the corporate finance department of DBS Vickers Securities (formerly known as Vickers Ballas Holdings Limited) from 2000 to 2001, and as auditor for a top-tier international accounting firm. Mr. Chan graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree in Accounting and Finance in 2000. He is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants, respectively. Mr. Chan was appointed as an independent non-executive Director of the Company on November 22, 2011.

SENIOR MANAGEMENT

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

Mr. Wang Zhen (王震), aged 43, is the president of the Group. Mr. Wang was the chief executive officer and chief financial officer of 廣匯汽車服務股份有限公司 (China Grand Auto Limited) from 2008 to 2013. From 1995 to 2008, he served in the global head office and Asia Pacific office of General Electric Company (通用電氣公司) as the global executive audit manager, and the chief financial officer for Asia Pacific region of General Electric Consumer and Industrial Group. Mr. Wang graduated with a bachelor's degree at 復旦大學 (Fudan University) in 1995.

Ms. LIU Tao (劉濤), aged 49, is a vice president of the Group. Ms. Liu has substantial experience in the automobile dealership industry. She joined Shanghai Kailong Automobile Trading Co., Ltd. in 1999 as a general manager until 2004. Ms. Liu was appointed general manager of Shanghai Baoxin Automobile Sales & Services Co., Ltd. from 2004 to 2007. Since 2008, she has served as a vice president of the Group. Prior to joining the Group, Ms. Liu was the head of the quality management department of 吉林省吉林市糧食局江北國家糧食儲備庫 (Jiangbei Government Grains Reserve of the Jilin Grains Bureau) from 1988 to 1999. She graduated with a bachelor's degree in economics from Jilin University in 1992. Ms. Liu also holds an MBA degree in business management from the China Europe International Business School obtained in 2008.

Mr. ZHU Jieling (朱結嶺), aged 47, is a vice president of the Group. Mr. Zhu has substantial experience in automobile dealership industry. He joined the Group in 2000 as deputy general manager of Shanghai Kailong Automobile Trading Co., Ltd. until 2004 and has been appointed as a vice president of the Group since 2004. Prior to joining the Group, he worked as deputy head of 廣州天河進口汽車修理廠 (Guangzhou Tianhe Import Automobile Repair Factory) from 1995 to 1999. He was also a trainer at 廣州豐田汽車維修中心 (Guangzhou Toyota Automobile Repair Center) from 1989 to 1995. Mr. Zhu is currently pursuing an EMBA degree from Dalian University of Technology.

Mr. CHEN Changdong (陳長東), aged 54, is the chief financial officer and Company Secretary of the Group. Mr. Chen has more than 26 years of experience in finance. He first joined the Group in 2002 as the financial manager of Shanghai Kailong Automobile Trading Co., Ltd. until 2004. From 2004, he was appointed as the chief financial officer of the Group. Prior to joining the Group in 2002, he worked at Alstom Shanghai Instrument Transformers Company Limited, a Sino-French joint venture, from 2001 to 2002. From 1981 to 2000, Mr. Chen worked at 上海電器集團股份有限公司 (Shanghai Electric Group Company Limited) (Stock Code: 02727), a company whose shares are listed on the Stock Exchange, where he assumed various positions such as the head of the finance bureau, the deputy financial manager and chief accountant of one of its subsidiaries. Mr. Chen is an accountant recognised by the Ministry of Finance of the PRC and obtained a diploma from East China Normal University majoring in economic management in 1991.

Ms. ZHOU Qizhu (周其珠), aged 60, is the chief supervisor of the audit department of the Group. Ms. Zhou has substantial experience in audit and finance. She joined the Group in 2004 as chief supervisor of the audit department and has since maintained that role. Prior to joining the Group, she held various positions in 上海愛建股份有限公司 (Shanghai Aijian Corporation) (Stock Code: 600643) from 1993 to 2003, a company listed on the Shanghai Stock Exchange. Ms. Zhou is an accountant, economist and a registered tax accountant in China. Ms. Zhou graduated from the Open University of China with a major in accounting in 2004.

Ms. LU Sharon (陸曉穎), aged 36, is a vice president of the Group. Ms. Lu joined the Group in 2013 and has substantial experience in the international capital market. From 2003 to 2012, Ms. Lu served at Bank of America Merrill Lynch, Macquarie Group and J.P. Morgan in both New York and Hong Kong. Prior to joining the Group, Ms. Lu served as vice president at the investment banking division of J.P. Morgan. Ms. Lu graduated from Wellesley College with a bachelor's degree in 2003.

COMPANY SECRETARY

Mr. CHEN Changdong (陳長東), please refer to "Directors and Senior Management — Senior Management" for a description of his biography.

REPORT OF THE DIRECTORS

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2015 (the "**financial statements**").

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 1 to the financial statements.

Segment analysis of the Group for the year ended December 31, 2015 is set out in note 4 to the financial statements. A list of the Company's subsidiaries, together with their places and dates of incorporation, principal activities and particulars of their issued shares/registered share capital, is set out in note 1 to the financial statements.

A review of the business of the Group during the year and its future development, and an analysis of the Group's performance during the year using financial key performance indicators as required under Schedule 5 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) are set out in the "Chairman's Statement" on pages 4 to 6 and the "Management Discussion and Analysis" on pages 7 to 20 of this annual report which constitute part of this report of the Directors.

There is no significant subsequent event undertaken by the Company or by the Group after December 31, 2015.

PRINCIPAL RISKS AND UNCERTAINTIES

Our Group is principally engaged in the business of automobile sales and services, an industry that is relatively sensitive to national macro-economy trend. Fluctuations in the national macro-economy, real property industry and stock market will exert certain influence on the automobile sales market in China.

Meanwhile, our business and operation depend on dealership agreements entered into with our business partners in automobile industry. Our business relationship and communications with automobile manufacturers will affect our business, operating results and prospects on various levels. In addition, financial risks and profits fluctuation will affect the overall performance of our Group.

Our financial risks include foreign currency risk, interest rate risk, credit risk and liquidity risk. These risks, together with risk management objectives and policies are set out in note 46 to the financial statements in this annual report.

RESULTS

The Group's results for the year ended December 31, 2015 are set out in the consolidated statement of profit or loss on page 50 of this annual report.

FINANCIAL STATEMENTS

The profits of the Group for the year ended December 31, 2015 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 50 to 131 of this annual report.

A summary of the results for the year and of the assets and liabilities of the Group as at December 31, 2015 and for the last five financial years are set out on page 132 of this annual report.

RESERVES

As at December 31, 2015, distributable reserves of the Company amounted to RMB1,767.1 million (2014: RMB1,868.4 million). Details of movements in reserves of the Company during the year are set out in note 48 to the financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended December 31, 2015 (2014: HK$0.05 per ordinary share).

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at No. 3998 Hongxin Road, Minhang District, Shanghai, the People's Republic of China on Thursday, June 16, 2016 (the "**2016 AGM**"). Notice of the 2016 AGM will be published and issued to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are eligible to attend and vote at the 2016 AGM, the register of members of the Company will be closed from Tuesday, June 14, 2016 to Thursday, June 16, 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2016 AGM, all duly stamped share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, June 13, 2016.

PROPERTY AND EQUIPMENT

Details of movements in property and equipment during the year ended December 31, 2015 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 36 to the financial statements.

CONNECTED TRANSACTIONS

(a) Continuing connected transactions

Save and except for the amounts due from Mr. Yang Aihua, which is a continuing connected transaction falling under Listing Rule 14A.33, all related-party transactions set out in note 44 to the financial statements did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. The above transaction is exempted from the relevant reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

(b) Connected transaction

On August 28, 2015, the Company and Orient Rich Investment Development Limited ("**Orient Rich**"), a company incorporated in the British Virgin Islands with limited liability which was wholly-owned by Mr. Yang Aihua, entered into a sale and purchase agreement pursuant to which the Company has agreed to sell and Orient Rich has agreed to purchase 50,000 shares held by the Company in Extensive Prosperous Investments Limited (昌廣投資有限公司) ("**Extensive Prosperous**"), a company incorporated in the British Virgin Islands with limited liability, representing 100% of its issued shares, at a consideration of RMB100,000,000 (the "**Disposal of Extensive Prosperous**").

The only asset of Extensive Prosperous is a 38% equity interest in Autostreets Development Limited (汽車街發展有限公司) ("**Autostreets**"), a company incorporated in the Cayman Islands with limited liability, which operates an integrated platform for both online and offline auto service. The Company established Extensive Prosperous in September 2014 as a part of its plan to expand its automobile business. However, the financial performance of Extensive Prosperous has been disappointing and it made a net loss of RMB23,374,000 for the 2014 financial year. Therefore, the Company wished to terminate its investment in Extensive Prosperous and Autostreets, recover its funds and concentrate on the development of the principal business of the Group. The proceeds arising from the disposal will be used as general working capital of the Group. The disposal of Extensive Prosperous had not been completed as of December 31, 2015.

As the applicable percentage ratios in respect of the Disposal of Extensive Prosperous were more than 0.1% but less than 5%, the Disposal of Extensive Prosperous is subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For further details, please refer to the Company's announcement dated August 30, 2015.

PRE-CONDITIONAL VOLUNTARY CASH PARTIAL OFFER, OPTION OFFER AND IRREVOCABLE UNDERTAKING

On December 11, 2015, (i) China Grand Automotive Services Co., Ltd. (廣匯汽車服務股份公司) ("**CGA**"), a company established under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange (SSE Stock Code: 600297), (ii) China Grand Automotive Services (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of CGA (the "**Offeror**") and (iii) the Company jointly announced (the "**Joint Announcement**") that CMB International Capital Limited, on behalf of the Offeror, would, subject to the satisfaction or, where applicable, waiver of certain preconditions, make a voluntary conditional cash partial offer (the "**Partial Offer**") to acquire a maximum of 1,917,983,571 shares in the Company ("**Shares**") (representing 75% of the Shares in issue as at the date of the Joint Announcement) or such higher number of Shares (representing 75% of the Shares in issue as at the Final Closing Date (as defined in the Joint Announcement)) at an offer price of HK$5.99 per Share. The Offeror would extend an appropriate offer to holders of the share options (the "**Share Options**") pursuant to the Share Option Scheme (as defined below) to cancel up to 11,662,500 outstanding Share Options (representing 75% of all the outstanding Share Options as at the date of the Joint Announcement) pursuant to Rule 13 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") (the "**Option Offer**").

