润东汽车

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

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

Stock Code 股份代號：1365

ANNUAL REPORT
年報
2016

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Yang Peng *(Chairman, executive Director and President)*
Mr. Liu Dongli *(vice Chairman, executive Director)*
Mr. Zhao Zhongjie *(executive Director, Executive President)*
Mr. Liu Jian *(executive Director, Vice President)*
Mr. Yan Sujian *(non-executive Director, Vice Chairman)*
Mr. Peng Zhenhuai *(independent non-executive Director)*
Mr. Mei Jianping *(independent non-executive Director)*
Mr. Lee Conway Kong Wai *(independent non-executive Director)*
Mr. Xiao Zhengsan *(independent non-executive Director)*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Zhou Jian
Ms. Ho Siu Pik

AUTHORIZED REPRESENTATIVES

Mr. Liu Jian
Ms. Ho Siu Pik

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITORS

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

STOCK CODE

1365

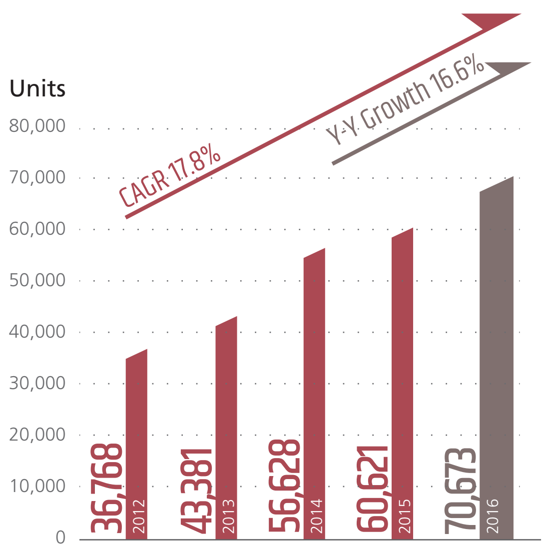
WEBSITE

www.rundong.com.cn

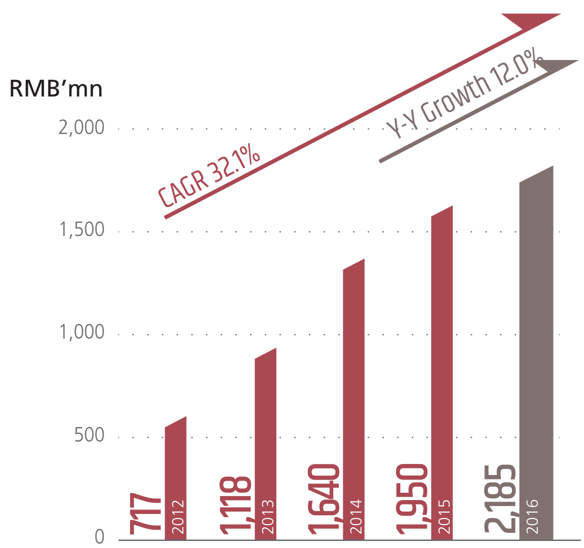
FINANCIAL HIGHLIGHTS

	Year ended December 31				
	2012	2013	2014	2015	**2016**
Results (RMB'000)					
Revenue	9,383,809	11,587,838	15,469,317	14,923,054	**17,972,988**
Net profit	91,213	248,393	312,930	208,899	**281,397**
Financial Position (RMB'000)					
Total assets	7,188,003	8,251,697	10,509,124	12,692,785	**14,206,810**
Net assets	692,165	944,437	1,739,603	3,216,730	**3,416,093**
Financial indicators					
Gross profit margin	6.8%	8.6%	9.3%	9.3%	**9.0%**
Return on equity	14.2%	30.4%	18.5%	6.5%	**8.2%**
Financial information per share					
Earnings per share (RMB)		0.30	0.34	0.20	**0.29**
Net assets per share (RMB)		1.18	1.62	2.00	**3.61**

Sales volume of new automobiles



Revenue from after-sales and other service



CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") and the management of China Rundong Auto Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**" or "**we**"), I am pleased to present the 2016 annual report of the Group.

Jointly benefited from the purchase tax halving policy for vehicles with small displacement and the increasing demand for consumption upgrade, the growth of passenger vehicles in the PRC outperformed the expectations in 2016. According to figures released by the China Association of Automobile Manufacturers in 2016, total volumes of automobile sales and production in the PRC were 24.421 million units and 24.377 million units respectively, representing a year-on-year growth of 15.5% and 14.9%. This year, the growth of luxury cars was higher than the overall growth of domestic passenger vehicle market, mainly attributable to the stabilization of macroeconomic growth, the recovery of household consumption confidence, the growing demand for luxury cars and the stable rise in penetration rate of luxury car brands as driven by consumption upgrade of luxury car consumers, and the stable rise in penetration rate of luxury car brands. Satisfactory results have been achieved in 2016 for the Group mainly engaged in operation of luxury car brands.

RESULTS FOR THE YEAR

During the year ended December 31, 2016 (the "**Reporting Period**"), the Group recorded operating income of RMB17,973.0 million, representing an increase of 20.4% compared to that of last year, and the Group's gross profit reached RMB1,622.5 million, representing an increase of 16.7% compared with 2015, among which our revenue from new automobile sales was RMB15,787.7 million, representing an increase of 21.7% compared with the same period of 2015. Our revenue from after-sales services business increased by 12.0% year-on-year to RMB2,185.3 million. In 2016, the Group recorded profit attributable to owners of the parent of RMB273.5 million, representing a 34.5% increase from the year of 2015. We recorded an earnings per share of RMB0.29.

BUSINESS DEVELOPMENT STRATEGY

During the Reporting Period, based on strategic guidance, the Group advanced integration of resource platforms, and made active efforts to promote business transformation following the development trend of the industry. The Group is gradually turning away from the elementary business philosophy and management model of relying solely on profits from automobile sales, and transforming from the product-oriented seller's market to the consumption-oriented buyer's market. Under the traditional new automobile sales model, the Group further developed after-sales business and expanded its high value-added business including finance, insurance, automobile accessories and second-hand automobiles. Meanwhile, the Group continued to strengthen its delicacy management and optimize business network, improving operational efficiency.

During the Reporting Period, the Group took various measures to cope with the development and innovation in the market:

I. TO INTEGRATE THE RESOURCE PLATFORM AND OPTIMIZE THE REGION LAYOUT

During the Reporting Period, as a result of being positive of the long-term prospect for the automobile market and being confident in the Group's rapid development and expansion, one of the then major shareholders of the Company, Rundong Fortune Investment Limited ("**Rundong Fortune**"), made an offer to acquire from Greenland Financial Overseas Investment Group Co., Ltd ("**Greenland**"), the other the then major shareholder of the Company, a wholly-owned subsidiary of Greenland Holdings Corporation Limited, its entire equity interest in the Company and part of the equity interest held by China Auto Retail Holding Ltd II (formerly known as KKR China Auto Retail Holding Ltd II) in the Company. Following the completion of acquisitions, Rundong Fortune became the controlling shareholder of the Company and reinforced its position as controlling shareholder of the Company.

Meanwhile, taking into consideration that the automobile sales business is a fiercely competitive industry, the dealers' network of stores has a strategic significance:

— it is time consuming to accumulate customers and broaden the market for dealers;

— dealers' network of stores serves as the presence of O2O automobile after-sales services such as second-hand automobiles, automobile financing, as well as automobile maintenance and repair.

As the automobile sales slowed down in the past two years, revenues declined for small and medium-sized dealers whose main sources of revenue was the new automobile sales. Therefore, now is the best timing for dealers with strong management and integration ability to expand at a low cost by way of merger and acquisition.

During the Reporting Period, the Group acquired the entire equity interest of Yangzhou Huawei Automobile Investment Management Co., Ltd ("**Huawei Automobile**"). With Huawei Automobile's 14 automobile sales stores which mainly locate in central Jiangsu Province, the acquisition will supplement the Group's dealership network in Jiangsu Province, and to further enhance the market share of the Company in Eastern China.

II. TO PROMOTE BUSINESS TRANSFORMATION AND OPTIMIZE PROFIT MODEL

With the continuous rising in automobile ownership and average age of automobiles, after-sales market of automobiles is becoming the largest source of profits and values in China's automobile industry, and enhancing in the revenue contribution from derivative businesses and after-sales services is the profit breakthrough point for automobile dealers. During the Reporting Period, the Group followed the changing trend in the industry and promoted its business transformation and achieved gradual changes in its profit structure, with an emphasis on its four major strategic businesses, i.e. after-sales services, finance (insurance and automobile loan), second-hand cars and automobile beauty services business.

III. TO IMPROVE SERVICE PHILOSOPHY AND PROMOTE DELICACY MANAGEMENT SO AS TO SUPPORT THE RAPID DEVELOPMENT OF THE GROUP

The Group is a service enterprise focusing on luxury car sales and its service philosophy will directly affect the choice and demand of consumers. During the Reporting Period, the Group comprehensively improved the customer's consumption experience, returned to the service quality, sorted out the management process and service standards, emphasized on customer service nodes, designed product and service programs to better meet consumer requirements, explored customer needs, improved customers' experience and enhanced the brand reputation of the Group.

During the Reporting Period, the Group continued to promote delicacy management, adopted comprehensive budget management and strengthened internal control to promote the realization of operation objectives; continued reinforcing the construction of CRM system and ERP system, innovated upon the management model and marketing model, continued improving the performance assessment system, established talent training system, and improved construction of the corporate culture, thus providing impetus for the Company's further development.

Prospect and strategy

The Group believes that the future positioning of automobile dealers will be more than mere provision of automobile sales, but also a product and service provider built on ride sharing and fully automotive automobiles, in order to provide various services for customers. Channel terminal will be the innovation field in the automobile industry in the future, in the environment of upgrading of automobile consumption, and the full integration of the Internet into the automobile circulation field, automobile dealers must make precise positioning and rapid response to the after-sales market of automobiles.

In order to meet the challenges and adapt to the trend, the Group will further expand its deployment while steadily developing the existing new automobile sales business, and proceed with the preparation of building a one-stop value chain trading mode covering new automobile sales, after-sales services, finance (insurance and automobile loan), and automobile beauty and replacement. In addition, the Company will continue to improve the consumption experience and build the Group into a personalized service platform, to support the extension of automobile after-sales services by providing exclusive customized services for customers.

Finally, on behalf of the Group, I would like to express my sincere gratitude to shareholders, customers and business partners for their support and all employees for their hard work. In 2017, we will continue to strive to provide comprehensive premium services for customers, to offer a favorable development platform for employees, and to bring greater value to shareholders.

Yang Peng
Chairman

March 30, 2017

MANAGEMENT
DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

2016 was a year full of changes and challenges. The global growth of economy remained weak. With the acceleration of the pace of structural reform of the Chinese economy, "promoting adjustment and stabilizing upgrading" has become a new norm for the industry. According to the statistics data released by the National Bureau of Statistics, the gross domestic product (GDP) reached RMB74.4 trillion in 2016, representing an increase of 6.7% over the previous year and maintaining a steady growth trend. Among which, the proportion of the service industry was further increased, with a greater contribution from consumption. The contribution rate of final consumption to economic growth in 2016 was 64.6%, representing an increase of 4.9% compared with the previous year. Resident income continued to grow steadily.

Benefiting from the stable economy, the restoration of consumer spending confidence and the Chinese government's policy of 50% reduction on vehicle purchase tax, the China's automobile market has significantly recovered in 2016 from the downturn over the past two years, with sales exceeding our expectations at the beginning of 2016 and reaching 28 million units, which made us stand out from the global automobile market in 2016. According to the statistical analysis conducted by the China Association of Automobile Manufacturers, the total sales of passenger vehicles was 24.377 million units in 2016, representing a 14.9% year-on-year growth which was 7.6 percentage points higher than the growth rate in the previous year. In 2016, the growth rate of the luxury car market accelerated. The total sales of top 11 luxury car brands[Note] in China was 2.164 million units in 2016, representing an increase of 16.1% as compared with 2015. The growth rate in 2016 was not only significantly higher than the growth rate in 2015, but also higher than the overall growth rate of the domestic passenger vehicle market. Influenced by the product replacement and technological advancements, sales of luxury car brands showed a cyclical periodicity.