It is intended that following the Partial Offer and the Option Offer, the Company will maintain its listing on the Stock Exchange.

On December 4, 2015, CGA, the Offeror, Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid entered into an irrevocable undertaking (the "**Irrevocable Undertaking**"), pursuant to which Mr. Yang Aihua has agreed to procure Baoxin Investment and Auspicious Splendid to accept, and Baoxin Investment and Auspicious Splendid have agreed to accept, the Partial Offer in respect of all the Shares owned by them (representing an aggregate of approximately 53.58% of the issued share capital of the Company as at the date of the Joint Announcement).

For further details of the Partial Offer, Option Offer, the Irrevocable Undertaking and transactions contemplated thereunder, please refer to the Joint Announcement published by the Company on the website of Stock Exchange on December 11, 2015.

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

During the year ended December 31, 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

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

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

Non-executive Director
Mr. LU Linkui

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

In accordance with articles 16.18 of the Company's articles of association, Mr. Diao Jianshen, Mr. Wang Keyi and Mr. Chan Wan Tsun Adrian Alan will retire and offer themselves for re-election at the 2016 AGM.

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save for the transactions described under the paragraph headed "Connected Transactions" above and the Irrevocable Undertaking, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or its subsidiaries was a party, and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or substantial part of the business of the Company were entered into or existed during the year ended December 31, 2015.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and officers arising out of corporate activities. Pursuant to the Company's articles of association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office in defending any proceedings in which judgment is given in his/her favour, or in which he/she is acquitted.

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

As at December 31, 2015, the interests and short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Company	Nature of interest	Number of Shares or underlying Shares[4]	Approximate percentage of shareholding interest
Mr. Yang Aihua[1]	the Company	Beneficiary of a trust	1,370,144,000 (L)	53.58%
			1,370,144,000 (S)	53.58%
Mr. Yang Hansong[2]	the Company	Interest in controlled corporation	155,278,000 (L)	6.07%
Mr. Yang Zehua[1][3]	the Company	Beneficiary of a trust	127,920,000 (L)	5.00%
			127,920,000 (S)	5.00%
		Interest in controlled corporation	155,278,000 (L)	6.07%
Mr. Zhao Hongliang	the Company	Beneficial owner	17,000,000 (L)	0.66%
Mr. Chen Changdong	the Company	Beneficial owner	18,000,000 (L)	0.70%
Ms. Hua Xiuzhen	the Company	Beneficial owner	18,000,000 (L)	0.70%

Notes:

(1) Baoxin Investment is wholly owned by the trustee of a discretionary trust of which Mr. Yang Aihua, together with his children and further issue are beneficiaries (the "**Family Trust**"). Under such trust, certain discretions of the trustee are only exercisable by the trustee with the consent of the protector, being Mr. Yang Aihua, and such discretions include: (i) determining the date of termination of the trust; (ii) changing the proper law of the trust; (iii) paying or application of income to beneficiaries; (iv) holding capital and income on trust for the beneficiaries on termination of the trust; (v) general powers of appointment and advancement; (vi) exclusion of beneficiaries; (vii) addition of beneficiaries; and (viii) variation of the trust powers and provisions of the trust. For so long as there is a protector, being Mr. Yang Aihua in office, the trustee shall not have any investment or asset management powers, including powers to interfere in the management of the business of Baoxin Investment and the voting rights attached to its shares. The investment and asset management powers are vested solely in the protector. The protector also has the power to appoint or remove trustees. Auspicious Splendid is wholly owned by Ms. Yang Chu Yu, a daughter of Mr. Yang Aihua as the trustee of a discretionary trust of which Mr. Yang Aihua, and Mr. Yang Zehua, together with their respective children and further issue are beneficiaries (the "**Yang Trust**"). The trustee shall hold the capital and income of the trust fund on trust for the beneficiaries in such shares as the protector, Mr. Yang Aihua, directs. The protector also has the power to (i) add or remove beneficiaries; (ii) exclude any person to be a beneficiary; and (iii) remove a trustee and appoint a successor trustee. For so long as there is a protector, being Mr. Yang Aihua in office, the trustee shall not have any investment or asset management powers, including powers to interfere in the management of the business of Auspicious Splendid and the voting rights attached to its shares. The investment and asset management powers are vested solely in the protector.

(2) Mr. Yang Hansong, a brother of Mr. Yang Aihua and Mr. Yang Zehua and an executive Director as at December 31, 2015, is interested in the shares held by Wilfred Speedy Investment Development Limited. Mr. Yang Hansong will resign as a Director with effect from the First Closing Date as defined in the Joint Announcement. Following his resignation, Mr. Yang Hansong and Wilfred Speedy Investment Development Limited will each cease to be a core connected person of the Company and the shareholding of Wilfred Speedy Investment Development Limited will be counted towards public float of the Company.

(3) Mr. Yang Zehua, a brother of Mr. Yang Aihua and Mr. Yang Hansong and an executive Director as at December 31, 2015, is interested in the shares held by Jumbo Create Investment Development Limited. Mr. Yang Zehua will resign as a Director with effect from the First Closing Date as defined in the Joint Announcement. Following his resignation, Mr. Yang Zehua and Jumbo Create Investment Development Limited will each cease to be a core connected person of the Company and the shareholding of Jumbo Create Investment Development Limited will be counted towards public float of the Company.

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

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

SHARE OPTION SCHEME

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

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

A summary of the terms of the Share Option Scheme is set out in appendix VI of the Prospectus.

As at January 1, 2015, 15,150,000 share options were outstanding. As at December 31, 2015, 15,550,000 share options were outstanding. There has been no change to the share options under the Share Option Scheme during the year.

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

RETIREMENT BENEFIT SCHEME

As stipulated by the PRC state regulations, the subsidiaries of Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 11% to 21% (2014: 11% to 21%) of the year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

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

None of the retirement schemes have provisions for the forfeiture of contributions made to the scheme. Contributions to these plans are expensed as incurred. The Group's contributions to the retirement benefit schemes charged to the consolidated statement of profit or loss for the year ended December 31, 2015 was RMB60 million (2014: RMB56 million).

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 5% to 15% (2014: 5% to 15%) of the salaries and wages of the employees, which is administered by the Public Accumulation Funds Administration Center. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

As at December 31, 2015, the Group had no significant obligation apart from the contributions as stated above.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at December 31, 2015, the interests or short positions of substantial shareholders, other than the Directors or the chief executives of the Company whose interests and short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, who had 5% or more interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Name	Company	Capacity/ Nature of interest	Number of Shares[(6)]	Approximate percentage of shareholding interest
China Grand Automotive Services (Hong Kong) Limited 廣匯汽車服務(香港)有限公司[(1)]	the Company	Beneficial owner	1,370,144,000 (L)	53.58%
China Grand Automotive Services Co., Ltd. 廣匯汽車服務有限責任公司[(1)]	the Company	Interest in controlled corporation	1,370,144,000 (L)	53.58%
China Grand Automotive Services Co., Ltd. 廣匯汽車服務股份公司[(1)]	the Company	Interest in controlled corporation	1,370,144,000 (L)	53.58%

Name	Company	Capacity/ Nature of interest	Number of Shares[6]	Approximate percentage of shareholding interest
Shanghai Huiyong Automotive Distribution Co., Ltd. 上海匯湧汽車銷售有限公司[1]	the Company	Interest in controlled corporation	1,370,144,000 (L)	53.58%
Xinjiang Guanghui Industry Investment Group Co., Ltd. 新疆廣匯實業投資(集團)有限責任公司[1]	the Company	Interest in controlled corporation	1,370,144,000 (L)	53.58%
Mr. Sun Guangxin[1]	the Company	Interest in controlled corporation	1,370,144,000 (L)	53.58%
Baoxin Investment[2]	the Company	Beneficial owner	1,242,224,000 (L)	48.58%
			1,242,224,000 (S)	48.58%
Brock Nominees Limited	the Company	Interest in controlled corporation	1,242,224,000 (L)	48.58%
			1,242,224,000 (S)	48.58%
Credit Suisse Trust Limited[2]	the Company	Trustee	1,242,224,000 (L)	48.58%
			1,242,224,000 (S)	48.58%
Sunny Sky Limited[2]	the Company	Interest in controlled corporation	1,242,224,000 (L)	48.58%
			1,242,224,000 (S)	48.58%
Tenby Nominees Limited	the Company	Interest in controlled corporation	1,242,224,000 (L)	48.58%
			1,242,224,000 (S)	48.58%
Auspicious Splendid	the Company	Beneficial owner	127,920,000 (L)	5.00%
			127,920,000 (S)	5.00%
Ms. Yang Chu Yu[3]	the Company	Trustee	127,920,000 (L)	5.00%
			127,920,000 (S)	5.00%
Jumbo Create Investment Development Limited[4]	the Company	Beneficial owner	155,278,000 (L)	6.07%
Wilfred Speedy Investment Development Limited[5]	the Company	Beneficial owner	155,278,000 (L)	6.07%
Schroders Plc	the Company	Investment manager	153,140,053 (L)	5.98%

Notes:

(1) China Grand Automotive Services Co., Ltd. 廣匯汽車服務有限責任公司 is deemed to be interested in the shares as the legal owner of the entire issued share capital of China Grand Automotive Services (Hong Kong) Limited 廣匯汽車服務(香港)有限公司. China Grand Automotive Services Co., Ltd. 廣匯汽車服務有限責任公司 is controlled by China Grand Automotive Services Co., Ltd. 廣匯汽車服務股份公司, which is owned as to 37.26% by Xinjiang Guanghui Industry Investment Group Co., Ltd. 新疆廣匯實業投資(集團)有限責任公司, and is in turn controlled by Mr. Sun Guangxin.

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

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

(4) Jumbo Create Investment Development Limited is controlled by Mr. Yang Zehua, a brother of Mr. Yang Aihua and Mr. Yang Hansong and an executive Director as at December 31, 2015. Mr. Yang Zehua will resign as a Director with effect from the First Closing Date as defined in the Company's joint announcement dated December 11, 2015 in accordance with Rule 7 of the Takeovers Code. Following his resignation, Mr. Yang Zehua and Jumbo Create Investment Development Limited will each cease to be a core connected person of the Company and the shareholding of Jumbo Create Investment Development Limited will be counted towards public float of the Company.

(5) Wilfred Speedy Investment Development Limited is controlled by Mr. Yang Hansong, a brother of Mr. Yang Aihua and Mr. Yang Zehua and an executive Director as at December 31, 2015. Mr. Yang Hansong will resign as a Director with effect from the First Closing Date as defined in the Company's joint announcement dated December 11, 2015 in accordance with Rule 7 of the Takeovers Code. Following his resignation, Mr. Yang Hansong and Wilfred Speedy Investment Development Limited will each cease to be a core connected person of the Company and the shareholding of Wilfred Speedy Investment Development Limited will be counted towards public float of the Company.

(6) The letter "L" denotes the person's long position in such shares, and the letter "S" denotes the person's short position in such shares.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares or underlying shares representing 5% or more of the issued share capital of the Company as at December 31, 2015.

MAJOR CUSTOMERS AND SUPPLIERS

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

The aggregate purchase attributable to the Group's five largest suppliers accounted for approximately 93.7% (2014: 91.9%) and the largest supplier accounted for approximately 36.4% (2014: 33.5%) of the Group's total purchases for the year ended December 31, 2015.

At no time during the year ended December 31, 2015 have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Our Group highly values environmental protection and the concept of green energy. We have implemented various environmental measures in our places of business and work, including but not limited to, our dealership stores, warehouses and offices.

In 2015, our Group continued to implement a number of measures in relation to energy saving and emission reduction. Through procedure optimization, technology innovation, adjustment of business hours, reduction in the consumption of water and electricity, office automation and two-sided printing, we endeavored to reduce energy consumption, while at the same time reduced our operational costs. Each of our dealership stores had proactively promoted the sales of new technology, new energy automobiles, delivered the message of energy saving and emission reduction to customers, and advocated the concept of "green travel".

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in China while the Company itself is listed on the Stock Exchange. Our operations shall comply with relevant laws and regulations in China and Hong Kong. During the year ended December 31, 2015 and up to the date of this report, we have complied with all the relevant laws and regulations in China and Hong Kong in all material respects.

RELATIONSHIPS WITH KEY STAKEHOLDERS

As an automobile dealer, our core business philosophy is to deliver high quality services to our customers. We insist on using customer satisfaction and customer experience as the fundamental standard in evaluating the services performance of each of our dealership stores. With an aim to improve customer experience, we have established a customer-oriented business model and introduced a number of activities in order to maintain and improve our relationship with customers; we have also made full use of internet technologies to innovate our methods of customer services by setting up mobile communicating channels such as WeChat (微信).

We are also concerned with our employee development and maintaining a harmonious relationship with the society. We provide good working environment to our staff and offer attractive remuneration, benefits and career opportunities base on staff evaluation and performance. We place emphasis on the career development of our staff and provide regular skills trainings to ensure sustainable development of our employees.

Furthermore, we also endeavor to maintain a sound relationship with our suppliers, who are our long-term business partners, with a view to ensure the stable development of the business of our Group. Through continuously active and effective communications, we were able to strengthen our relationship with our suppliers and to secure the long-term development of our Group's business.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended December 31, 2015 and up to the date of this annual report, the Company has maintained the prescribed public float as required by the Listing Rules.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF FOR HOLDERS OF LISTED SECURITIES

As at December 31, 2015, holders of listed securities of the Company were not entitled to obtain any relief from taxation by reason of their holding of such securities pursuant to the laws of the Cayman Islands.

ASSESSMENT OF PROPERTY INTERESTS OR TANGIBLE ASSETS

During the year ended December 31, 2015, the Company has not valued its property interests or other tangible assets in accordance with Chapter 5 of the Listing Rules.

AUDITORS

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

On behalf of the Board

Yang Aihua
Chairman

Hong Kong, March 31, 2016

INDEPENDENT AUDITORS' REPORT

EY 安永

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

We have audited the consolidated financial statements of Baoxin Auto Group Limited (the "Company") and its subsidiaries set out on pages 57 to 61, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their 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.

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

31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5(a)	**23,776,461**	30,723,432
Cost of sales and services provided	6(b)	**(21,587,955)**	(27,935,772)
Gross profit		**2,188,506**	2,787,660
Other income and gains, net	5(b)	**357,311**	454,574
Selling and distribution expenses		**(977,024)**	(983,221)
Administrative expenses		**(643,434)**	(608,813)
Profit from operations		**925,359**	1,650,200
Finance costs	7	**(540,111)**	(617,234)
Share of profits and losses of:			
A joint venture	19(b)	**5,830**	6,783
An associate		**(16,151)**	–
Profit before tax	6	**374,927**	1,039,749
Income tax expense	8(a)	**(150,656)**	(326,115)
Profit for the year		**224,271**	713,634
Attributable to:			
Owners of the parent		**220,094**	706,644
Non-controlling interests		**4,177**	6,990
		224,271	713,634
Earnings per share attributable to ordinary equity holders of the parent	12		
Basic and diluted			
— For profit for the year (RMB)		**0.09**	0.28

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 **RMB'000**	2014 RMB'000
PROFIT FOR THE YEAR	**224,271**	713,634
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**(268,837)**	41
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(268,837)**	41
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(268,837)**	41
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(44,566)**	713,675
Attributable to:		
Owners of the parent	**(48,743)**	706,685
Non-controlling interests	**4,177**	6,990
	(44,566)	713,675

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,697,075**	3,788,537
Prepaid land lease payment	14	**646,610**	537,139
Intangible assets	15	**882,855**	922,189
Prepayments and deposits	16	**256,730**	498,084
Finance lease receivables	17	**17,606**	12,207
Goodwill	18	**100,725**	100,725
Derivative financial instruments	32	**9,490**	–
Investment in a joint venture	19	**50,846**	45,016
Available-for-sale investment	20	**16,621**	16,573
Deferred tax assets	35(a)	**78,454**	74,229
Total non-current assets		**5,757,012**	5,994,699
CURRENT ASSETS			
Inventories	21	**2,454,946**	3,056,777
Trade receivables	22	**358,159**	393,155
Finance lease receivables	17	**28,231**	12,731
Prepayments, deposits and other receivables	23	**5,449,306**	5,503,515
Amounts due from related parties	44(a)	**55,324**	41,063
Equity investments at fair value through profit or loss	24	**46,864**	–
Derivative financial instruments	32	**6,457**	–
Pledged bank deposits	25	**2,332,021**	2,436,468
Cash in transit	26	**78,224**	134,987
Cash and cash equivalents	27	**2,160,980**	2,202,892
		12,970,512	13,781,588
Non-current asset classified as held for sale	28	**83,902**	–
Total current assets		**13,054,414**	13,781,588
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**4,063,575**	4,037,687
Trade and bills payables	30	**3,945,184**	4,877,913
Other payables and accruals	31	**646,283**	779,516
Income tax payable		**168,795**	522,339
		8,823,837	10,217,455
Long term interest-bearing bank borrowings — current portion	29	**4,217,361**	1,069,751
Total current liabilities		**13,041,198**	11,287,206
NET CURRENT ASSETS		**13,216**	2,494,382
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,770,228**	8,489,081

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**31 December 2015 RMB'000**	31 December 2014 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	29	**–**	2,621,136
Bonds	33	**441,683**	396,095
Other payables		**30,472**	–
Deferred tax liabilities	35(b)	**325,617**	323,050
Total non-current liabilities		**797,772**	3,340,281
Net assets		**4,972,456**	5,148,800
EQUITY			
Equity attributable to owners of the parent			
Share capital	36	**20,836**	20,836
Reserves	38	**4,914,094**	5,067,825
		4,934,930	5,088,661
Non-controlling interests		**37,526**	60,139
Total equity		**4,972,456**	5,148,800

Yang Hansong
Director

Zhao Hongliang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent											
	Share capital RMB'000 Note 36	Share premium* RMB'000 Note 36	Share option reserve* RMB'000 Note 37	Statutory reserve* RMB'000 Note 38(i)	Merge reserve* RMB'000 Note 38(ii)	Other reserve* RMB'000 Note 38(iii)	Exchange fluctuation reserve* RMB'000 Note 38(iv)	Retained profits* RMB'000	Proposed final dividend* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	20,836	1,868,372	15,925	271,303	(58,327)	–	7,636	2,240,486	303,885	4,670,116	53,149	4,723,265
Profit for the year	–	–	–	–	–	–	–	706,644	–	706,644	6,990	713,634
Other comprehensive income for the year:												
Exchange differences on translation of financial statements	–	–	–	–	–	–	41	–	–	41	–	41
Total comprehensive income for the year	–	–	–	–	–	–	41	706,644	–	706,685	6,990	713,675
Equity-settled share-based transactions	–	–	15,745	–	–	–	–	–	–	15,745	–	15,745
Final 2013 dividend declared	–	–	–	–	–	–	–	–	(303,885)	(303,885)	–	(303,885)
Proposed final 2014 dividend (Note 11)	–	(101,244)	–	–	–	–	–	–	101,244	–	–	–
Transfer from retained profits	–	–	–	78,766	–	–	–	(78,766)	–	–	–	–
At 31 December 2014	20,836	1,767,128	31,670	350,069	(58,327)	–	7,677	2,868,364	101,244	5,088,661	60,139	5,148,800
At 1 January 2015	20,836	1,767,128	31,670	350,069	(58,327)	–	7,677	2,868,364	101,244	5,088,661	60,139	5,148,800
Profit for the year	–	–	–	–	–	–	–	220,094	–	220,094	4,177	224,271
Other comprehensive income for the year:												
Exchange differences on translation of financial statements	–	–	–	–	–	–	(268,837)	–	–	(268,837)	–	(268,837)
Total comprehensive income for the year	–	–	–	–	–	–	(268,837)	220,094	–	(48,743)	4,177	(44,566)
Acquisition of non-controlling interests	–	–	–	–	–	(3,744)	–	–	–	(3,744)	(26,790)	(30,534)
Final 2014 dividend declared	–	–	–	–	–	–	–	–	(101,244)	(101,244)	–	(101,244)
Transfer from retained profits	–	–	–	33,207	–	–	–	(33,207)	–	–	–	–
At 31 December 2015	20,836	1,767,128	31,670	383,276	(58,327)	(3,744)	(261,160)	3,055,251	–	4,934,930	37,526	4,972,456