According to the figures released by Traffic Management Bureau, Ministry of Public Security, the motor vehicles and drivers in China grew rapidly in 2016. As of the end of 2016, the automobile ownership in China was 194 million units, and the registration and annual increase of new cars hit a new high in history. As with the average age of all in-use vehicles is rising, the industry entered into a high-frequency period for car repair and maintenance. The continuous increase in automobile ownership and constant rise of average vehicle age will drive the growth of automotive after-sales services market.

Upon the relaxation of "restriction on relocation" policy, China's second-hand car market began to develop and successfully entered into the "10 million units era". According to the latest statistics released by the China Automobile Dealers Association, China's second-hand car trading volume increased by 10.3% year-on-year to 10.391 million units in 2016, which broke the record of 10 million units for the first time. With the continual increase in automobile ownership, increasing popularity in concept of automobile consumption and constantly improvement in laws and regulations, China's second-hand car market will enter into the rapid growth period.

In 2016, the penetration rate of automobile financing has also been significantly improved, which was mainly due to the rapid growth of China's automobile consumption market, changes in the consumers and their consumption patterns, diversification of automobile financial market participants, as well as the availability of more automobile financial products and services, which all promoted the increase in the demand of automobile financing. According to Deloitte's prediction, the market size of China's automobile financial market is expected to break through RMB2 trillion by 2020.

With the arrival of the internet era, all industries will introduce internet in their business model. As automobile consumption consists of follow-up repair and maintenance services which require manual support, and there are unparalleled advantages in service hardware, service standards and professional skills for 4S shop model, thus traditional 4S shop business model will still occupy the industry mainstream.

Note: The top 11 luxury car brands consist of Audi, BMW (including MINI), Mercedes-Benz, Jaguar & Land Rover, Lexus, Volvo, Cadillac, Porsche, Infiniti, Lincoln and Acura.

BUSINESS REVIEW

The Group is pleased to announce that satisfactory results have been achieved for the year ended December 31, 2016, which was mainly due to the Group's accurate anticipation of the automobile market and the management was able to anticipate and overcome the challenges faced by the Group. While the business model is well-established, the business structure has been envisaged and built for the sustainable development strategy. Reasonable adjustment, optimization and segmentation of related business segment, profit structure and capital allocation also contributed to the business structure.

For the year ended December 31, 2016, we recorded operating income of RMB17,973.0 million, representing a year-on-year increase of 20.4%, and achieved gross profit of RMB1,622.5 million, representing an increase of 16.7%. Profit attributable to equity holders increased by 34.5% to RMB273.5 million. Earnings per share was RMB0.29.

During the Reporting Period, the Group set up the management philosophy of "sales as the carrier, after-sales as the main business and value-added as the breakthrough point", and made every effort to promote the business transformation of the Group and built a new profit model.

- **Growth Recovery in Sales of New Automobiles**

  The Group's revenue from new automobile sales resumed its growth during the Reporting Period. Revenue from sales of new automobiles amounted to RMB15,787.6 million, representing a year-on-year increase of 21.7%, among which, revenue from sales of luxury and ultra-luxury automobiles reached RMB11,464.7 million, representing a 23.7% year-on-year increase and accounting for 72.6% of the revenue from sales of new automobiles. Gross profit margin from sales of new automobiles was 4.2%, which remained in line with that of the previous year. In terms of sales volume, for the year ended December 31, 2016, our automobile sales increased by 16.6% to 70,673 units. Sales volume of luxury and ultra-luxury brand automobiles increased by 21.9% to 31,193 units.

  During the Reporting Period, the Group optimized its wholesale and retail structure through various measures such as pushing forward the pace of sales, utilizing the manufacturers' sales policies and formulating the management methods of vehicle models classification. In addition, the Group carried out effective price management on key vehicle models, continued to promote sharing of regional resources, optimized its inventory structure and enhanced its comprehensive operation capacity. The Group also made full use of CRM system and enhanced its customer base through accurate sales and marketing of services by analyzing valid customer information, thus to ensure growth in new car sales and effectively control the inventory level.

- **Continuous Growth in Revenue from and Further Increase in Gross Profit Margin of After-sales Services**

  According to the current market, industry development status and the future forecast, the Group has set up the management philosophy with new automobile sales as the carrier and with after-sales and value-added business as the main business during the Reporting Period. In terms of resources sharing in relation to after-sales business, the Group strengthened resources sharing and cooperation in businesses including procurement of spare parts and automobile accessories, by utilizing the advantage of relatively intensive regional network. In terms of customer service, the Group strengthened the research of customer services during the car life cycle, continued to develop service and products suitable for its customers, continued to improve service quality, and enhanced the customer satisfaction. The Group fully utilized the CRM system to analyze and screen customer data, generate market guidance based on customer data and targets, enhance the success rate of customer appointment, improve the utilization rate of working station, and meanwhile transformed disassociate customers and recovered lost customers to enhance customer viscosity. The Group also endeavored to reduce the cost of parts and accessories by centralized procurement and allocation of parts, which not only enables the Group to provide customers with services at reasonable price, but also maintains a stable gross profit margin of the after-sales service.

After-sales service revenue increased by 12.0% year-on-year to RMB2,185.3 million for the Reporting Period, and accounted for 12.2% of the total revenue of the Group. The gross profit of our after-sales service for the Reporting Period increased by 13.8% year-on-year to RMB965.2 million. The gross profit margin of the after-sales service was 44.2%, which was 0.7 percentage points higher than that of the previous year.

- **Active Expansion of Value-added Business to Transform the Profitability Model**

  During the Reporting Period, the Group made active efforts to expand value-added business. The Group endeavored to increase the revenue from value-added business by virtue of improving the specific development performance of value-added business, increasing the number of value-added business personnel, strengthening the value-added business training, enriching the value-added products and optimizing the management system.

  In terms of automobile financing service, during the Reporting Period, the Group evaluated the channels of financial corporation in various areas to ensure the implementation of multi-channel financial products in various areas, established business communication mechanism with the financial departments of strategic car brands manufacturers and endeavour to obtain the support from manufacturers, and capitalized on the commercial policies to give a full play to outstanding financial products of manufacturers to improve the financing penetration rate while obtaining more financial rebates. In terms of agency business, the Group's penetration rate of automobile financing agency business increased from 25.0% in 2015 to 35.5% during the Reporting Period. In terms of revenue, we achieved RMB113.9 million from the financing agency service during the Reporting Period, representing an increase of 38% from RMB82.8 million in 2015.

  During the Reporting Period, the Group placed great emphasis on the insurance agency business, sorted the insurance cooperation resources, enhanced the overall planning for the insurance resources, adopted the cooperative model of "Headquarter to Headquarter" for groups and "Branch to Branch" for regions, so as to maximize damaged car resources while obtaining reasonable insurance commission. The Group independently developed the products with extended warranty to further lock in customers while obtaining profits by portfolio marketing, made active attempts on maintenance services in respect of glasses, lacquered surface and so on through overall insurance rate reform in order to enhance the insurance penetration rate, and to explore profit growth point. During the Reporting Period, revenue from insurance agency service of the Group amounted to RMB178.7 million, representing an increase of 28% from RMB139.5 million in 2015.

- **Active Layout of Second-hand Car Business**

  During the Reporting Period, the Group strived to develop the second-hand car business. It set up second-hand car business team; issued second-hand car business operating standards; established the second-hand car ERP system; introduced professional second-hand car auction platform; and launched second-hand car inventory financing business. Our second-hand car business has been developing rapidly, and we will actively carry out the dealership certification business of second-hand car by developing a licensed certification system through technological cooperation and introduction of advanced experience.

  During the Reporting Period, revenue from the second-hand car agency service amounted to RMB15.8 million, representing an increase of 404% as compared with that of 2015.

- **Continuous Optimization of the Network Layout**

As a luxury car dealership group in Eastern China, our business focuses on prosperous coastal areas in Eastern China, including Jiangsu Province, Shandong Province, Shanghai and Zhejiang Province, covering the largest luxury and ultra-luxury automobile markets in China. Besides, the Group tried to enhance the operating efficiency and service capability by establishing the high density dealership network.

During the Reporting Period, the Company opened two Maserati 3S stores in Jiangsu Province and Shandong Province, consolidated Jinan Maserati Exhibition Hall and Repair Center and upgraded it into a 3S store, and closed down a BMW repair store. Meanwhile, the Company also upgraded and transformed some BMW stores, and added the electric vehicle and second-hand car business.

As at December 31, 2016, the Group's brand portfolio includes eight luxury brands, namely BMW, MINI, Jaguar, Land Rover, Audi, Lexus, Cadillac and Chrysler; two ultra-luxury brands, namely Maserati and Ferrari; 15 mid- to high-end brands, namely Buick, Hyundai, Ford, Chevrolet, Shanghai-Volkswagen, Kia, Dongfeng Honda, GAC-Honda, FAW-Toyota, GAC-Toyota, Toyota, Dongfeng Nissan, Zhengzhou Nissan, FAW-Volkswagen and BJEV.

As at December 31, 2016, the Group operated 70 stores, of which 46 were located in Jiangsu province, 14 in Shandong province, 7 in Shanghai, 2 in Zhejiang province and 1 in Anhui province.

As at December 31, 2016, the distribution of the Group's network of dealership stores was as follows:

	Brand	Number of stores
Luxury and ultra-luxury brands	Maserati and Ferrari	5
	BMW and MINI	23
	Jaguar & Land Rover	7
	Audi	4
	Cadillac	2
	Lexus	1
	Chrysler	1
Mid-to high-end brands	Buick, Hyundai, Ford, Chevrolet, Shanghai-Volkswagen, Kia, Dongfeng Honda, GAC-Honda, FAW-Toyota, GAC-Toyota, Toyota, Dongfeng Nissan, Zhengzhou Nissan and BJEV	27
Total		70

During the Reporting Period, the Group obtained the brand licensing of luxury brands, i.e. Alfa Romeo and Maserati, intended to sell the Alfa Romeo products in the existing five Maserati stores and to open three dual-brand Alfa Romeo & Maserati 3S stores.

During the Reporting Period, the Group acquired the entire equity interest of Huawei Automobile, where Huawei Automobile has three Audi stores and 11 FAW-Volkswagen stores in Eastern China. As the Group focuses its business in Eastern China, the completion of the acquisition will further expand the Group's original dealership network in those regions, provides a broader platform to serve customers, thus further enhancing the market share of the Company in Eastern China.

PROSPECTS AND STRATEGY

In the global automobile market, China outshined others in terms of not only the volume increase but also the introduction of new cars. This has also attracted the automobile manufacturers, spare parts suppliers and automobile service trading business to transfer business into China, laying a solid foundation for the next stage of development of China's automobiles.

According to the development experience of automobiles market, the luxury car as an important type of cars, will achieve a market share of almost 20% in a mature market, and China is no exception. In 2017, the Company anticipates that the market share of luxury car in China will further expand and there will be more intense competition among all brands. In this new round competition of luxury brands in 2017, only those which can capture the consumption trend of younger generations will gain the market recognition, and will be increasingly growing in the China's automobile market.

In 2017, the total sales volume of passenger vehicles will still continue to develop, and individual purchase will be further increasing. In general, the continuous urbanization process of China is the main driver for supporting the demand for individual purchase of cars. This will bring a new opportunity of development for the automobile market in 2017.

The Group will, as always, pay close attention to the development trend of the automobile industry. While developing steadily the existing business, the Group will focus on building a comprehensive automobile service platform which comprises one-stop industrial chain system from the new car sales, after-sales services, finance and car replacement by integrating the channel resources to fulfill the business upgrade and perfect the synergy amongst sections, so as to achieve more profitable business model and better operating results.

FINANCIAL REVIEW

Revenue

For the year ended December 31, 2016, our revenue was RMB17,973.0 million, representing an increase of 20.4% compared with 2015, primarily attributable to the increases in the revenue from sales of luxury and ultra-luxury automobiles we mainly focus on and in the revenue from after-sales service.

The table below sets out the Group's revenue for the Reporting Period indicated.