* These reserve accounts comprise the consolidated reserves of RMB4,914,094,000 (2014: RMB5,067,825,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Operating activities			
Profit before tax		**374,927**	1,039,749
Adjustments for:			
Share of profit of a joint venture	19(b)	**(5,830)**	(6,783)
Share of loss of an associate		**16,151**	–
Depreciation of property, plant and equipment	13	**307,576**	284,792
Amortisation of prepaid land lease payment	14	**6,594**	7,370
Amortisation of intangible assets	15	**38,381**	40,026
Gain on disposal of a subsidiary	5	**(19,408)**	–
Fair value loss, net: derivative instruments	5	**1,066**	–
Equity investments at fair value through profit or loss	5	**515**	–
Net gain on disposal of listed equity investments	5	**(2,513)**	–
Interest income	5	**(28,262)**	(33,519)
Net (gain)/loss on disposal of items of property, plant and equipment	5	**(3,626)**	5,722
Net (gain)/loss on disposal of items of intangible assets		**(109)**	953
Write-down of inventories to net realisable value	6	**21,662**	11,787
Finance costs	7	**540,111**	617,234
Equity-settled share option expense	37	**–**	15,745
		1,247,235	1,983,076
Decrease in pledged bank deposits		**104,447**	369,266
Decrease/(increase) in cash in transit		**56,763**	(44,971)
Decrease in trade receivables		**34,996**	170,294
Increase in prepayments, deposits and other receivables		**(237,689)**	(1,211,578)
Decrease/(increase) in inventories		**580,169**	(39,691)
(Decrease)/increase in trade and bills payables		**(932,729)**	456,788
Decrease in other payables and accruals		**(132,427)**	(15,236)
Increase in finance lease receivables		**(20,899)**	(24,938)
Cash generated from operations		**699,866**	1,643,010
Income tax paid		**(111,701)**	(164,950)
Net cash flows generated from operating activities		**588,165**	1,478,060

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Investing activities			
Purchase of items of property, plant and equipment		**(546,832)**	(945,017)
Proceeds from disposal of items of property, plant and equipment		**349,065**	230,859
Proceeds from disposal of intangible assets		**1,043**	
Purchase of land use rights		**(4,612)**	(265,965)
Purchase of intangible assets		**(493)**	(10,930)
Acquisition of subsidiaries, net of cash paid		**–**	(79,762)
Deemed disposal of subsidiaries	39	**(100,151)**	–
Proceeds from equity investments at fair value through profit or loss		**100,828**	–
Purchase of equity investments at fair value through profit or loss		**(145,694)**	–
Disposal of a subsidiary		**–**	10,000
Interest received		**28,262**	33,519
Dividends paid		**(101,244)**	(303,885)
Net cash flows used in investing activities		**(419,828)**	(1,331,181)
Financing activities			
Received a refundable earnest money from a third party		**41,102**	–
Acquisition of non-controlling interests		**(30,534)**	–
Proceeds from bank loans and other borrowings		**10,417,929**	11,240,573
Repayment of bank loans and other borrowings		**(10,030,248)**	(10,578,425)
Interest paid		**(529,159)**	(628,439)
Net cash flows (used in)/generated from financing activities		**(130,910)**	33,709
Net increase in cash and cash equivalents		**37,427**	180,588
Cash and cash equivalents at the beginning of year		**2,202,892**	2,020,926
Effect of foreign exchange rate changes, net		**(79,339)**	1,378
Cash and cash equivalents at the end of year	27	**2,160,980**	2,202,892

1. CORPORATE AND GROUP INFORMATION

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

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

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

On 11 December 2015, China Grand Automotive Services Co. Limited ("CGA") provide pre-conditional voluntary cash partial offer to acquire a maximum of 75% of the issued share capital of the Company (the"Proposed Acquisition"). As at the date of these financial statements, the Proposed Acquisition has not yet completed.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
開隆投資管理有限公司 (Kailong Investments Management Limited)	Hong Kong, the PRC 2010	Authorised capital of HK$10,000, issued capital of HK$1 and paid-in capital of nil	–	100%	Investment holding
NCGA Holdings Limited	Hong Kong, the PRC 2006	Registered and paid-in capital of US$93,181,961	100%	–	Investment holding
McLarty Consulting Hong Kong Limited	Hong Kong, the PRC 2010	Registered and paid-in capital of HK$100	–	100%	Consulting services
金花企業集團(香港)有限公司 (GIN WI ENTERPRISES GROUP (H.K.) LIMITED)	Hong Kong, the PRC 1999	Registered and paid-in capital of HK$10,000	–	100%	Investment holding
上海寶信汽車銷售服務有限公司 (Shanghai Baoxin Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2004	Registered and paid-in capital of RMB214,650,000	–	100%	Sale and service of motor vehicles
上海開隆汽車貿易有限公司 (Shanghai Kailong Automobile Trading Co., Ltd.)	Shanghai, the PRC 1999	Registered and paid-in capital of RMB87,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
上海太平洋金沙汽車銷售服務有限公司 (Shanghai Pacific Jinsha Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2002	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
蘇州寶信汽車銷售服務有限公司 (Suzhou Baoxin Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2004	Registered and paid-in capital of RMB500,000,000	–	100%	Sale and service of motor vehicles
青島信寶行汽車銷售服務有限公司 (Qingdao Xinbaohang Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2008	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
天津寶信汽車銷售服務有限公司 (Tianjin Baoxin Automobile Sales & Services Co., Ltd.)	Tianjin, the PRC 2008	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
寧波寶信汽車銷售服務有限公司 (Ningbo Baoxin Automobile Sales & Services Co., Ltd.)	Ningbo, the PRC 2008	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
寧海寶信汽車銷售服務有限公司 (Ninghai Baoxin Automobile Sales & Services Co., Ltd.)	Ninghai, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
上海天華汽車銷售有限公司 (Shanghai Tianhua Automobile Sales Co., Ltd.)	Shanghai, the PRC 2002	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
杭州寶信汽車銷售服務有限公司 (Hangzhou Baoxin Automobile Sales & Services Co., Ltd.)	Hangzhou, the PRC 2008	Registered and paid-in capital of RMB10,000,000	–	90%	Sale and service of motor vehicles
揚州信寶行汽車銷售服務有限公司 (Yangzhou Xinbaohang Automobile Sales & Services Co., Ltd.)	Yangzhou, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
泰州信寶行汽車銷售服務有限公司 (Taizhou Xinbaohang Automobile Sales & Services Co., Ltd.)	Taizhou, the PRC 2010	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
上海真北天華汽車銷售服務有限公司 (Shanghai Zhenbei Tianhua Auto Sales and Services Co., Ltd.)	Shanghai, the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
蘇州信寶行汽車銷售服務有限公司 (Suzhou Xinbaohang Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2010	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
嘉興天華汽車銷售服務有限公司 (Jiaxing Tianhua Automobile Sales & Services Co., Ltd.)	Jiaxing, the PRC 2011	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
淄博寶信汽車銷售服務有限公司 (Zibo Baoxin Automobile Sales & Services Co., Ltd.)	Zibo, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
煙台寶信汽車銷售服務有限公司 (Yantai Baoxin Auto Sales & Services Co., Ltd.)	Yantai, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
瑞安市寶隆汽車銷售服務有限公司 (Rui'an Baolong Auto Sales and Services Co., Ltd.)	Rui'an, the PRC 2012	Registered and paid-in capital of RMB43,800,000	–	90%	Sale and service of motor vehicles
上海寶信行汽車銷售服務有限公司 (Shanghai Baoxinhang Auto Sales and Services Co., Ltd.)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
陝西天華汽車銷售服務有限公司 (Shaanxi Tianhua Auto Sales and Services Co., Ltd.)	Shaanxi, the PRC 2012	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
燕駿汽車有限公司 (Yan Jun Auto Co., Limited)	Hong Kong, the PRC 1993	Registered and paid-in capital of HK$59,900,000	–	100%	Investment holding
燕駿(中國)投資有限公司 (Yan Jun (China) Investment Co., Ltd.)	Beijing, the PRC 2011	Registered capital of US$30,000,000 and paid-in capital of US$7,500,000	–	100%	Investment holding and consulting service