Revenue Source	Revenue for the year ended December 31, 2016 *(RMB'000)*	Contribution *(%)*	Revenue for the year ended December 31, 2015 *(RMB'000)*	Contribution *(%)*	Change *(%)*
New automobile sales					
Luxury and ultra-luxury brands	**11,464,740**	**63.7**	9,271,610	62.1	23.7
Mid- to high-end brands	**4,322,909**	**24.1**	3,700,969	24.8	16.8
Subtotal	**15,787,649**	**87.8**	12,972,579	86.9	21.7
After-sales business					
Luxury and ultra-luxury brands	**1,669,152**	**9.3**	1,485,762	10.0	12.3
Mid- to high-end brands	**516,187**	**2.9**	464,713	3.1	11.1
Subtotal	**2,185,339**	**12.2**	1,950,475	13.1	12.0
Total	**17,972,988**	**100**	14,923,054	100	20.4

Revenue from the sales of automobiles increased by RMB2,815.1 million, or 21.7%, during the Reporting Period compared to 2015, mainly attributable to an increase in the sales of luxury and ultra-luxury automobiles by the Company. Revenue generated from automobile sales accounted for 87.8% of our revenue for the Reporting Period. Revenue generated from the sales of luxury and ultra-luxury brands and our mid- to high-end market brands accounted for 63.7% and 24.1% of our revenue from automobile sales, respectively.

Revenue from our after-sales business increased by 12.0%, from RMB1,950.5 million in 2015 to RMB2,185.3 million in 2016.

Cost of sales and services

Our cost of sales and services increased by 20.8%, from RMB13,532.6 million in 2015 to RMB16,350.5 million for the year ended December 31, 2016. This increase is consistent with the increase in our sales revenue throughout the Reporting Period.

The cost of sales and services of our automobile sales business amounted to RMB15,130.4 million for the Reporting Period, representing an increase of RMB2,699.9 million, or 21.7%, from 2015. The sales cost of our after-sales business amounted to RMB1,220.1 million for the year ended December 31, 2016, representing an increase of RMB118.0 million, or 10.7%, from the corresponding period in 2015.

Gross profit and gross profit margin

Gross profit for the year ended December 31, 2016 was RMB1,622.5 million, representing an increase of RMB232.0 million, or 16.7%, from 2015. Gross profit from automobile sales increased by 21.3% from RMB542.1 million for the year ended December 31, 2015 to RMB657.3 million for the corresponding period of 2016, of which RMB517.8 million were from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 13.8% from RMB848.4 million for the year ended December 31, 2015 to RMB965.2 million in 2016. Automobile sales and after-sales business contributed 40.5% and 59.5%, respectively, to our total gross profit in 2016.

Gross profit margin for the year ended December 31, 2016 was 9.0%, lower than the gross margin of 9.3% in 2015, of which the gross profit margin of automobile sales was 4.2% , in line with 2015. Gross profit margin of after-sales business was 44.2%, representing an increase of 0.7% over 43.5% in 2015. The overall gross profit margin decreased due to a decreased percentage contribution to our total revenue from our after-sales business which has a higher gross profit margin.

Other income and net gains

Other income and net gains increased by 30.0% from RMB267.1 million for the year ended December 31, 2015 to RMB347.2 million in the corresponding period in 2016, of which commission income increased by 36.7% from RMB225.7 million as at December 31, 2015 to RMB308.5 million in 2016.

Selling and distribution expenses

Selling and distribution expenses of the Group amounted to RMB480.8 million for the year ended December 31, 2016, representing an increase of 8.1% over RMB444.8 million in 2015, mainly due to the increase of labor costs and the increase in advertisement and promotion expenses.

Administrative expenses

Administrative expenses of the Group amounted to RMB491.1 million for the year ended December 31, 2016, representing an increase of 0.7% over the administrative expenses of RMB487.7 million in 2015.

Finance costs

Finance costs of the Group amounted to RMB480.7 million for the year ended December 31, 2016, representing an increase of 23.2% over the finance costs of RMB390.3 million in 2015, primarily attributable to interest on syndicated loans and amortisation of arrangement fees.

Profit from operations

Profit from operations of the Group amounted to RMB427.2 million for the year ended December 31, 2016, representing an increase of 31.8% over RMB324.1 million in 2015. Operating profit margin was 2.4%, representing an increase of 0.2 percentage points over 2.2% in 2015.

Income tax expenses

Income tax expenses of the Group amounted to RMB145.8 million for the year ended December 31, 2016 and the effective tax rate was 34.1%.

Profit for the year

Profit for the year of the Group amounted to RMB281.4 million for the year ended December 31, 2016, representing an increase of 34.7% over RMB208.9 million in 2015. Net profit margin for the year was 1.6%, representing an increase of 0.2 percentage points over 1.4% in 2015.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at December 31, 2016, our cash and cash equivalents amounted to RMB1,239.0 million, representing a decrease of 18.1% from RMB1,513.2 million for the year ended December 31, 2015.

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 daily operating costs. We financed our liquidity requirements through 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, 2016, we had a net cash inflow from operating activities of RMB796.1 million (2015: net cash outflow of RMB210.0 million).

Net current liabilities

As at December 31, 2016, we had net current liabilities of RMB1,132.7 million, representing an increase of RMB482.3 million over the net current liabilities of RMB650.4 million as at December 31, 2015, as a result of the increase of short-term interest-bearing bank and other borrowings.

Capital expenditure

Our capital expenditures primarily comprise expenditures on property, plant and equipment, and intangible assets. For the year ended December 31, 2016, our total capital expenditure was RMB300.7 million (2015: RMB346.4 million).

Inventory

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

Our inventory increased by 20% from RMB1,810.5 million as at December 31, 2015 to RMB2,175.2 million as at December 31, 2016, primarily due to the increase in new automobile procurement in response to market demand.

Our average inventory turnover days for the year ended December 31, 2016 decreased to 44 days from 50 days in the same period in 2015.

Trade receivables

Trade and bills receivables increased from RMB251.8 million for the year ended December 31, 2015 to RMB337.6 million for the year ended December 31, 2016, primarily due to the increase of receivables in relation to automobile financing lending as a result of the increase in automobile sales.

Bank loans and other borrowings

As at December 31, 2016, the Group's available but unused banking facilities were approximately RMB5,296.5 million (December 31, 2015: RMB4,240.0 million).

Our bank loans and other borrowings as at December 31, 2016 were RMB5,334.0 million, an increase of RMB124.1 million from RMB5,209.9 million as at December 31, 2015. The increase was to meet the working capital requirements.

Interest rate risk and foreign exchange risk

We are exposed to interest rate risk resulting from fluctuations in the interest rate on our debts. Part of our borrowings were floating rate borrowings that are linked to the benchmark rates of the People's Bank of China. Increase in interest rate could result in an increase in our cost of borrowing. In such case, not only our finance costs, but also our profit and financial position would be adversely affected.

Gearing ratio

Our gearing ratio (defined as the aggregate of interest-bearing bank loans and other borrowings divided by shareholders' equity as at the end of the Reporting Period and then multiplied by 100%) for the year ended December 31, 2016 was 156.1% (December 31, 2015: 162.0%).

Human resources

For the year ended December 31, 2016, the Group had 4,854 employees (December 31, 2015: 5,076). Total staff costs for the year ended December 31, 2016, excluding directors' remuneration were RMB317.7 million (2015: RMB291.0 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

During the period between end of October to December 2016, the Group provided guarantee in the amount of RMB312.4 million in relation to bank loans of Huawei Automobile and its subsidiaries.

On October 20, 2016, Rundong Automobile Group Co., Ltd., a wholly-owned subsidiary of the Group, entered into an agreement to purchase the entire equity interest of Huawei Automobile, please refer to the announcement of the Company dated October 20, 2016 for further details. Subsequent to the Reporting Period, Huawei Automobile has completed the industrial and commercial registration regarding the change of shareholder and Rundong Automobile Group Co., Ltd. has become the sole shareholder of Huawei Automobile. The guarantee for the abovesaid bank loans was provided in order to secure the operations of Huawei Automobile and its subsidiaries.

Pledge of the Group's assets

The Group pledged its assets as securities for bank loans, other borrowings and banking facilities which were used to finance daily business operation. As at December 31, 2016, the pledged group assets amounted to approximately RMB4,870.3 million.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report of the Group's annual report for the year ended December 31, 2016.

1. CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to achieving high corporate governance standards.

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

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

The Board is of the view that the Company has fully complied with the code provisions set out in the CG Code during the year ended December 31, 2016, except for the deviation from code provision A.2.1:

Code Provisions A.2.1

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

2. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code during the year ended December 31, 2016.

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

3. THE BOARD

(1) Responsibilities

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

(2) Authorization

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

(3) Board composition

As at the date of this report, the Board of the Company currently comprises nine Directors, including four executive Directors, one non-executive Director and four independent non-executive Directors. During the year and up to the date of this report, the members of the Board are set out below:

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

The biographical information of the Directors is set out in the section headed "Directors and Senior Management Profiles" on pages 36 to 39 of this annual report.

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

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

Independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors. A list of the names of the Directors and their role and function is published on the websites of the Company and the Stock Exchange.

(4) Independent non-executive Directors

During the year ended December 31, 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

(5) Appointment and re-election of Directors

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

Each of the non-executive Director and independent non-executive Directors has renewed his appointment letter with the Company for a term of one year commencing on May 27, 2016 and is eligible for re-election.

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

Pursuant to articles 16.18 of the Articles, Mr. Yang Peng, Mr. Liu Dongli, Mr. Zhao Zhongjie, Mr. Liu Jian, Mr. Yan Sujian and Mr. Peng Zhenhuai will retire at the annual general meeting of the Company to be held on June 8, 2017 (the "**AGM**"). All of the retiring Directors, save as Mr. Yan Sujian and Mr. Peng Zhenhuai who do not intend to offer themselves for re-election due to their other commitments, will offer themselves for re-election at the AGM.

(6) Continuous professional development of Directors

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

Newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant status, laws, rules and regulations. The Directors are provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

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

According to A.6.5 of the CG Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. According to the records kept by the Company, all the existing Directors participated in the following trainings during the year ended December 31, 2016:

Director	Attending or participating in the briefing session/seminars/programmes relevant to the business/Directors' duties
Executive Directors	
Yang Peng	✓
Liu Dongli	✓
Zhao Zhongjie	✓
Liu Jian	✓
Non-executive Director	
Yan Sujian	✓
Independent Non-executive Directors	
Peng Zhenhuai	✓
Mei Jianping	✓
Lee Conway Kong Wai	✓
Xiao Zhengsan	✓

(7) Attendance of Directors and committee members

The attendance of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended December 31, 2016 is set out in the table below:

	Attendance/Number of Meetings				
Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	General Meeting
Executive Directors					
Yang Peng	4/4	1/1	1/1		1/1
Liu Dongli	4/4				1/1
Zhao Zhongjie	4/4				0/1
Liu Jian	4/4				0/1
Non-executive Directors					
Zhao Fu *(note 1)*	1/1				0/1
Yan Sujian	4/4			2/2	0/1
Li Wei *(note 2)*	1/2	1/1			0/1
Wu Zhengkui *(note 3)*	1/2		1/1		0/1
Wu Jin *(note 4)*	0/1				
Independent Non-executive Directors					
Peng Zhenhuai	4/4	1/1	1/1	2/2	0/1
Mei Jianping	3/4	1/1	1/1		0/1
Lee Conway Kong Wai	4/4			2/2	1/1
Xiao Zhengsan	3/4	1/1	1/1		0/1

Notes:

1. Mr. Zhao Fu resigned as a non-executive Director on May 27, 2016. One Board meeting and one general meeting were held before his resignation.

2. Mr. Li Wei resigned as a non-executive Director and a member of the Nomination Committee on August 17, 2016. Two Board meetings, one Nomination Committee meeting and one general meeting were held before his resignation.

3. Mr. Wu Zhengkui resigned as a non-executive Director and a member of the Remuneration Committee on August 17, 2016. Two Board meetings, one Remuneration Committee meeting and one general meeting were held before his resignation.

4. Mr. Wu Jin was appointed as a non-executive Director on May 27, 2016, and he resigned on August 17, 2016. One Board meeting and no general meeting was held during his tenure as a Director.

Except for regular Board meetings, the Chairman also held a meeting with non-executive Directors (including independent non-executive Directors) on March 31, 2016 with executive Directors being absent. All relevant Directors attended the meeting.

During the Reporting Period, an unconditional mandatory cash offer for all the issued ordinary shares of the Company (the "**Offer**") was made by Rundong Fortune, an Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Peng Zhenhuai, Mr. Mei Jianping, Mr. Lee Conway Kong Wai and Mr. Xiao Zhengsan, was formed to advise on the terms of the Offer and on whether the terms of the Offer are fair and reasonable so far as the independent shareholders of the Company are concerned.