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
北京燕寶汽車服務有限公司 (Beijing Yan Bao Auto Service Co., Ltd.)	Beijing, the PRC 1995	Registered and paid-in capital of RMB89,350,000	–	100%	Rendering of car repair and maintenance services
陝西金花汽車貿易有限責任公司 (Shaanxi Gin Wa Auto Trade Co., Ltd.)	Xi'an, the PRC 2001	Registered and paid-in capital of RMB52,000,000	–	100%	Sale of motor vehicles
大連燕寶汽車有限公司 (Dalian Yanbao Auto Co., Ltd.)	Dalian, the PRC 1995	Registered and paid-in capital of US$7,920,000	–	100%	Rendering of motor vehicles maintenance services
北京燕德寶汽車銷售有限公司 (Beijing Yan De Bao Auto Sales Co., Ltd.)	Beijing, the PRC 2002	Registered and paid-in capital of RMB120,475,296	–	100%	Sale of motor vehicles
烏魯木齊燕寶汽車銷售服務有限公司 (Urumqi Yanbao Auto Sales & Service Co., Ltd.)	Urumqi, the PRC 2005	Registered and paid-in capital of RMB35,600,000	–	100%	Rendering of motor vehicles repair and maintenance services
北京燕英捷汽車銷售服務有限公司 (Beijing Yan Ying Jie Auto Sales & Service Co., Ltd.)	Beijing, the PRC 2010	Registered and paid-in capital of US$10,000,000	–	100%	Sale of motor vehicles
大連燕德寶汽車銷售有限公司 (Dalian Yan De Bao Auto Sales Co., Ltd.)	Dalian, the PRC 2002	Registered and paid-in capital of RMB36,000,000	–	100%	Sale of motor vehicles
西安金花寶鼎汽車銷售服務有限公司 (Xi'an Gin Wi Baoding Auto Service Co., Ltd.)	Xi'an, the PRC 2001	Registered and paid-in capital of RMB26,000,000	–	100%	Rendering of motor vehicles repair and maintenance services
北京晨德寶汽車銷售服務有限公司 (Beijing Chen De Bao Auto Sales and Service Co., Ltd.)	Beijing, the PRC 2003	Registered and paid-in capital of RMB94,500,000	–	100%	Sale of motor vehicles
廊坊燕寶汽車銷售服務有限公司 (Langfang Yanbao Auto Sales & Service Co., Ltd.)	Langfang, the PRC 2011	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
寶雞燕德寶汽車銷售服務有限公司 (Baoji Yan De Bao Auto Sales & Service Co., Ltd.)	Baoji, the PRC 2012	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
北京燕英捷燕順捷汽車銷售服務有限公司 (Beijing Yan Ying Jie & Yan Shun Jie Auto Sales & Service Co., Ltd.)	Beijing, the PRC 1998	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
深圳路捷汽車銷售服務有限公司 (Shenzhen Lujie Auto Sales and Services Co., Ltd.)	Shenzhen, the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Dormant

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain derivative financial instruments, and equity investments which have been measured at fair value. Non-current asset classified as held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in Note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

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

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date yet determined but available for adoption

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

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

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

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

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKRFS3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impacts on the Group's financial statements.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

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

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

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

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

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

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

(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); and

(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 parent of the Group.

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

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

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

Leases

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessor of finance lease

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

Prepaid land lease payment

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Financial assets at fair value through profit or loss (Continued)

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

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Available-for-sale financial investments (Continued)

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

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans, borrowings and bonds

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement *(Continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as currency options, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

Government grants

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

Revenue recognition

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

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

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

Vendor rebates

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

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

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 37 to the financial statements.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

Other employee benefits

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

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

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 5.52% has been applied to the expenditure on the individual assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting.

Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets as at 31 December 2015 was RMB83,948,000 (2014: RMB80,687,000). More details are given in Note 35(a).

Estimation uncertainty

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

Useful lives of property, plant and equipment

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

Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgements. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Where the actual outcome or expectation in the future is different from the original estimate, such difference will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed. There was no impairment provision for receivables during the two years ended 31 December 2015 and 2014.

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

Estimation uncertainty *(Continued)*

Write-down of inventories to net realisable value

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

Impairment of non-financial assets (other than goodwill)

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

4. OPERATING SEGMENT INFORMATION

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

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

Information about geographical areas

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

	2015 RMB'000	2014 RMB'000
Revenue from the sale of motor vehicles	**20,758,358**	27,662,990
Finance leasing services	**6,181**	908
Revenue from after-sales services	**3,011,922**	3,059,534
	23,776,461	30,723,432

(b) Other income and gains, net:

	2015 RMB'000	2014 RMB'000
Commission income	**269,012**	371,438
Advertisement support received from motor vehicle manufacturers	**10,522**	19,696
Rental income	**1,304**	1,569
Government grants	**10,899**	19,679
Interest income	**28,262**	33,519
Net gain/(loss) on disposal of items of property, plant and equipment	**3,626**	(5,722)
Net gain/(loss) on disposal of items of intangible assets	**109**	(953)
Fair value loss, net:		
Derivative instruments	**(1,066)**	–
Equity investments at fair value through profit or loss	**(515)**	–
Net gain on deemed disposal of a subsidiary	**19,408**	–
Net gain on disposal of listed equity investments	**2,513**	–
Others	**13,237**	15,348
Total	**357,311**	454,574

6. PROFIT BEFORE TAX

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

	Notes	2015 RMB'000	2014 RMB'000
(a) Employee benefit expense (including directors' and chief executive's remuneration (Note 9)):			
Wages and salaries		**557,806**	507,223
Other welfare		**193,145**	186,124
Equity-settled share option expense		**–**	15,745
		750,951	709,092
(b) Cost of sales and services:			
Cost of sales of motor vehicles		**19,937,329**	26,324,311
Others		**1,650,626**	1,611,461
		21,587,955	27,935,772
(c) Other items:			
Depreciation of items of property, plant and equipment	13	**307,576**	284,792
Amortisation of prepaid land lease payment	14	**6,594**	7,370
Amortisation of intangible assets	15	**38,381**	40,026
Advertisement and business promotion expenses		**56,756**	139,572
Auditors' remuneration		**5,100**	4,300
Bank charges		**57,985**	61,443
Foreign exchange differences, net		**11,001**	80
Lease expenses		**286,210**	173,827
Logistics and petroleum expenses		**26,120**	57,062
Office expenses		**20,849**	23,101
Write-down of inventories to net realisable value		**21,662**	11,787
Net (gain)/loss on disposal of items of property, plant and equipment		**(3,626)**	5,722
Net (gain)/loss on disposal of items of intangible assets		**(109)**	953
Fair value loss, net:			
Derivative instruments		**1,066**	–
Equity investments at fair value through profit or loss		**515**	–
Net gain on deemed disposal of a subsidiary		**(19,408)**	–
Net gain on disposal of listed equity investments		**(2,513)**	–

7. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on bank loans, overdrafts and other loans	**552,322**	628,682
Interest expense on bonds	**20,718**	20,069
Total interest expense on financial liabilities not at fair value through profit or loss	**573,040**	648,751
Less: Interest capitalised	**(32,929)**	(31,517)
	540,111	617,234

8. INCOME TAX

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

	2015 RMB'000	2014 RMB'000
Current:		
Mainland China corporate income tax	**158,157**	346,169
Deferred tax (Note 35)	**(7,501)**	(20,054)
Total tax charge for the year	**150,656**	326,115

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

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

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% (2014: 16.5%) during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rate is 25% (2014: 25%).

8. INCOME TAX *(Continued)*

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

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

	2015 **RMB'000**	2014 RMB'000
Profit before tax	**374,927**	1,039,749
Tax at the applicable tax rate (25%)	**93,732**	259,937
Lower tax rates enacted by local authority	**(803)**	52,690
Income not subject to tax	**–**	(2,332)
Tax losses not recognised	**46,703**	9,273
Tax effect of non-deductible expenses	**8,444**	8,243
Loss/(profit) attributable to a joint venture and an associate	**2,580**	(1,696)
Tax charge	**150,656**	326,115

The share of tax attributable to a joint venture and an associate is included in "Share of profits and losses of a joint venture and an associate" in the consolidated statement of profit or loss.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December 2015			
	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to defined contributions retirement scheme RMB'000	Total RMB'000
Independent non-executive directors				
— Diao Jianshen	251	–	–	251
— Wang Keyi	251	–	–	251
— Chan Wan Tsun Adrian Alan	251	–	–	251
Executive directors				
— Yang Aihua	–	2,800	79	2,879
— Yang Hansong[1]	–	1,800	79	1,879
— Yang Zehua	–	1,600	79	1,679
— Zhao Hongliang	–	1,500	79	1,579
— Hua Xiuzhen	–	1,200	–	1,200
Non-executive director				
— Lu Linkui	251	–	–	251
	1,004	8,900	316	10,220

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

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

	Year ended 31 December 2014			
	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to defined contributions retirement scheme RMB'000	Total RMB'000
Independent non-executive directors				
— Diao Jianshen	240	–	–	240
— Wang Keyi	240	–	–	240
— Chan Wan Tsun Adrian Alan	240	–	–	240
Executive directors				
— Yang Aihua	–	2,800	74	2,874
— Yang Hansong(1)	–	1,800	74	1,874
— Yang Zehua	–	1,600	74	1,674
— Zhao Hongliang	–	1,500	74	1,574
— Hua Xiuzhen	–	1,200	–	1,200
Non-executive director				
— Lu Linkui	240	–	–	240
	960	8,900	296	10,156

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

No emoluments were paid to the non-executive directors of the Company during the year (2014: Nil).

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three directors (2014: 3), details of whose remuneration are detailed in Note 9 above. Details of the remuneration for the year of the remaining two (2014: 2) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	**4,013**	3,888
Equity-settled share option expense	**–**	2,638
Pension scheme contributions	**79**	74
	4,092	6,600

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

	Number of employees	
	2015	2014
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	2

In prior years, share options were granted to these two non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in Note 34 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year of 2014 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. DIVIDENDS

	2015 RMB'000	2014 RMB'000
No final dividend for the year ended 31 December 2015 was recommended (2014: HK$0.05) (approximately RMB0.00) per ordinary share	–	101,244

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,557,311,429 (2014: 2,557,311,429) in issue during the year.

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during 2015 and 2014.

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

Earnings	2015 RMB'000	2014 RMB'000
Profit attributable to ordinary equity holders of the parent	**220,094**	706,644

Shares	2015	2014
Weighted average number of ordinary shares in issue during the year	**2,557,311,429**	2,557,311,429

Earnings per share	2015 RMB	2014 RMB
Basic and diluted	**0.09**	0.28

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015							
At 31 December 2014 and at 1 January 2015:							
Cost	2,089,468	407,834	235,938	220,894	743,310	900,485	4,597,929
Accumulated depreciation	(303,123)	(97,358)	(105,348)	(107,224)	(196,339)	–	(809,392)
Net carrying amount	1,786,345	310,476	130,590	113,670	546,971	900,485	3,788,537
At 1 January 2015, net of accumulated depreciation	1,786,345	310,476	130,590	113,670	546,971	900,485	3,788,537
Additions	164,659	17,141	–	–	–	402,622	584,422
Deemed disposal of a subsidiary	–	(11,442)	(1,372)	(3,606)	–	(6,449)	(22,869)
Disposals	(85,337)	(17,275)	(569)	(273)	(241,985)	–	(345,439)
Depreciation provided during the year	(75,619)	(51,189)	(26,987)	(32,180)	(121,601)	–	(307,576)
Transfers	220,054	33,788	17,521	21,116	244,875	(537,354)	–
At 31 December 2015, net of accumulated depreciation	2,010,102	281,499	119,183	98,727	428,260	759,304	3,697,075
At 31 December 2015:							
Cost	2,387,746	420,030	249,226	236,568	644,477	759,304	4,697,351
Accumulated depreciation	377,644	138,531	130,043	137,841	216,217	–	1,000,276
Net carrying amount	2,010,102	281,499	119,183	98,727	428,260	759,304	3,697,075

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

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

As at 31 December 2015, the application for the property ownership certificates for certain buildings with a net book value of approximately RMB324,343,000 (2014: RMB146,303,000) was still in progress.

14. PREPAID LAND LEASE PAYMENT

	2015 RMB'000	2014 RMB'000
Cost:		
At the beginning of the year	**572,507**	400,199
Additions	**125,912**	172,308
At the end of the year	**698,419**	572,507
Accumulated amortisation:		
At the beginning of the year	**35,368**	24,580
Charge for the year	**6,594**	7,370
Amortisation capitalised	**9,847**	3,418
At the end of the year	**51,809**	35,368
Net book value:		
At the end of the year	**646,610**	537,139

As at 31 December 2015, the application for the land use rights certificates for certain land with a net book value of approximately RMB3,666,000 (2014: RMB154,850,000) was still in progress.

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

Certain of the Group's land use rights with an aggregate net book value of RMB4,826,000 (2014: RMB4,968,000) as at 31 December 2015 were pledged as security for the Group's banking facilities.

15. INTANGIBLE ASSETS

	Software RMB'000	Dealership agreements RMB'000	Customer relationship RMB'000	Car licence RMB'000	Club membership RMB'000	Total RMB'000
Cost:						
At 1 January 2015	18,294	682,688	299,894	6,900	2,454	1,010,230
Additions	493	–	–	–	–	493
Deemed disposal of a subsidiary (Note 39)	(633)	–	–	–	–	(633)
Disposal	(201)	–	–	(820)	–	(1,021)
At 31 December 2015	17,953	682,688	299,894	6,080	2,454	1,009,069
Accumulated amortisation:						
At 1 January 2015	10,642	34,300	42,915	–	184	88,041
Charge for the year	1,688	16,891	19,717	–	85	38,381
Deemed disposal of a subsidiary (Note 39)	(121)	–	–	–	–	(121)
Disposal	(87)	–	–	–	–	(87)
At 31 December 2015	12,122	51,191	62,632	–	269	126,214
Net book value:						
At 31 December 2015	5,831	631,497	237,262	6,080	2,185	882,855

15. INTANGIBLE ASSETS *(Continued)*

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

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

16. PREPAYMENTS AND DEPOSITS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Prepayments for purchase of items of property, plant and equipment	**216,000**	251,392
Long term deposits	**40,730**	55,721
Prepaid rental	**–**	77,911
Prepayments for land use rights	**–**	113,060
	256,730	498,084

17. FINANCE LEASE RECEIVABLES

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Analysed as:		
Current	**28,231**	12,731
Non-current	**17,606**	12,207
	45,837	24,938

At 31 December 2015, the future minimum lease receivables under finance leases and their present values were as follows:

	Minimum lease receivables 31 December 2015 RMB'000	**Present value of minimum lease receivables 31 December 2015 RMB'000**
Finance lease receivables:		
Within one year	**31,353**	**28,231**
Later than one year and not later than five years	**19,780**	**17,606**
	51,133	**45,837**
Less: unearned finance income	**5,296**	**N/A**
Present value of minimum lease payment receivables	**45,837**	**45,837**

17. FINANCE LEASE RECEIVABLES *(Continued)*

	Minimum lease receivables 31 December 2014 RMB'000	Present value of minimum lease receivables 31 December 2014 RMB'000
Finance lease receivables:		
Within one year	15,413	12,731
Later than one year and not later than five years	13,497	12,207
	28,910	24,938
Less: unearned finance income	3,972	N/A
Present value of minimum lease payment receivables	24,938	24,938

18. GOODWILL

	31 December 2015 RMB'000	31 December 2014 RMB'000
Cost:		
At the beginning of the year	**100,725**	75,674
Acquisition of a subsidiary	**–**	25,051
	100,725	100,725

Impairment testing of goodwill

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

Goodwill acquired through business combinations has been allocated to the cash-generating units, i.e. the individual acquired subsidiaries for impairment testing.

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period from the end of the reporting period is 3% for all years. The pre-tax discount rate applied to the cash flow projections beyond the one-year period is 13.5%.

18. GOODWILL *(Continued)*

Key assumptions used in the value in use calculation

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

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

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

Sensitivity to changes in assumptions

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

19. INVESTMENT IN A JOINT VENTURE

	31 December 2015 RMB'000	31 December 2014 RMB'000
Share of net assets	**50,846**	45,016

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

(a) Particulars of a joint venture

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

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

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Share of the joint venture's profit for the year	**5,830**	6,783
Share of the joint venture's total comprehensive income for the year	**5,830**	6,783
Aggregate carrying amount of the Group's investment in the joint venture	**50,846**	45,016

The Group's amount due from the joint venture is disclosed in Note 44 in the financial statements.

20. AVAILABLE-FOR-SALE INVESTMENT

	31 December 2015 RMB'000	31 December 2014 RMB'000
Unlisted equity investment, at cost	**16,621**	16,573

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

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

21. INVENTORIES

	31 December 2015 RMB'000	31 December 2014 RMB'000
Motor vehicles	**2,143,756**	2,752,913
Spare parts and accessories	**311,190**	303,864
	2,454,946	3,056,777

21. INVENTORIES *(Continued)*

Certain of the Group's inventories with an aggregate carrying amount of RMB121,554,000 (2014: RMB327,959,000) as at 31 December 2015 were pledged as security for the Group's bank loans and other borrowings (Note 29(a)).

Certain of the Group's inventories with an aggregate carrying amount of RMB1,482,774,000 (2014: RMB1,709,262,000) as at 31 December 2015 were pledged as security for the Group's bills payable.

As at 31 December 2015, the carrying amount of inventories carried at fair value less costs to sell was RMB206,244,000 (2014: RMB105,237,000).

22. TRADE RECEIVABLES

	31 December 2015 RMB'000	31 December 2014 RMB'000
Trade receivables	**358,159**	393,155

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

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within 3 months	**313,814**	343,982
More than 3 months but less than 1 year	**42,177**	47,211
Over 1 year	**2,168**	1,962
	358,159	393,155

22. TRADE RECEIVABLES *(Continued)*

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Neither past due nor impaired	**355,991**	391,193
Over 1 year past due	**2,168**	1,962
	358,159	393,155

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

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2015 RMB'000	31 December 2014 RMB'000
Prepayments to suppliers	**1,649,574**	2,216,373
Rebate receivables	**3,328,263**	2,911,494
VAT recoverable (i)	**177,818**	162,759
Prepaid lease for buildings and land use rights	**65,441**	–
Prepayments of purchase of property, plant and equipment	**30,159**	–
Prepaid interest expense	**21,636**	44,539
Staff loans	**8,107**	8,979
Others	**168,308**	159,371
	5,449,306	5,503,515

Note:

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

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

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Listed equity investments, at market value	**46,864**	–

The above equity investments at 31 December 2015 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

25. PLEDGED BANK DEPOSITS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Deposits pledged with banks as collateral against		
— letters of credit granted by the banks	**79,104**	81,021
— bill facilities granted by the banks	**1,706,631**	1,785,182
— short term bank loans granted by the banks	**546,286**	570,265
	2,332,021	2,436,468

Pledged bank deposits amounted to RMB2,105,489,000 (31 December 2014: RMB2,230,228,000)are denominated in RMB at the end of the reporting period, earn interest at interest rates stipulated by respective finance institutions.

26. CASH IN TRANSIT

	31 December 2015 RMB'000	31 December 2014 RMB'000
Cash in transit	**78,224**	134,987

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

27. CASH AND CASH EQUIVALENTS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Cash and bank balances	**2,160,980**	2,202,892
Cash and cash equivalents	**2,160,980**	2,202,892

At the end of the reporting period, the cash and bank balances and short term deposits of the Group denominated in Renminbi ("RMB") amounted to RMB1,875,515,000 (2014: RMB1,845,695,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

28. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	31 December 2015 RMB'000	31 December 2014 RMB'000
Unlisted equity investment of Autostreets, at cost	**83,902**	–

In January 2015, "Autostreets", a former subsidiary of the Company, accepted capital injection from independent third parties. Accordingly, the Company's equity interest in "Autostreets" decreased from 100% to 38%. The Company lost its control over "Autostreets" after its equity interest in "Autostreets" had been diluted on 28 January 2015 (the "Deemed Disposal"). Therefore, the investment in "Autostreets" has not been included in the investments in subsidiaries since 28 January 2015.

The Company had significant influence over "Autostreets" after the Deemed Disposal and its remaining equity interest in "Autostreet" was accounted for as investment in an associate until 28 August 2015. The Company and Orient Rich Investment Development Limited ("Orient Rich") entered into a sale and purchase agreement on 28 August 2015, pursuant to which the Company has agreed to sell and Orient Rich has agreed to purchase the entire issued share capital of Extensive Prosperous Investments Limited at a consideration of RMB100,000,000 (the "Purchase Price"). Extensive Prosperous Investments Limited, a subsidiary of the Company, held a 38% equity interest in "Autostreets". Upon completion of the transaction, the Company will have no equity interest in "Autostreets". Such transaction has not been completed as at the report date. The investment was classified as a held-for-sale investment accordingly.