The Company has annual meeting schedules and draft agenda of each meeting of the Board and the Committees made available to Directors in advance, and serves notices of regular Board meetings at least 14 days before the meetings. For other Board and Committee meetings, reasonable notices are given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Committee meeting to keep the Directors appraised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and every Director also have separate and independent access to the senior management where necessary.

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

4. CHAIRMAN AND PRESIDENT

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

5. BOARD COMMITTEES

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

(1) Nomination Committee

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

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

For the year ended December 31, 2016, the Nomination Committee held one meeting. Details of each committee member's attendance at the Nomination Committee meeting are set out in "Attendance of Directors and Committee members" above.

A summary of the work of the Nomination Committee for the year ended December 31, 2016 is as follows:

— made recommendations to the Board on the re-election of Directors at the annual general meeting of the Company in 2015;

— reviewed the structure, size and composition of the Board;

— assessed the independence of the independent non-executive Directors; and

— discussed the measurable objectives set for implementing the Board Diversity Policy and proposals on newly appointed Directors.

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

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

(2) Remuneration Committee

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

The main responsibility of the Remuneration Committee includes making recommendations to the Board on the Group's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, assessing the performance of executive Directors and approving the terms set out in the service contract of executive Directors, reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

For the year ended December 31, 2016, the Remuneration Committee held one meeting. Details of each committee member's attendance at the Remuneration Committee meeting are set out in "Attendance of Directors and committee members" above.

A summary of the work carried one by the Remuneration Committee for the year ended December 31, 2016 is as follows:

— reviewed the existing policy and structure of the remuneration of the Directors and senior management;

— accessed the performance of the executive Director senior management; and

— reviewed and approved the executive Directors' and management's remuneration proposals with the reference to the Board's corporate goals and objectives.

annual report.

For the year ended December 31, 2016, the aggregate emoluments payable to members of senior management fell within the following band:

Emolument Range	Individual
HK$ Nil to HK$1,000,000	5

(3) Audit Committee

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

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

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

During the year ended December 31, 2016, the Audit Committee held two meetings. Details of each committee members attendance at the Audit Committee meetings are set out under "Attendance of Directors and committee members" above.

The summary of the work of the Audit Committee for the year ended December 31, 2016 is as below:

(a) reviewed:

(i) the audited consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2015;

(ii) the announcement of annual results; and

(iii) the annual report of the Company for the year ended December 31, 2015;

(b) reviewed:

(i) the unaudited consolidated financial statements of the Company and its subsidiaries for the six months ended June 30, 2016;

(ii) the interim result announcement; and

(iii) the interim report of the Company for the six months ended June 30, 2016;

(c) reviewed and considered the major audit findings by the auditors;

(d) reviewed and considered the major internal audit issues and reviewed the financial reporting system, internal control procedures and risk management system of the Company;

(e) reviewed the arrangements employees can use to raise concerns about possible improprieties in financial reporting, internal control or other matters, and reviewed and considered the investigation progress of reported cases; and

(f) reviewed the terms of reference of the Audit Committee.

The Company's annual results for the year ended December 31, 2016 have been reviewed by the Audit Committee.

6. CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

7. DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL REPORT

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2016.

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

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

8. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 54 to 58.

During the year, the remuneration paid or payable to the Company's external auditors in respect of audit services for the year ended December 31, 2016 is set out below:

Service Category	Fee paid/ payable *(RMB yuan)*
Audit services	4,950,000
Non-audit services	73,000
Total	5,023,000

9. RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board is committed to conducting at least once a year a review on the effectiveness of the internal control systems of the Group, including the adequacy of resources, staff qualifications and experience of the Company's accounting and financial staffs, as well as their training programmes and budget. Formal policies and procedures are in place, including the documentation of key processes, procedures and rules relating to the delegation of authorities, which allow the monitoring of controls of various functions and departments of the Company. The implementation of the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. The Company also implemented an inside information policy covering the dissemination of inside information.

In addition, the Audit and Supervision Department of the Company is responsible for the internal audit function. It mainly involves in the analyzing and making an independent assessment of the effectiveness of the Company's risk management and internal control system. It will report to the Board if there are any issues as and when they come up.

The Board, through the Audit Committee, has conducted a review on the internal control system of the Company and its subsidiaries for the year ended December 31, 2016. Such review covered the areas of finance, operation, supervision and risk management of the Group. The Board confirmed that the internal control system of the Company is sound and effective.

10. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

11. COMPANY SECRETARIES

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

According to Rule 3.29 of the Listing Rules, the Joint Company Secretaries have confirmed that they have taken no less than 15 hours of professional training to update their skills and knowledge for the year ended December 31, 2016. The biographical details of Mr. Zhou Jian and Ms. Ho Siu Pik are set out on page 39 of this annual report.

12. GOING CONCERN CAPABILITY

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

13. SHAREHOLDERS' RIGHTS

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

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

Procedure for convening an extraordinary general meeting by shareholders

Pursuant to the Articles, any one or more shareholders holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings may require an extraordinary general meeting by a written requisition to the Board or the Company Secretary either via personal delivery or mail (for the attention of the Board of Directors/Company Secretary, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) or via email (ir@rundongauto.cn). The Board shall, within 21 days from the date of deposit of the requisition, duly convene a general meeting.

Procedure for putting forward proposals at general meetings

Any shareholder who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration either via personal delivery, mail (for the attention of the Board of Directors/Company Secretary, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) or via email (ir@rundongauto.cn). The Board may, in its sole discretion, consider if such proposals are appropriate and shall put forward such proposals to the shareholders for approval at the next annual general meeting, or at an extraordinary general meeting to be convened by the Board, as appropriate.

Procedure for putting forward enquiries to the Board

Shareholders are, at any time, welcome to send their enquires or requests to the Board via personal delivery or mail (for the attention of Shareholder Communication, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) or via email (ir@rundongauto.cn).

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

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

14. CONSTITUTIONAL DOCUMENTS

The Company has adopted its amended and restated memorandum and articles of association on July 23, 2014, which have already come into effect on August 12, 2014 and have been amended by the special resolutions passed on August 5, 2015 and on January 20, 2017.

In addition, the name clause of the memorandum of association of the Company was changed following the change of name of the Company from "China Greenland Rundong Auto Group Limited 中國綠地潤東汽車集團有限公司" to "China Rundong Auto Group Limited 中國潤東汽車集團有限公司" effective on January 27, 2017.

An up-to-date version of the Company's memorandum and the Articles is available for inspection on both the websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is pleased to present its first annual Environmental, Social and Governance Report (the "**ESG Report**") with disclosure reference made to the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the year ended December 31, 2016.

The management has recognized before the Board the effectiveness of risk management and internal supervision system for environment, society and governance. When compiling the ESG Report, the Group realized that the ESG Report serves as both a channel for communication between interested parties and a routine tool for summarizing the continuous development of the Group and assisting the evaluation regarding sustainable development. Therefore, the Group shall continue the ESG Report and regard it as part of the strategy to improve the Group's performance in sustainable development.

ESG STRATEGY, MANAGEMENT APPROACH, PRIORITIES AND OBJECTIVES

Since its founding, the Group has dedicated itself to fulfill its social responsibilities with its own performance and sustainable development of society, and integrate energy saving and environmental protection into both our corporate culture and every details of our daily operation.

The Group is dedicated to fulfil its duty in management of the gradually expanded business based on moral standards. The main principles of the Group's corporate and social responsibility policies include corporate governance, professional safety and health, environmental protection, care for employees and society. The Company will continue to review its performance in improving social responsibility. Meanwhile, it enhanced the disclosure of relevant materials and communication between shareholders of the Company and made its contributions in order to actively pursue improvement and protection of existing environment while seeking sustainable business development.

ENVIRONMENTAL

The Company determines to exert positive influence over environmental protection in China, and correspondingly devotes to minimize the adverse impact on environment arising from its operation.

A1. Emissions — Reducing Pollution

Reducing Air Pollution

Particles will be generated in vehicle maintenance such as grinding on car body and parts and volatile organic compounds will be emitted in spraying of paints, which will contaminate the environment. The Group adopts the following ways to reduce air pollution.

- ✓ The paint shall be sprayed in painting room with anti-pollution equipment or within section appointed;
- ✓ The air-pollution control equipment shall be maintained regularly, such as activated carbon absorption system;
- ✓ Environment-friendly coating/paints or water-soluble paints for automobiles shall be adopted;
- ✓ Effective dust collection equipment shall be used to reduce dust generated in the process of grinding car body and parts;
- ✓ Gas and coating paints can be discharged according to the relevant rules only after being treated by professional treating equipment.

As of December 31, 2016, no breaches of laws and regulations have been found.

A2. Use of Resources

To realize our commitments on environmental protection, the Group actively tried and pushed forward many measures and methods regarding recycling various resources in our operation, such as promoting solar power generation in 4S stores and exhibition center with sufficient conditions to reduce daily electricity consumption.

The Group understands that all auto maintenance and cleaning businesses can have certain adverse impacts on environment. Therefore, we guarantee that all related businesses are carried out in accordance with Chinese laws and regulations regarding environmental protection:

— to actively push forward recycling rate of water;

— to collect the oily wastewater generated in washing process in a concentrated manner and treat such wastewater with oil removal devices, e.g., oil-water separator;

— to properly treat the sewage produced from washing car body, machines, tools and grounds, thus preventing overflow.

A3. Environment and Natural Resources — Following Principle of Sustainable Development

Recycling Wastes

The Group focuses on effective environmental management principle in its overall operation and devotes itself into suitable treatment of all our wastes in our businesses in order to comply with relevant laws and regulations. Also, we encourage our employees to coordinate and categorize the wastes for recycling purposes.

For example, the valuable materials includes the waste tires, waste metals and waste batteries left in maintenance shall be recycled after the treatment of dangerous and waste materials by recyclers.

In addition, the Group will stick to the principle of environmental protection in offices and improve the greening rate in working environment. We believe that we can only achieve this goal with joint efforts of all our employees. Therefore, we push forward the ideas of green office and encourage our employees to replace paper printing with scanning and make more use of emails instead in order to reduce paper consumption. At the same time, we advocate that our employees should recycle the waste paper with only one side printed for the purpose of internal printing.

At the same time, the employees of the maintenance workshop of the 4S stores affiliated to the Group improved their working environment and reduced the wastes and enriched their own entertainment activities through repairing waste parts and tires in an effort to create a green working environment that is effective and comfortable.

B. Social

B1. Employment

Outstanding employees are a major asset for the Group. We uphold the ideas of long-term employment, sexual equality and equal pay for equal work and oppose any form of employment of minors or discrimination in recruitment based on gender, nationality, region or cultural background, and endeavour to create a People-oriented working environment.

B2. Training and Development

We have a professional and dedicated team of 4,854 employees that helps create a promising and sustainable Group which can survive in fierce competition. Every one of our team member plays an important role.

Therefore, the Group invites professionals on a regular basis to give trainings on law, finance and corporate governance to our employees, to update and supplement their professional know-how and to help them realize smooth utilization of skills in daily work, thus enhancing our core value and building a corporate culture of continuous study.

B3. Rights and Interests

The Company is aware of its roles and duties to its employees. Therefore, we protect the labor rights and interests of all employees. We stipulated human resources policies to ensure compliance with Chinese laws and regulations regarding employment. The Company subscribes to the principles of equal opportunities, anti-discrimination and diversification in order to access all employees on a fair basis. The Company also prohibits employment of any child labors in working spaces and guarantees that all employees work voluntarily.

Based on market developments and in accordance with the laws the Group, stipulated a salary and welfare system that matches with the reality. The salary and welfare of the employees shall be determined according to the market values of different market and the comprehensive performance of employees. Guided by strategy, markets and performance, such a system can help us make fair and just arrangements, and we will distribute various awards to employees by considering their performance and contribution.

Meanwhile, the Group holds activities for our employees on an irregularly basis and has adopted a paid annual leave system to safeguard our employees' rights of working, rest and taking leaves.

B4. Occupational Health and Safety

The Group is committed to provide our employees with a safe and healthy working environment. We regularly monitor the working environment and facilities of our employees to ensure a safe and healthy working environment.

In addition, the Group will issue journals and safety brochures on a regular basis to improve employees' awareness on safety. Occupational health and safety are major concerns of the Group, and the Company will continue to prudently stipulate policies about health and safety and improve the existing satisfactory records of health and safety.

With regard to all safe risks identified in working environment, the Company pays particular attention to fire safety and regards enhancing awareness of fire safety among employees as our goal. For example, the Company provides all employees with fire safety trainings in order to build capabilities to respond to fire emergencies and to examine our fire safety measures.

Apart from this, the maintenance sites of 4S stores also have potential dangers. To ensure working safety of our employees, we provide safety trainings and suitable personal safety equipment. At the same time, the Company has also stipulated regulations and procedures regarding treatment of chemical and dangerous wastes response to fire emergencies and injuries of employees in order to ensure the safety of our maintenance shops. For example, the Company organizes internal trainings from time to time to ensure that all automobile maintenance staff is aware of the potential dangers in relation to (health, fires, reaction and environment) and understands how to treat dangerous wastes in a safe and correct manner in order to safely discharge such wastes and minimize the adverse impact on human and environment.

Practices in Operation

B5. Supply Chain Management

The Group stipulated relevant mechanism regarding supply chains for different types of businesses, aiming at standardizing the working flow for selecting suppliers by all 4S stores and pursuing the overall efficiency and effectiveness of the whole supply chains and reducing cost. In addition, it could help coordinating relations with suppliers and achieve win-win situation.

At the same time, we encourage suppliers to maintain high standard in business morality and activities as well as to achieve satisfactory environmental and social performance. In selection of suppliers, we ensure that we select qualified suppliers with no conflicted interests with the help of our mature and fair management system.

B6. Product Responsibility

Business Integrity

Customers are our foundation. The Group attaches great importance to providing customers with high quality and safe products and services. We purchased products from third party auto manufacturers (suppliers) in accordance with the demands in customer orders, and all specifications and terms and conditions are included in the relevant agreement/auto purchase contract entered into with the customers after confirming with customers.

In addition, in terms of after-sales services (including but not limited to auto maintenance and repair), the Group has established management system suitable for the relevant business. Such system effectively clarifies the service standards to promptly deal with customers requests, to collect ideas from customers, to provide customers with most satisfactory services, to gather market information and to continuously improve our customer service ability. At the same time, the Group has taken measures to protect privacy of customers from any forms of disclosure.

B7. Anti-Corruption

Business integrity serves as one of the core values of the Group. To enforce the moral standards and to maintain honesty and integrity as well as sound corporate governance, the Group established a comprehensive internal auditing system, internal control system and anti-corruption management system. The Group has a internal auditing department responsible for the internal auditing and internal control of the Company and its affiliates, overseeing and controlling the economic activities such as financial revenues and expenditures, financial budget, financial final accounts and operation performance of the Group and its affiliates as well as projects such as equity investments, thus reducing operation risks and playing a better role in control and prevention of risks.

At the same time, the Group holds regular lectures for our employees about traps of corruption and the importance of professional morality. We prohibit any employee from involving in any types of bribery with suppliers and customers or receiving or giving any interests from or to our business partners in exchange for business advantages or benefits.

In addition, as employees take part in the daily operation of the Company, they are not allowed to involve into any insider dealings of the shares of the Company or any disclosure of any insider information which might result in benefiting from investment into the Company or influencing the stock price.

B8. Community Investment

The Group advocates the philosophy of "being upright to influence others" and promotes the ideas of undertaking duties and more social responsibilities in order to gather various forces and pay back the society. At the same time, we understand that the social responsibility is the internal impetus and support for our sustainable development. Therefore, the Group encourages and trains our employees to undertake social responsibilities and take part in more community services and public programs, thus transferring our philosophy of "being upright to influence others" to social public.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS

The Board currently consists of nine Directors, comprising four executive Directors, one non-executive Director and four independent non-executive Directors.

Executive Directors

Mr. Yang Peng (楊鵬), aged 47, is our Chairman, executive Director and President of our Group as well as the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Yang has substantial experience in the automobile dealership industry. He is the founder of our Group and has been the president of our Group since March 1998. Mr. Yang is responsible for our Group's overall business development and strategic planning. Mr. Yang also serves as a director/corporate representative of various subsidiaries of the Company. From October 1999 to October 2001, he served as the deputy general manager of Jiangsu Hangao Information Industry Co., Ltd. (江蘇漢高信息產業股份有限公司). The Hangao Food website of this company (www.hangaofood.com) is the first "Pilot Urban E-Commerce Project" in the PRC and a significant technological breakthrough project under the "Ninth Five-Year Plan". Mr. Yang Peng also worked at the finance department of Xuzhou Transportation Bureau (徐州市交通局財務科) from September 1990 to September 1992. Mr. Yang obtained an EMBA degree from Cheung Kong Graduate School of Business in October 2009.

Mr. Liu Dongli (柳東靂), aged 46, is an executive Director and vice Chairman of the Board. He has extensive experience in the automobile industry. Mr. Liu joined our Group as vice chairman of the board of the directors in October 2013. Mr. Liu is also a director of Rundong Automobile Group Co. Ltd, a wholly-owned subsidiary of the Company. Prior to joining our Group, Mr. Liu was the executive director of Dongjian Investment Consulting (Shanghai) Company Limited (東堅投資諮詢（上海）有限公司) from May 2013 to September 2013. He acted as the executive director and the chief investment officer in China ZhengTong Auto Services Holdings Limited ("**China ZhengTong**") (HK stock code:1728) from November 2010 to May 2012. From August 2009 to July 2010, Mr. Liu was the vice President of Hubei Shengze Industrial Company Limited (湖北聖澤實業有限公司). Prior to this, Mr. Liu worked for China Grand Automotive Service Co., Ltd. (廣匯汽車服務股份有限公司), an automobile dealership group in China, holding the positions of chief operating officer, acting chief executive officer and chief dealership network officer, from October 2007 to July 2009. From October 1999 to September 2007, Mr. Liu held various positions at Shanghai Shenhua Holdings Co., Ltd. (上海申華控股股份有限公司) (Shanghai stock code: 600653), a listed subsidiary of Brilliance Auto Group Co., Ltd. (華晨汽車集團控股有限公司), including the deputy manager of the investment department from 1999 to 2002, secretary of the board of directors and the head of investment department from 2002 to 2003, vice President from May 2002 to October 2007, director of the board from December 2005 to October 2007. Mr. Liu obtained an MBA degree from Shanghai University of Finance and Economics in June 2000. Mr. Liu is also currently the vice chairman of the China Auto Dealers Chambers of Commerce.

Mr. Zhao Zhongjie (趙忠階), aged 47, is an executive Director and executive president responsible for management of investment development and partnership with major manufacturers. Mr. Zhao also serves senior management positions of various subsidiaries of the Company. Mr. Zhao joined our Group in July 2004 and has held various positions within our Group including secretary of the board of our Group from July 2004 to December 2007, the vice general manager of our Group from January 2007 to October 2010, deputy general manager of the management company in Xuzhou area and the director responsible for investment and development of our Group from October 2010 to March 2012 and deputy chief president responsible for investment and development of our Group from March 2012 to March 2013. He was the executive vice President of our Group from March 2013 and was promoted as the executive president of our Group responsible for overseeing the business operation and daily administration of our Group in November 2013. Mr. Zhao has more than ten years of experience in the automobile dealership industry and his past experiences include overseeing various investments and network development, human resources, financial accounting, business operations of our Group. Mr. Zhao obtained an MBA degree from China Europe International Business School in September 2009.

Mr. Liu Jian (劉健), aged 48, is an executive Director and vice President of our Group. Mr. Liu joined our Group in October 2002 and has held various positions within our Group since then. From 2003 to 2005, Mr. Liu was the chief operating officer and the chief marketing officer of our Group. Thereafter, Mr. Liu served as the deputy general manager of Xuzhou Rundong Automobile Sales Management Company Limited, the general manager of Xuzhou Rundong Zhitian Automobile Sales and Services Company Limited and Xuzhou Rundong Zhicheng Automobile Sales and Services Company Limited since 2006, the assistant general manager of our Group from 2007 to 2008 and the deputy general manager of our Group from 2009 to 2012. Prior to joining our Group, he was the secretary of the board of directors and head of the human resources department of Jiangsu Hangao Information Industry Co., Ltd. (江蘇漢高信息產業股份有限公司) from October 1999 to September 2002. Mr. Liu obtained an MBA degree from the School of Business of Nanjing University in June 2010.

Non-executive Director

Mr. Yan Sujian (燕蘇建), aged 61, is a non-executive Director and vice Chairman of the Board and a member of the Audit Committee of the Company. Mr. Yan joined our Group in March 2003. From March 2003 to May 2010, Mr. Yan was the general manager of our Group. Since then, he has served as the vice chairman of the board of our Group. Prior to joining our Group, he was a deputy general manager of Jiangsu Local Products Company (江蘇省土產公司) from April 1988 to December 1990. From December 1990 to May 1997, he was the committee secretary of the Communist Party of China's branch in Xuzhou Supply and Sales Company (徐州供銷大廈) and the general manager of that company. He then worked as the deputy head of the standing committee of the Communist Party of China's branch in Xuzhou Supply and Sales Head Office (徐州供銷總社) from June 1997 to December 1997. Mr. Yan graduated from Nanjing University of Science and Technology with a bachelor's degree in Economic Management in July 1995.

Independent Non-executive Directors

Mr. Peng Zhenhuai (彭真懷), aged 54, is an independent non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Peng is a researcher of Beijing New Normal Research Institute (北京新常態智庫研究院) and a distinguished visiting professor of Shih Chien University in Taiwan. He is also an appraiser of bachelor's thesis in Chinese Academy of Agricultural Sciences (中國農業科學院) and a reviewer of doctoral dissertation in China University of Political Science and Law. Mr. Peng obtained an academic certification that he has the same educational level as a doctoral candidate in economics from Beijing Normal University in February 2010.

Mr. Mei Jianping, aged 56, is an independent non-executive Director and the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Mei is currently the professor of Finance at Cheung Kong Graduate of Business Since 2006. He is currently an independent non-executive director of Powerlong Real Estate Holdings Limited (HK stock code: 1238), MIE Holdings Corporation (HK stock code: 1555), Ground Properties Company Limited (HK stock code: 989) and Cultural Investment Holdings Company Limited (Shanghai stock code: 600715). Mr. Mei received a doctorate degree in economics (finance) from Princeton University in January 1990.

Mr. Lee Conway Kong Wai (李港衛), aged 62, is an independent non-executive Director and the Chairman of the Audit Committee of the Company. Mr. Lee has over 30 years of experience in public accounting and auditing, corporate finance, merger and acquisition and initial public offerings. From September 1980 to September 2009, Mr. Lee served as a partner of Ernst & Young. Mr. Lee is currently an independent non-executive director of West China Cement Limited (HK stock code: 2233), Chaowei Power Holdings Limited (HK stock code: 951), GOME Electrical Appliances Holding Limited (HK stock code: 493), Tibet Water Resources Ltd (HK stock code: 1115), NVC Lighting Holding Limited (HK stock code: 2222), China Modern Dairy Holdings Ltd. (HK stock code: 1117), Yashili International Holdings Ltd (HK stock code: 1230), GCL New Energy Holdings Limited (HK stock code: 451) and WH Group Limited (HK stock code: 288). Mr. Lee acted as a non-executive director and deputy chairman of China Environmental Technology and Bioenergy Holdings Limited (formerly known as "Merry Garden Holdings Limited") (HK stock code: 1237) from July 2014 to September 2015. Mr. Lee also acted as an independent non-executive director of CITIC Securities Company Limited (HK stock code: 6030, Shanghai stock code: 600030) from November 2011 to May 2016. Mr. Lee also acted as an independent non-executive director of China Taiping Insurance Holdings Company Limited (HK stock code: 966) from October 2009 to August 2013. Mr. Lee has been a member of the Institute of Chartered Accountants in England and Wales since October 2007, the Institute of Chartered Accountants in Australia and New Zealand since December 1996, the Association of Chartered Certified Accountants since September 1983, the Hong Kong Institute of Certified Public Accountants since March 1984 and the Macau Society of Certified Practising Accountants since July 1995. In 2007, Mr. Lee was made a member of Chinese People's Political Consultative Conference of Hunan Province. Mr. Lee obtained his post graduate diploma in business at Curtin University of Technology in Australia in February 1988.