The held-for-sale investment was stated at cost less impairment because its carrying amount was lower than the Purchase Price.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

		31 December 2015		
		Effective interest rate (%)	Original maturity	RMB'000
Current				
Bank loans				
— guaranteed	(b)	6.6	On demand	29,000
— secured	(a)	2.7	2016	327,580
— unsecured		Hibor**+3.4	2016	318,356
— unsecured		1.6	2016	125,670
— unsecured		1.9	2016	43,757
— unsecured		4.4-6.7	2016	3,061,568
				3,905,931
Other borrowings				
— secured	(a)	5.3-7.8	2016	157,644
				4,063,575
Long term interest-bearing bank loans — current portion				
Bank loans				
— secured	(a)	Libor*+3.5	2016	324,941
— unsecured		Libor*+3.7	2016	769,786
— unsecured	(c)	Libor*+3.5	On demand	1,540,682
— unsecured	(c)	Libor*+3.7	On demand	896,954
— unsecured		Libor*+3.7	On demand	490,916
— secured	(a)	Libor*+2.7	On demand	194,082
				4,217,361
				8,280,936

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

		31 December 2014		
		Effective interest rate (%)	Original maturity	RMB'000
Current				
Bank loans				
— guaranteed	(b)	6.6	On demand	29,000
— unsecured		Hibor**+2.2	On demand	299,433
— unsecured		Libor*+2.7	On demand	184,869
— secured	(a)	6.2-6.8	2015	251,292
— secured	(a)	Libor*+2.2	2015	198,014
— unsecured		5.6-6.7	2015	2,962,874
				3,925,482
Other borrowings				
— secured	(a)	7.7-9.1	2015	112,205
				4,037,687
Long term interest-bearing bank loans — current portion				
— secured	(a)	6.8	2015	140,000
— secured	(a)	Libor*+3.0	2015	11,901
— secured	(a)	Libor*+3.5	2015	917,850
				1,069,751
Non-current				
Bank loans				
— secured	(a)	Libor*+3.5	2016	302,207
— unsecured		Libor*+3.7	2016	1,028,116
— unsecured		Libor*+3.7	2017	1,290,813
				2,621,136
				7,728,574

* London Inter-Bank Offered Rate

** Hong Kong Inter-Bank Offered Rate

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

(a) The Group's certain bank loans are secured by:

(i) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB121,554,000 (2014: RMB327,959,000) as at 31 December 2015.

(ii) letters of credit issued by banks in Mainland China with a total amount of approximately RMB194,000,000 (31 December 2014: RMB13,000,000)as at 31 December 2015. The letters of credit were secured by the pledged bank deposits, which amounted to RMB44,000,000 (2014: RMB13,000,000);

(iii) the pledge of certain of the Group's time deposits amounting to RMB 546,286,000 (2014: RMB570, 265,000).

(b) Certain of the Group's bank loans which amounted to RMB29,000,000 (2014: RMB29,000,000) were guaranteed by a third party as at 31 December 2015.

(c) As at 31 December 2015, long term bank borrowings with an aggregate carrying amount of approximately RMB2,437,636,000 that are repayable more than one year after the end of reporting period per loan agreements, with repayment on demand clause, have been classified as current liabilities as at 31 December 2015 in order to comply with the requirements set out in Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause as one repayment on demand clause stipulated in the loan contracts is triggered. Taking into account the Group's current financial position and recent positive feedbacks from the banks, the directors are very confident to believe that the bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

(d) As at 31 December 2015, the Group had unutilized banking facilities of RMB 12,357,956,000 (2014: RMB8,235,600,000).

30. TRADE AND BILLS PAYABLES

	31 December 2015 RMB'000	31 December 2014 RMB'000
Trade payables	**267,883**	125,299
Bills payable	**3,677,301**	4,752,614
Trade and bills payables	**3,945,184**	4,877,913

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within 3 months	**3,658,491**	4,784,702
3 to 6 months	**266,919**	82,650
6 to 12 months	**1,402**	930
Over 12 months	**18,372**	9,631
	3,945,184	4,877,913

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

31. OTHER PAYABLES AND ACCRUALS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Advances from customers	**359,973**	531,993
Advances and deposits from distributors	**2,005**	7,977
Taxes payable (other than income tax)	**62,028**	91,493
Payables for purchase of items of property, plant and equipment	**12,003**	22,289
Payables for purchase of items of land use rights	**18,240**	–
Deposit from third parties to buy equity interests of the Company	**41,102**	–
Payables for currency options	**13,068**	–
Lease payables	**52,406**	30,663
Interest payables	**15,354**	15,099
Staff payroll and welfare payables	**33,976**	34,864
Others	**36,128**	45,138
	646,283	779,516

32. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 Assets RMB'000
Currency options	**15,947**
Portion classified as non-current:	
Currency options	**9,490**
Current portion	**6,457**

The Group has entered into various currency contracts. These currency options are not designated for hedge purposes and are measured at fair value through profit or loss. Loss of changes in the fair value of non-hedging currency derivatives amounting to RMB1,066,000 were charged to the statement of profit or loss during the year (2014: Nil).

33. BONDS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Non-current	**441,683**	396,095

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
At the beginning of the year	**396,095**	374,632
Interest expense	**20,718**	20,071
Exchange realignment	**24,870**	1,392
At the end of the year	**441,683**	396,095

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

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

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

34. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the People's Republic of China (the "PRC") state regulations, the subsidiaries of Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 11% to 21% (2014: 12% to 21%) of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries. The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 5% to 15% (2014: 5% to 15%) of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

As at 31 December 2015, the Group had no significant obligation apart from the contributions stated above.

35. DEFERRED TAX

(a) Deferred tax assets

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

	Losses available for offsetting against future taxable profits RMB'000	Accrued payroll and other accruals RMB'000	Deferred rental expenses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	42,760	11,911	2,290	2,258	59,219
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	22,102	(4,861)	2,136	2,091	21,468
At 31 December 2014	64,862	7,050	4,426	4,349	80,687
At 31 December 2014 and 1 January 2015	64,862	7,050	4,426	4,349	80,687
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	15,152	(7,050)	1,454	(452)	9,104
Deemed disposal of a subsidiary	(5,843)	–	–	–	(5,843)
At 31 December 2015	74,171	–	5,880	3,897	83,948

35. DEFERRED TAX *(Continued)*

(b) Deferred tax liabilities

	Depreciation allowances in excess of related depreciation RMB'000	Capitalisation of adjustment costs in relation to construction in progress RMB'000	Fair value arising from acquisition of subsidiaries RMB'000	Gain on exchange of assets RMB'000	Total RMB'000
At 1 January 2014	3,403	21,415	246,743	54,000	325,561
Acquisition of a subsidiary	–	–	2,533	–	2,533
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	1,880	9,302	(9,768)	–	1,414
At 31 December 2014	5,283	30,717	239,508	54,000	329,508
At 31 December 2014 and 1 January 2015	5,283	30,717	239,508	54,000	329,508
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	1,879	9,535	(9,811)	–	1,603
At 31 December 2015	7,162	40,252	229,697	54,000	331,111

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**78,454**	74,229
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(325,617)**	(323,050)
	(247,163)	(248,821)

35. DEFERRED TAX *(Continued)*

(b) Deferred tax liabilities *(Continued)*

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

At 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and a joint venture established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and the joint venture will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and the joint venture in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB4,337,261,000 at 31 December 2015 (2014: RMB3,902,382,000).

Deferred tax assets have not been recognised in respect of tax losses arising in Mainland China of RMB150,394,000 (2014: RMB107,959,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. These tax losses will expire in one to five years.

36. SHARE CAPITAL

Shares	2015
Authorised:	
Ordinary shares	**5,000,000,000 shares of HK$0.01 each**
Issued and fully paid:	
Ordinary shares	**2,557,311,429 shares of HK$0.01 each**
Equivalent to RMB'000	**20,836**

36. SHARE CAPITAL *(Continued)*

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

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares HK$'000	Share premium HK$'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000
At 1 January 2014	2,557,311,429	25,573	2,282,527	20,836	1,868,372
Final 2014 dividend declared	–	–	(127,866)	–	(101,244)
At 31 December 2014 and 1 January 2015	2,557,311,429	25,573	2,154,661	20,836	1,767,128
Final 2015 dividend declared	–	–	–	–	–
At 31 December 2015	2,557,311,429	25,573	2,154,661	20,836	1,767,128

Note:

Details of the Company's share option scheme and the share options issued under the scheme are included in Note 37 to the financial statements.

37. SHARE OPTION SCHEME

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

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

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

37. SHARE OPTION SCHEME *(Continued)*

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

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

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

	2015	
	Weighted average exercise price HK$ per share	Number of options
At 1 January and 31 December	**5.724**	**15,550,000**

The above options were vested on a one-off basis immediately upon acceptance by the relevant grantees, and these share options are valid till the earlier of (i) the day on which the relevant grantees cease to be an employee of the Company and its subsidiaries, and (ii) 4 September 2016.

No share options were exercised during the year.

During the year ended 31 December 2015, no expense was recognised in the statement of profit or loss for the Share Option Scheme. (2014: RMB15,745,000).

37. SHARE OPTION SCHEME *(Continued)*

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

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

Date of grant	**4/9/2014**
Dividend yield (%)	**2.65%**
Expected volatility (%)	**42.3%**
Risk-free interest rate (%)	**0.54%**
Underlying price (HK$ per share)	**5.724**

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

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

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

38. RESERVES

(i) Statutory reserve

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

(ii) Merger reserve

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

(iii) Other reserve

The other reserve of the Group represents the excess of the carrying amount of the non-controlling interests acquired over the consideration.

(iv) Exchange fluctuation reserve

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

39. DEEMED DISPOSAL OF A SUBSIDIARY

Details of the Deemed Disposal on 28 January 2015 are set out in Note 28.

Details of the net assets disposed of are as follows:

	28 January 2015 RMB'000
Net assets disposed of:	
Cash and cash equivalents*	100,151
Property, plant and equipment	22,869
Intangible assets	512
Deferred tax assets	5,843
Prepayments, deposits and other receivables	2,056
Other payables and accruals	(47,157)
Due to related parties	(3,629)
Net assets disposed of	80,645
Net gain on deemed disposal of "Autostreets" (Note 5(b))	19,408
Investment in an associate	100,053
Satisfied by:	
Cash	–

An analysis of the cash flows of cash and cash equivalents in respect of the Deemed Disposal is as follows:

	31 December 2015 RMB'000
Cash consideration	–
Cash and cash equivalents of "Autostreets" disposed of	(100,151)
Net outflow of cash and cash equivalents in respect of the Deemed Disposal	(100,151)

* As the result of the capital injections made by the Group and certain independent third parties on 28 January 2015, the Group's equity interest in "Autostreets" was diluted from 100% to 38% and the Group lost its control over "Autostreets". Please see more details about the Deemed Disposal of "Autostreets" in Note 28.

40. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

As at 31 December 2015

	Financial assets at fair value through profit or loss			
	Held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investment	–	–	16,621	16,621
Trade receivables	–	358,159	–	358,159
Finance lease receivables	–	45,837	–	45,837
Financial assets included in prepayments, deposits and other receivables	–	3,545,408	–	3,545,408
Amounts due from related parties	–	55,324	–	55,324
Equity investments at fair value through profit or loss	46,864	–	–	46,864
Derivative financial instruments	15,947	–	–	15,947
Pledged bank deposits	–	2,332,021	–	2,332,021
Cash in transit	–	78,224	–	78,224
Cash and cash equivalents	–	2,160,980	–	2,160,980
	62,811	8,575,953	16,621	8,655,385

40. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial assets *(Continued)*

As at 31 December 2014

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

Financial liabilities

	Financial liabilities at amortised cost	
	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000
Trade and bills payables	**3,945,184**	4,877,913
Financial liabilities included in other payables and accruals	**194,251**	121,166
Interest-bearing bank loans and other borrowings	**8,280,936**	7,728,574
Bonds	**441,683**	396,095
	12,862,054	13,123,748

41. CONTINGENT LIABILITIES

At the end of the reporting period, the Group does not have any contingent liabilities.

42. COMMITMENTS

(a) Capital commitments

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Contracted, but not provided for:		
Land use rights and buildings	182,500	212,500
Authorised, but not contracted for:		
Land use rights and buildings	250,000	270,000
	432,500	482,500

(b) Operating lease commitments

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

	At 31 December 2015			At 31 December 2014		
	Properties RMB'000	Land RMB'000	Vehicles RMB'000	Properties RMB'000	Land RMB'000	Vehicles RMB'000
Within 1 year	92,398	57,310	8,924	111,742	65,307	9,090
After 1 year but within 5 years	265,516	163,568	35,635	322,807	229,553	35,721
After 5 years	305,704	534,688	30,438	373,137	523,619	35,666
	663,618	755,566	74,997	807,686	818,479	80,477

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

43. PLEDGE OF ASSETS

Details of the Group's assets pledged for its bank loans and other borrowings and bills payable are disclosed in Note 13, Note 14, Note 21 and Note 25 to the consolidated financial statements.

44. RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Balances with related parties

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

Amounts due from related parties:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Non-trade related:		
A joint venture		
— Shenyang Xinbaohang	**40,835**	40,835
An associate		
— Autostreets	**14,127**	–
The Controlling Shareholder		
— Mr. Yang Aihua	**362**	228
	55,324	41,063

As at 31 December 2015, balances with related parties were unsecured and non-interest-bearing, and had no fixed repayment terms.

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Short term employee benefits	**17,169**	16,038
Equity-settled share option expense	**–**	2,638
Post-employee benefits	**634**	588
Total compensation paid to key management personnel	**17,803**	19,264

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

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Bonds	**441,683**	396,095	**461,497**	418,646

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

The Group's treasury department headed by the treasury manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The treasury manager reports directly to the chief financial officer and the audit committee. At each reporting date, the treasury department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The fair values of the non-current portion of pledged deposits, finance lease receivables, and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease receivables, and interest-bearing bank and other borrowings as at 31 December 2015 was assessed to be insignificant. The fair value of the liability portion of the bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar bond with consideration of the Group's own non-performance risk.

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

The fair values of listed equity investments are based on quoted market prices.

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

Fair value hierarchy

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

Liabilities for which fair values are disclosed:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bonds	–	–	**461,497**	**461,497**

As at 31 December 2014

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

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group also enters into derivative transactions, including for currency options. The purpose is to manage currency risks arising from the Group's operations and its sources of finance.

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

Interest rate risk

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

The Group's interest rate risk arises from its interest-bearing bank and other borrowings, details of which are set out in Note 29. Borrowings at variable rates expose the Group to the risk of changes in market interest rates.

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

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2015		
US$	**50**	**(15,597)**
US$	**(50)**	**15,597**
HK$	**50**	**(1,627)**
HK$	**(50)**	**1,627**
2014		
US$	50	(7,362)
US$	(50)	7,362

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

Credit risk

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

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

As at 31 December 2015, all pledged bank deposits and cash and cash equivalents were deposited with high quality financial institutions without significant credit risk.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 22 to the financial statements.

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

Liquidity risk

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

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

As at 31 December 2015

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	4,579,557	1,546,789	2,381,854	–	–	8,508,200
Bonds	–	–	–	454,770	–	454,770
Trade and bills payables	267,882	3,412,539	264,763	–	–	3,945,184
Financial liabilities in other payables and accruals	144,423	–	–	–	–	144,423
	4,991,862	4,959,328	2,646,617	454,770	–	13,052,577

As at 31 December 2014

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

Foreign currency risk

The Group conducts its business primarily in Renminbi. Certain bank deposits, bank loans and credit enhanced bond were denominated in foreign currencies. However, the Group's operating cash flow and liquidity has not been subject to significant influence from fluctuations in exchange rate. The Group has entered into various forward currency options to manage its exchange rate exposures. These forward currency options are not designated for hedge purposes and are measured at fair value through profit or loss. As at 31 December 2015, a fair value of RMB15,900,000 (31 December 2014: Nil) was recognised by the Group on the forward currency options.

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Bank loans and other borrowings	**8,280,936**	7,728,574
Trade and bills payables	**3,945,184**	4,877,913
Other payables and accruals	**676,755**	779,516
Bonds	**441,683**	396,095
Less: Cash and cash equivalents	**(2,261,954)**	(2,202,892)
Net debt	**11,082,604**	11,579,206
Equity attributable to owners of the parent	**4,934,930**	5,088,661
Gearing ratio	**69.3%**	69.5%

47. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2016.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,639,420**	1,447,391
Total non-current assets	**1,639,420**	1,447,391
CURRENT ASSETS		
Prepayments, deposits and other receivables	**1,574**	2,521
Amounts due from subsidiaries	**4,236,599**	4,106,450
Pledged bank deposits	**209,995**	301,979
Cash and cash equivalents	**317,049**	142,365
Total current assets	**4,765,217**	4,553,315
CURRENT LIABILITIES		
Bank loans	**4,535,718**	1,414,053
Other payables and accruals	**141**	1,862
Amounts due to a subsidiary	**8,085**	7,613
Total current liabilities	**4,543,944**	1,423,528
NET CURRENT ASSETS	**221,273**	3,129,787
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,860,693**	4,577,178
NON-CURRENT LIABILITIES		
Bank loans	**–**	2,621,136
Bonds	**441,683**	396,095
Total non-current liabilities	**441,683**	3,017,231
NET ASSETS	**1,419,010**	1,559,947
EQUITY		
Share capital	**20,836**	20,836
Reserves	**1,398,174**	1,539,111
Total equity	**1,419,010**	1,559,947

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2014	2,172,257	15,925	(72,317)	(114,657)	2,001,208
Total comprehensive income for the year	–	–	7,675	(181,632)	(173,957)
Final 2013 dividend declared	(303,885)	–	–	–	(303,885)
Equity-settled share-based transactions	–	15,745	–	–	15,745
As at 31 December 2014 and 1 January 2015	1,868,372	31,670	(64,642)	(296,289)	1,539,111
Total comprehensive income for the year	–	–	72,947	(112,640)	(39,693)
Final 2014 dividend declared	(101,244)	–	–	–	(101,244)
As at 31 December 2015	1,767,128	31,670	8,305	(408,929)	1,398,174

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in Note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

FIVE-YEAR FINANCIAL SUMMARY

Year ended 31 December 2015

	Year ended December 31,				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**23,776,461**	30,723,432	30,081,687	18,092,903	12,010,929
Cost of sales and services provided	**(21,587,955)**	(27,935,772)	(27,161,294)	(16,510,006)	(10,721,181)
Gross profit	**2,188,506**	2,787,660	2,920,393	1,582,897	1,289,748
Other income and gains, net	**357,311**	454,574	468,872	373,793	93,756
Selling and distribution expenses	**(977,024)**	(983,221)	(946,815)	(461,187)	(256,629)
Administrative expenses	**(643,434)**	(608,813)	(538,713)	(261,411)	(166,977)
Profit from operations	**925,359**	1,650,200	1,903,737	1,234,092	959,898
Finance costs	**(540,111)**	(617,234)	(544,601)	(336,906)	(128,397)
Share of profit of a joint venture	**5,830**	6,783	10,544	14,443	5,372
Share of profit/(loss) of an associate	**(16,151)**	–	–	–	–
Profit before tax	**374,927**	1,039,749	1,369,680	911,629	836,873
Income tax expense	**(150,656)**	(326,115)	(355,345)	(190,743)	(221,041)
Profit for the year	**224,271**	713,634	1,014,335	720,886	615,832
Attributable to:					
Owners of the parent	**220,094**	706,644	1,006,805	709,699	601,905
Non-controlling interests	**4,177**	6,990	7,530	11,187	13,927
	224,271	713,634	1,014,335	720,886	615,832
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**18,811,426**	19,776,287	17,871,726	16,567,725	7,780,400
TOTAL LIABILITIES	**(13,838,970)**	(14,627,487)	(13,148,461)	(12,633,074)	(4,726,575)
NON-CONTROLLING INTEREST	**(37,526)**	(60,139)	(53,149)	(61,010)	(36,072)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**4,934,930**	5,088,661	4,670,116	3,873,641	3,017,753

BAOXIN AUTO GROUP LIMITED
寶信汽車集團有限公司