Mr. Xiao Zhengsan (肖政三), aged 53, is an independent non-executive Director and a member of the Nomination Committee and Remuneration Committee of the Company. Mr. Xiao has been a director of the exhibition department and deputy secretary general of CADA since August 2008, and has been promoted to the secretary general since November 2014. He served as a supervisor of Baocheng Investment Co., Ltd. (寶誠投資股份有限公司) (Shanghai stock code: 600892) from July 2003 to June 2008. Mr. Xiao obtained a bachelor's degree in financial accounting from Jiangxi University of Finance and Economics in July 1984.

SENIOR MANAGEMENT

Mr. Shen Mingming (沈銘明), aged 47, has been an executive president of our Group since September 2015, responsible for overseeing the business operation and daily management of our Group. Mr. Shen also serves as a director of various subsidiaries of the Company. Prior to joining the Group, he worked in China Construction Bank Guangxi branch from 1993 to 2006, successively holding the position of sub-branch deputy general manager, deputy president of the branch, president, director of the general office. From 2010 to 2012, he served as the General Manager of Rundong Auto Group Limited. From 2012 to 2015, he acted as the General Manager and Chairman of Guangxi Lianrun Industry Group Co., Ltd.. Mr. Shen has more than 10 years of senior management experience in automobile industry. Mr. Shen graduated with a bachelor's degree from Jiangxi University of Finance and Economics in July 1993 and a master degree of Business Administration from Southwest Jiaotong University in November 2011.

Mr. Jiang Xiaofei (姜曉飛), aged 48, has been a Vice President of our Group since November 2013. Mr. Jiang joined our Group in September 2009. He served as the general manager in charge of the area of Xuzhou, Lianyungang and Huai'an from November 2012 to November 2013 and served as the general manager in charge of the area of Lianyungang and Huai'an from July 2011 to November 2012. Since then, he has served as the vice President of our Group. Prior to joining our Group, Mr. Jiang worked as the vice President of Heqing Road Sub-branch and the president of Dama Road Sub-branch of Xuzhou Branch of Jiangsu Bank from June 2001 to September 2009. He also held various positions at Xuzhou branch of Industrial and Commercial Bank of China from January 1988 to June 2001, including office clerk and the chief of the credit business department. Mr. Jiang obtained an MBA degree from Nankai University in December 2011.

Mr. Mok Kwok Choi Peter (莫國材), aged 48, has been the Vice President of our Group since January 2016, responsible for operation management. Prior to joining the Group, Mr. Mok held the position of General Manager in Beijing area of Beijing Yanbao Auto Sales Co., Ltd. from April 2003 to June 2010. From July 2010 to July 2012, he served as the Chief Operating Officer of China ZhengTong Auto Services Holdings Limited (HK stock code: 1728), responsible for overall operation management. From 2012 to February 2015, Mr. Mok served as the General Manager of Audi and Porsche brands in Beijing Betterlife Automobile Import & Export Group Co., Ltd.. Mr. Mok has more than 12 years of senior management experiences in automobile industry and extensive experience in operation of domestic high-end automobile brands and group management. Mr. Mok graduated with a bachelor's degree from University of Hong Kong in November 1991 and a master of Business Administration from the University of Strathclyde in July 2005.

Ms. Zhao Xiaojie (趙曉潔), 43, has been the Vice President of our Group since February 2017. Prior to joining the Group, Ms. Zhao worked as Zeiss China Human resources director from 2011. She previously worked for KONE (通力電梯) as China Human Resources Shared Service Senior Manager and China compensation and benefits manager during the period of 2007 to 2011. She also worked as Assistant Vice Human Resources president in Citibank China from 2006 to 2007. Ms. Zhao has over 12 years' work experience in whole-owned foreign invested companies. Ms. Zhao received her M.A. majoring in Human Resources Management and Industry Relations from Sydney University in 2013.

JOINT COMPANY SECRETARIES

Mr. Zhou Jian (周健), aged 40, is a joint company secretary of our Company since January 2014. He joined our Group as the secretary of the board of our Group in November 2012. Prior to joining our Group, Mr. Zhou was a partner and senior consultant of Beijing GOS Enterprise Management Consulting Company Limited (北京盛高企業管理諮詢公司) from April 2007 to October 2012. Mr. Zhou obtained an MBA degree from Beijing Institute of Technology in October 2005.

Ms. Ho Siu Pik (何小碧), aged 53, is a joint Company Secretary of our Company and was appointed on January 2014. Ms. Ho is a director, Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated Business, Corporate and Investor Services. Ms. Ho has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Ho is a Chartered Secretary and a fellow member of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ho is a holder of the Practitioner's Endorsement from HKICS.

REPORT OF DIRECTORS

The Directors are pleased to present this report together with the audited consolidated financial statements of the Group for the year ended December 31, 2016.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Please refer to note 40 of the financial statements of this annual report.

RESULTS

The results of the Group for the year ended December 31, 2016 are set out in the consolidated financial statements 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, 2016 and for the past five financial years are set out on page 3 of this annual report.

BUSINESS REVIEW

Annual Business and Result Review

Result analysis on the Group's business and combined with the key financial performance index is set out in the section headed "Management Discussion and Analysis" on pages 9 to 18 of this annual report.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group promotes environmental protection and is committed to reducing the impact of business operation on the environment. On the principle of "Energy-saving, Consumption-reducing, Pollution-minimizing and Efficiency-increasing", the Group has been actively participating in and propelling the development of new energy automobiles all the time. The Group has already opened 2 stores for new energy automobiles, and has granted to certain 4S stores more authorization and showcases in respect of electric automobiles. Meanwhile, the Group vigorously carried out the energy management and performed various energy-saving and energy efficiency measures in each store and office area, including adopting the LED lighting and installing energy saving air conditioning system with high efficiency to reduce energy consumption and avoid unnecessary energy dissipation. We have executed a series of measures internally to diminish our use of paper in office and promote reusing the waste paper. In future, we will continue to conduct education and publicity on environmental protection and encourage employees to behave in an environment-friendly way to assist the Group to reduce the adverse effect on the environment.

More details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Company are provided in the section headed "Environmental, Social and Governance Report" on pages 31 to 35 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTY

Risks in Relation to Adjustments on Government Policy on Automobile Purchase and Consumption and Finance and Taxation Policy

The government policy on automobile purchase and ownership has great influence over the consumers' behavior, therefore, it may cause material impact on our business. The change in the Chinese finance policy, such as introducing new tax and increasing tax rate, may exert impact on the Group's profit.

The automobile sales may also be impacted by the quota or other measures performed by the local governments of places in which we operate to control the local automobile quantity.

In order to minimize the influence, the Group will enhance communication with regulators and industry associations.

Human Resource Structure Risk

With the brand diversification and the expansion of the Group, the talent pool fell behind our development. Thus, certain problems gradually turned up, such as insufficiency of talents in corporate management and store operation.

The Group will continuously establish and improve the talent introduction system, the personnel training system and the talent incentive system to attract and cultivate various talents the Group needs. With more efforts in human resources training, we will carry out training work for personnel of different ranks in an proactive manner to achieve targeted training covering employees of different hierarchical levels.

Financial Risk

Major financial instruments of the Group include bank loans, other interest-bearing loans, cash and short-term deposits. Such financial instruments raise proceeds for the Group's business operations. Major risks in relation to the Group's financial instruments represent interest rate risk, foreign exchange risk, credit risk and liquidity risk. Details of such risks are set out in note 39 to the financial statements. The Group will continue to monitor and control relevant risk factors and report risks in a timely manner to prevent financial risks effectively.

Investment and Acquisition Risk

The Group continues to cautiously expand the scale and geographical spread of its businesses through investment in organic growth, as well as undertaking selective mergers, acquisitions and disposal activities if appropriate opportunities in the market arise. Success of the Group's mergers and acquisitions will depend, among other things, on the ability of the Group to realise the expected synergies, cost savings and growth opportunities upon integration of the merged or acquired businesses. These businesses may require significant investment and the commitment of executive management time and other resources. There can be no assurance that a failure to operate the merged or acquired businesses successfully or a longer than projected period to realise the expected synergies, will not adversely affect the Group's financial condition and results of operations.

The Group will carefully select investment projects, strictly comply with the programs and processes of project approval and feasibility studies, so as to standardize the investment approval process and improve our capital operation ability.

Use of Proceeds

In 2015, Greenland subscribed shares of the Company at a total subscription price of approximately HK$1.55 billion. Upon completion of the subscription in August 2015, Greenland held 30% equity interest of the Company and after deducting related expenses, the Company obtained a total of net proceeds of approximately RMB1.27 billion. In June 2016, Greenland sold all its entire equity interest in the Company to Rundong Fortune and ceased to be a shareholder of the Company. As disclosed in the circular of the Company dated July 13, 2015 (the "**Circular**"), the Company intends to use approximately 60% of the net proceeds for financing new projects for potential operations in related new business segments; approximately 30% for improving the capital structure of the Group; and approximately 10%, for working capital of the Group and other general corporate purposes. As at December 31, 2016, the proceeds had been fully utilized in the intended manner as set out the Circular. Please refer to the Circular; the announcement dated July 3, 2016 and composite document dated July 27, 2016 jointly issued by the Company and Rundong Fortune for more information.

RESERVES

As at December 31, 2016, distributable reserves of the Company amounted to RMB3,388.9 million. Details of movements in reserves of the Company during the year are set out in note 31 to the financial statements of this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend to the shareholders of the Company for the year ended December 31, 2016.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on June 8, 2017. Notice of the annual general meeting will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, June 5, 2017 to Thursday, June 8, 2017, both dates inclusive, during which time no transfer of shares will be registered. To qualify for attending and voting at the annual general meeting, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, June 2, 2017 for registration of the relevant transfer.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property and equipment during the year ended December 31, 2016 are set out in note 13 to the financial statements of this annual report.

SHARE CAPITAL

Details of movements in share capital during the year are set out in note 30 to the financial statements of this annual report.

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

During the year ended December 31, 2016, neither the Company nor any of its subsidiaries purchased or redeemed any of the Company's listed securities on the Stock Exchange.

CONNECTED TRANSACTION

During the Reporting Period, the Group did not enter into any connected transaction or continuing connected transaction required to be disclosed in accordance with the Listing Rules. The related party transaction as set out in note 37 to the financial statements does not fall under the scope of connected transactions under Chapter 14A of the Listing Rules. The Company has compiled with Chapter 14A of the Listing Rules as and when applicable and relevant.

OTHER BORROWINGS

Details of bank loans and other borrowings of the Group during the Reporting Period are set out in note 28 to the financial statements of this annual report.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

The Company has received an annual confirmation from its controlling shareholders, Rundong Fortune, Cheerful Autumn Holdings Limited ("**Cheerful Autumn**"), Rue Feng Holdings Limited ("**Rue Feng**") and Mr. Yang Peng to confirm that from the date of execution of non-competition undertaking to the year ended December 31, 2016, they had been in compliance with the non-competition undertaking provision set out in the Prospectus, and they did not engage or hold any interest in any business which is or is likely to be in competition, directly or indirectly, with the business of the Group.

The independent non-executive Directors had reviewed the above undertaking and concluded that Rundong Fortune, Cheerful Autumn, Rue Feng and Mr. Yang Peng had been in compliance with the non-competition undertaking from the date of execution of non-competition undertaking to the year ended December 31, 2016.

FACILITY AGREEMENT ENTERED IN NOVEMBER 2015

The Company entered into a facility agreement with a syndicate of banks on November 27, 2015 (the "**Facility Agreement**") for a term loan facility of US$100,000,000, which subject to the accession by any additional bank(s) to the Facility Agreement pursuant to the terms thereunder will be increased by an amount contemplated to be approximately US$150,000,000 (the "**Facility**"). Such loan was fully repaid in September 2016. Further details of the Facility Agreement was reported in the 2015 annual report of the Company.

REPORT OF DIRECTORS

DIRECTORS

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

Executive Directors	Yang Peng *(Chairman and President)* Liu Dongli *(Vice Chairman)* Zhao Zhongjie *(Executive President)* Liu Jian *(Vice President)*
Non-executive Directors	Zhao Fu (resigned on May 27, 2016) Yan Sujian *(Vice Chairman)* Li Wei (resigned on August 17, 2016) Wu Zhengkui (resigned on August 17, 2016) Wu Jin (appointed on May 27,2016, and resigned on August 17, 2016)
Independent Non-executive Directors	Peng Zhenhuai Mei Jianping Lee Conway Kong Wai Xiao Zhengsan

Pursuant to article 16.18 of the Articles, Mr. Yang Peng, Mr. Liu Dongli, Mr. Zhao Zhongjie, Mr. Liu Jian, Mr. Yan Sujian and Mr. Peng Zhenhuai will retire at the AGM to be held on June 8, 2017. All of the retiring Directors, save as Mr. Yan Sujian and Mr. Peng Zhenhuai who do not intend to offer themselves for re-election due to their other commitments, will offer them for re-election the AGM.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS

Save as disclosed under note 37 to the financial statements, no transactions, arrangement or contract of significance to which the Company, its holding company or any of its subsidiaries was a party, and in which a Director or an entity connected with such Director had a material interest, whether directly or indirectly subsisted at any time during the year ended December 31, 2016.

MATERIAL CONTRACTS WITH SUBSIDIARIES AND CONTROLLING SHAREHOLDERS OR ITS SUBSIDIARIES

During the Reporting Period, the Company obtained a financial assistance from Mr. Yang Peng, a controlling shareholder of the Company. As at December 31, 2016, the borrowing provided by Mr. Yang Peng was RMB168.82 million. Mr. Yang Peng did not obtain any interest from the financial assistance and the Group did not provide any assets as pledge.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

As of December 31, 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in shares or underlying shares of the Company

Name of Director/ Chief Executive	Nature of Interest	Number of Shares or underlying shares[1]	Approximate percentage of shareholding interest
Yang Peng[2]	Interest of controlled corporation, Beneficial owner	1,358,115,943 (L) 325,949,347 (S)	143.49% 34.44%
Liu Dongli[3], [4]	Beneficiary of a trust, Beneficial owner	6,599,368 (L)	0.70%
Zhao Zhongjie[4], [5]	Beneficiary of a trust, Beneficial owner	6,837,538 (L)	0.72%
Liu Jian[4], [6]	Beneficiary of a trust, Beneficial owner	4,271,414 (L)	0.45%
Yan Sujian[4], [7]	Beneficiary of a trust, Beneficial owner	4,275,638 (L)	0.45%

Notes:

(1) 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.

(2) Mr. Yang Peng as the protector of the Rue Feng family trust is deemed to be interested in the shares held as he has the power to appoint and remove, and to amend the rights of, the trustee to the Rue Feng family trust, currently being HSBC International Trustee Limited. Mr. Yang Peng also (a) beneficially interested in 25,829,196 management subscription shares pursuant to the Management Subscription; and (b) interested in 664,268,747 convertible preference shares, as he is deemed to be interested in the same number of convertible preference shares which Rundong Fortune is interested in under the SFO.

Mr. Yang Peng as the protector of the Rue Feng family trust controls Rundong Fortune. Rundong Fortune has pledged certain shares in favor of Cheer Hope Holdings Limited, which is wholly controlled by CCBI Investments Limited, which is wholly controlled by CCB International (Holdings) Limited, which is wholly controlled by CCB Financial Holdings Limited, which is wholly controlled by CCB International Group Holdings Limited, which is wholly controlled by China Construction Bank Corporation, which is in turn 57.31% controlled by Central Huijin Investment Ltd.

(3) Mr. Liu Dongli is beneficially interested in (a) 5,416,460 management subscription shares and (b) 1,182,908 ordinary shares as a beneficiary of the trust.

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

(5) Mr. Zhao Zhongjie is beneficially interested in (a) 5,416,460 management subscription shares and (b) 1,421,078 ordinary shares as a beneficiary of the trust.

(6) Mr. Liu Jian is beneficially interested in (a) 3,398,920 management subscription shares and (b) 872,494 ordinary shares as a beneficiary of the trust.

(7) Mr. Yan Sujian is beneficially interested in (a) 3,092,730 management subscription shares and (b) 1,182,908 ordinary shares as a beneficiary of the trust.

Save as disclosed above, as at December 31, 2016, none of the Directors and the chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS TO BE DISCLOSED UNDER THE SFO

As at December 31, 2016, 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 of Shareholder	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding interest
Rundong Fortune Investment Limited[2]	Beneficial owner	1,332,286,747 (L)	140.76%
		325,949,347 (S)	34.44%
HSBC International Trustee Limited[2]	Trustee	1,332,286,747 (L)	140.76%
		325,949,347 (S)	34.44%
Cheerful Autumn Holdings Limited[2]	Interest in controlled corporation	1,332,286,747 (L)	140.76%
		325,949,347 (S)	34.44%
Rue Feng Holdings Limited[2]	Interest in controlled corporation	1,332,286,747 (L)	140.76%
		325,949,347 (S)	34.44%
China Auto Retail Holding Ltd II[3]	Beneficial owner	112,000,000 (L)	11.83%
		112,000,000 (S)	11.83%
KKR China Auto Retail Holding Ltd I[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
		112,000,000 (S)	11.83%
KKR China Growth Fund L.P.[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
		112,000,000 (S)	11.83%
KKR Associates China Growth L.P.[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
		112,000,000 (S)	11.83%
KKR China Growth Limited[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
		112,000,000 (S)	11.83%
KKR Fund Holdings L.P.[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
		112,000,000 (S)	11.83%
KKR Fund Holdings GP Limited[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
		112,000,000 (S)	11.83%
KKR Group Holdings L.P.[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
		112,000,000 (S)	11.83%
KKR Group Limited[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
		112,000,000 (S)	11.83%
KKR & Co. L.P.[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
		112,000,000 (S)	11.83%
KKR Management LLC[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
		112,000,000 (S)	11.83%
Kravis Henry Roberts[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
		112,000,000 (S)	11.83%
Roberts George R.[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
		112,000,000 (S)	11.83%
Central Huijin Investment Ltd.[4]	Person having a security interest in shares	325,949,347 (L)	34.44%
China Construction Bank Corporation[4]	Person having a security interest in shares	325,949,347 (L)	34.44%

Notes:

(1) 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.

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

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

(4) Based on the knowledge of the Company, pursuant to a deed of charge, Rundong Fortune has pledged certain shares in favor of Cheer Hope Holding Limited, which is wholly controlled by CCBI Investments Limited, which is wholly controlled by CCB International (Holdings) Limited, which is wholly controlled by CCB Financial Holdings Limited, which is wholly controlled by CCB International Group Holding Limited, which is wholly controlled by China Construction Bank Corporation, which is in turn 57.31% controlled by Central Huijin Investment Ltd.

Saved as disclosed above, as at December 31, 2016, the Company was not aware of any person (who are not Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be registered pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

a. Pre-IPO Share Option Scheme

In recognition of the contributions of certain Directors, senior management and employees of the Group to the growth and development of business and the listing of the Group, the Group has implemented a share option scheme on September 27, 2011 (the "**Pre-IPO Share Option Scheme**"). For more information, please refer to the section headed "History and Reorganization — Establishment of the Employee Pre-IPO Trust" of the prospectus of the Company.

The details of the movements of the Pre-IPO Share Option Scheme during the Reporting Period are as follows:

					Number of share options					
Type of participant	Date of grant	Exercise period	Vesting period	Exercise price per Share	Outstanding as at January 1, 2016	Granted during the Reporting Period	Lapsed/ forfeited during the Reporting Period	Exercised during the Reporting Period	Expired during the Reporting Period	Outstanding as at December 31, 2016
Employees	November 15, 2011	Note 1	Note 2	US$ 0.3573	5,203,800	704,640	708,673	–	–	6,254,741

Note 1: Each grantee to whom a share option has been granted shall be entitled to exercise his/her share option in such manner as set out below:

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

Note 2: The Pre-IPO Share Option shall be vested in accordance with the following schedule (the "**Vesting Date**"):

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

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

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

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

During the period from listing date to the date of this annual report, none of the Pre-IPO Share Options was granted or exercised.

b. Share Option Scheme

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

As at December 31, 2016, no option has been granted or agreed to be granted under the Share Option Scheme by the Company. The Share Option Scheme has been terminated from August 14, 2015.

c. Management Subscriptions

The purpose of the Management Subscriptions is to provide incentives to the Directors and the senior management of the Group who are regarded as valuable human resource of the Group to continuously drive the growth of the Group's businesses. On May 16, 2015, the Company entered into a Management Subscription Agreement with each of the Management Subscribers and the Connected Management Subscribers pursuant to which the Company conditionally agreed to allot and issue and the Management Subscribers and the Connected Management Subscribers, conditionally agreed to subscribe for, a total of 80,537,237 Management Subscription Shares at the price of HK$2.89 each pursuant to the terms and conditions of the Management Subscription Agreements. The 80,537,237 Management Subscription Shares represent (a) 8.5 % of the issued Ordinary Shares as at the end of the Reporting Period; and (b) 4.8 % of the issued Ordinary Shares as enlarged by the Subscription Ordinary Shares, the Conversion Shares and the Management Subscription Shares. Please refer to the circular dated July 13, 2015 for more information and terms used herein shall have the details as defined in such circular.

The Completion of the Management Subscriptions with respect to each of the Management Subscribers and the Connected Management Subscribers will take place in four installments (the "**Installment Completion**") on the anniversaries of the date of Completion of the Subscription Agreement (being August 14, 2015):

Time of Installment Completion	Percentage of the aggregate number of Management Subscription Shares agreed to be issued to the relevant subscriber (%)
First anniversary of the date of completion of the Subscription Agreement	30
Second anniversary of the date of completion of the Subscription Agreement	30
Third anniversary of the date of completion of the Subscription Agreement	20
Fourth anniversary of the date of completion of the Subscription Agreement	20

In addition to the Management Subscription Conditions, each Installment Completion with respect to each of the Management Subscribers and the Connected Management Subscribers is also conditional upon the fulfillment of the following conditions (the "**Installment Completion Conditions**"):

(a) the revenue and net profit of the Group for the financial year immediately preceding each Installment Completion are not less than the revenue and net profit of the Group for the financial year ended December 31, 2014, respectively;

(b) the relevant Management Subscriber or Connected Management Subscribers having achieved the performance target for the relevant financial year of the Company set by the Board specifically with respect to such subscriber (the "**Relevant Performance Target**"), subject to the following adjustments:

   i. if the relevant Management Subscriber or Connected Management Subscribers achieves 70% of his Relevant Performance Target before the relevant Installment Completion, the number of Management Subscription Shares that he is entitled to subscribe for at such Installment Completion shall be 70%;

   ii. if the relevant Management Subscriber or Connected Management Subscribers achieves between 70% to 100% of his Relevant Performance Target before the relevant Installment Completion, the number of Management Subscription Shares that he is entitled to subscribe for at such Installment Completion shall be adjusted proportionally (up to 100%); and

   iii. if the relevant Management Subscriber or Connected Management Subscribers achieves below 70% of his Relevant Performance Target, the Management Subscription Shares that he is entitled to subscribe for at such Installment Completion shall be cancelled.

(c) the relevant Management Subscribers or Connected Management Subscribers having remained as an employee of the Group; and

(d) compliance with the requirement of maintaining the prescripted public float under the Listing Rules by the Company and the voting rights of Rundong Fortune in the Company not falling from above 30% to below 30% at the relevant Installment Completion; otherwise the relevant Installment Completion will need to be postponed until these two conditions can be met.

Each Management Subscription Agreement shall be terminated, among other grounds, (a) upon mutual termination by the parties to the agreement; or (b) if the Management Subscription Conditions have not been satisfied within 12 months from the date of the relevant Management Subscription Agreement.

As the results of 2016 cannot fulfill the Subscription Conditions, the management cannot subscribe 30% of the shares in the second year, details of which are set out in the below table:

	Total subscription number *(shares)*	Unfulfilled subscription number in the first year *(shares)*	Unfulfilled subscription number in the second year *(shares)*	Remaining subscription number *(shares)*
Yang Peng	36,898,851	11,069,655	11,069,655	14,759,541
Liu Dongli	7,737,800	2,321,340	2,321,340	3,095,120
Zhao Zhongjie	7,737,800	2,321,340	2,321,340	3,095,120
Liu Jian	4,855,600	1,456,680	1,456,680	1,942,240
Yan Sujian	4,418,186	1,325,456	1,325,456	1,767,274
Zhu Lidong[Note 1]	3,477,800	1,043,340	2,434,460	0
Jiang Xiaofei	3,077,800	923,340	923,340	1,231,120
Zhao Ruoxu	4,077,800	1,223,340	1,223,340	1,631,120
Zhou Jian	4,777,800	1,433,340	1,433,340	1,911,120
Lee Nan-Ping[Note 2]	3,477,800	3,477,800	0	0
Total	80,537,237	26,595,631	24,508,951	29,432,655

Notes:

1. Zhu Lidong resigned his position in 2016;
2. Lee Nan-Ping resigned his position in 2015.

RETIREMENT BENEFIT SCHEME

As stipulated by the PRC state regulations, the Mainland China subsidiaries shall participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 14% to 22% (2015: 14% to 22%) of the year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

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

None of the retirement schemes have provisions for the forfeiture of contributions made to the scheme. Contributions to these plans are expensed as incurred. The Group's contributions to the retirement benefit schemes charged to the consolidated income statement for the year ended December 31, 2016 was RMB33.82 million (2015: RMB36.07 million).

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 5% to 10% (2015: 5% to 10%) of the salaries and wages of the employees, which is administered by the Public Accumulation Funds Administration Center. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

As at December 31, 2016, the Group had no significant obligation apart from the contributions as stated above.

EMOLUMENT POLICY

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

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

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

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

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, 2016.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and senior management's liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. Pursuant to the Articles, 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 or otherwise in relation thereto.

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 73.5% (2015: 78.1%) and the largest supplier accounted for approximately 30.0% (2015: 29.5%) of the Group's total purchases for the year ended December 31, 2016.

At no time during the year ended December 31, 2016 have any of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of number of issued shares of the Company) had any interest in these major customers and suppliers.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group recognises that the employees, customers and suppliers are the key to corporate sustainability and are keen on developing long-term relationships with these stakeholders. The Company places significant emphasis on human capital and strives to foster an environment in which the employees can develop to their fullest potential and can assist their personal and professional growth. The Company provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide the products and services in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products and services so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a timely and effective manner.

The Group is also dedicated to develop good relationship with suppliers as long-term business partners to ensure stability of the Group's businesses. We reinforce business partnerships with suppliers by ongoing communication in a proactive and effective manner.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report (i.e. April 21, 2017), the Company has maintained at least 25% of the Company's total issued shares, the prescribed the minimum percentage of public float as required by the Listing Rules.

POST BALANCE SHEET EVENTS

Please refer to note 41 of the financial statements of this annual report for details of significant subsequent events after the Reporting Period.

AUDITORS

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

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, 2016 and up to the date of this annual report, we have complied with all the relevant laws and regulations in China and Hong Kong in all material respects.

On behalf of the Board
Yang Peng
Chairman

March 30, 2017

INDEPENDENT AUDITOR'S REPORT

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真:+852 2868 4432
ey.com

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

OPINION

We have audited the consolidated financial statements of China Rundong Auto Group Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 59 to 136, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent auditor's report *(Continued)*
To the shareholders of China Rundong Auto Group Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

KEY AUDIT MATTERS *(Continued)*

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill	
The goodwill of the Group arose from business combinations, amounted to RMB701 million as at 31 December 2016, which represented 5% of the total assets. The Group is required to perform impairment testing on goodwill annually. The management's assessment process involves significant estimates and judgements, including assessing expected future cash flow forecasts, associated growth rates, budgeted gross margins and the discount rates applied. The Group utilizes external valuation expert to assist on the goodwill impairment assessment, which requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate applied to the cash flow projection of goodwill impairment consideration. The Group's disclosures about goodwill are included in Note 2.4, Note 3 and Note 18 in the financial statements.	Our audit procedures included an assessment of the evaluation and testing the methodologies, key assumptions, and determination of cash-generating units, cash flow forecast and other data used by the Group. We involved our internal specialists to assist us with assessing the competence, capabilities and objectivity of the external valuation expert, reviewing the assumptions and methodologies used by the management, and the discount rate applied to the cash flow projection. Furthermore, we assessed the basis of preparing the cash flow forecasts taking into account the back testing results on the previous forecasts and the historical data related to the underlying assumptions. We also evaluated the growth rate used to extrapolate the cash flow by comparing against internal information, and external economic and market data.

Independent auditor's report *(Continued)*
To the shareholders of China Rundong Auto Group Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Accrual of vendor rebate	
The Group recorded accruals of vendor rebate amounted to RMB1,084 million in the consolidated financial statements resulting from the rebates receivables in accordance with the applicable terms and conditions of the suppliers' agreements. The accruals for vendor rebates involved management estimation and the extent of rebates entitlement under the respective categories of vendor rebate. Specific factors management considered included the recent historical sales volume patterns, the rebate rates applied and any other available information concerning the creditworthiness of suppliers. The Group's disclosures about rebates receivables are included in Note 2.4, Note 3 and Note 22 in the financial statements.	Our audit procedures included understanding the basis of rebate receivables made, and assessing the consistency of rebates receivables policies applied. We assessed the management estimation by reference to historical experience and trend, and checked sales volume to the historical actual sales and assessed rebate rates with rates as stipulated in the agreements. We also checked the calculation prepared by management, and checked to subsequent receipts after balance sheet date.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report *(Continued)*
To the shareholders of China Rundong Auto Group Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent auditor's report *(Continued)*
To the shareholders of China Rundong Auto Group Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Lap, Philip.

Ernst & Young
Certified Public Accountants
Hong Kong

30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	5(a)	**17,972,988**	14,923,054
Cost of sales	6(b)	**(16,350,479)**	(13,532,583)
Gross profit		**1,622,509**	1,390,471
Other income and gains, net	5(b)	**347,225**	267,092
Selling and distribution costs		**(480,779)**	(444,759)
Administrative expenses		**(491,081)**	(487,711)
Other expenses		**(90,038)**	(10,727)
Finance costs	7	**(480,652)**	(390,283)
Profit before tax	6	**427,184**	324,083
Income tax expense	8	**(145,787)**	(115,184)
Profit for the year		**281,397**	208,899
Profit for the year attributable to:			
Owners of the parent		**273,515**	203,303
Non-controlling interests		**7,882**	5,596
		281,397	208,899
Earnings per share attributable to ordinary equity holders of the parent:	12		
Basic			
— For profit for the year (RMB)		**0.29**	0.20
Diluted			
— For profit for the year (RMB)		**0.17**	0.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Profit for the year		**281,397**	208,899
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value	*19*	**43,300**	–
Income tax effect	*29*	**(10,825)**	–
		32,475	–
Exchange differences on translation of foreign operations		**(11,146)**	(814)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**21,329**	(814)
Other comprehensive income/(loss) for the year, net of tax		**21,329**	(814)
Total comprehensive income for the year, net of tax		**302,726**	208,085
Total comprehensive income for the year attributable to:			
Owners of the parent		**294,844**	202,489
Non-controlling interests		**7,882**	5,596
		302,726	208,085

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,209,989**	3,249,299
Land use rights	14	**467,157**	480,802
Intangible assets	15	**451,579**	484,763
Prepayments	16	**609,209**	389,413
Finance lease receivables	17	**1,179**	2,426
Goodwill	18	**700,724**	700,724
Available-for-sale investments	19	**149,300**	102,000
Deferred tax assets	29	**7,794**	10,657
Total non-current assets		**5,596,931**	5,420,084
CURRENT ASSETS			
Inventories	20	**2,175,151**	1,810,452
Trade receivables	21	**337,570**	251,775
Finance lease receivables	17	**3,148**	2,750
Prepayments, deposits and other receivables	22	**2,616,354**	2,317,658
Cash in transit	23	**31,550**	47,606
Pledged bank deposits	24	**2,207,144**	1,329,248
Cash and cash equivalents	25	**1,238,962**	1,513,212
Total current assets		**8,609,879**	7,272,701
TOTAL ASSETS		**14,206,810**	12,692,785
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**896,775**	1,403,609
Deferred tax liabilities	29	**151,386**	149,384
Total non-current liabilities		**1,048,161**	1,552,993
CURRENT LIABILITIES			
Trade and bills payables	26	**3,036,578**	2,775,017
Other payables and accruals	27	**1,817,941**	1,092,543
Amounts due to a related party	37	**168,822**	–
Interest-bearing bank and other borrowings	28	**4,437,234**	3,806,306
Income tax payable		**281,981**	249,196
Total current liabilities		**9,742,556**	7,923,062
NET CURRENT LIABILITIES		**(1,132,677)**	(650,361)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,464,254**	4,769,723
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**5**	5
Reserves	31	**3,388,911**	3,122,533
		3,388,916	3,122,538
Non-controlling interests		**27,177**	94,192
Total equity		**3,416,093**	3,216,730
TOTAL EQUITY AND LIABILITIES		**14,206,810**	12,692,785

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the parent											
	Share capital RMB'000 (note 30)	Share premium RMB'000 (note 30)	Merger reserve RMB'000 (note 31(i))	Share option reserve RMB'000 (note 33)	Statutory reserve RMB'000 (note 31(ii))	Other reserve RMB'000 (note 31(iii))	Available-for-sale investment revaluation reserve RMB'000 (note 31(iv))	Exchange fluctuation reserve RMB'000 (note 31(v))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	3	760,124*	522,797*	3,918*	129,361*	–	–*	(1,351)*	236,155*	1,651,007	88,596	1,739,603
Profit for the year	–	–	–	–	–	–	–	–	203,303	203,303	5,596	208,899
Other comprehensive loss	–	–	–	–	–	–	–	(814)	–	(814)	–	(814)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	–	(814)	203,303	202,489	5,596	208,085
Issue of share capital	2	1,266,524	–	–	–	–	–	–	–	1,266,526	–	1,266,526
Transfer from retained earnings	–	–	–	–	35,155	–	–	–	(35,155)	–	–	–
Equity-settled share option arrangements	–	–	–	2,516	–	–	–	–	–	2,516	–	2,516
At 31 December 2015 and 1 January 2016	5	2,026,648*	522,797*	6,434*	164,516*	–	–*	(2,165)*	404,303*	3,122,538	94,192	3,216,730
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**273,515**	**273,515**	**7,882**	**281,397**
Other comprehensive income/(loss)	**–**	**–**	**–**	**–**	**–**	**–**	**32,475**	**(11,146)**	**–**	**21,329**	**–**	**21,329**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**32,475**	**(11,146)**	**273,515**	**294,844**	**7,882**	**302,726**
Acquisition of non-controlling interests of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(30,603)**	**–**	**–**	**–**	**(30,603)**	**(74,897)**	**(105,500)**
Transfer from retained earnings	**–**	**–**	**–**	**–**	**50,165**	**–**	**–**	**–**	**(50,165)**	**–**	**–**	**–**
Equity-settled share option arrangements	**–**	**–**	**–**	**2,137**	**–**	**–**	**–**	**–**	**–**	**2,137**	**–**	**2,137**
At 31 December 2016	**5**	**2,026,648***	**522,797***	**8,571***	**214,681***	**(30,603)***	**32,475***	**(13,311)***	**627,653***	**3,388,916**	**27,177**	**3,416,093**

* These reserve accounts comprise the consolidated reserves of RMB3,122,533,000 and RMB3,388,911,000, respectively, in the consolidated statements of financial position as at 31 December 2015 and 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Operating activities			
Profit before tax		**427,184**	324,083
Adjustments for:			
Depreciation and impairment of property, plant and equipment	6(c)	**266,561**	227,369
Amortisation of intangible assets	6(c)	**33,224**	28,569
Amortisation of land use rights	6(c)	**13,645**	13,953
Finance costs	7	**480,652**	390,283
Interest income	5(b)	**(21,108)**	(19,026)
Loss on disposal of items of property, plant and equipment	6(c)	**11,602**	6,557
Equity-settled share option expense	33	**2,137**	2,516
(Increase)/decrease in inventories		**(364,699)**	294,500
(Increase)/decrease in trade receivables		**(85,795)**	10,790
Increase in prepayments, deposits and other receivables		**(298,696)**	(556,683)
Decrease/(increase) in finance lease receivables		**849**	(5,176)
(Increase)/decrease in pledged bank deposits		**(508,391)**	984,751
Decrease in cash in transit		**16,056**	21,625
Increase/(decrease) in trade and bills payables		**261,561**	(1,217,464)
Increase/(decrease) in other payables and accruals		**680,330**	(633,729)
		915,112	(127,082)
Income taxes paid		**(118,963)**	(82,930)
Net cash flows generated from/(used in) operating activities		**796,149**	(210,012)
Investing activities			
Purchase of items of property, plant and equipment		**(300,991)**	(340,038)
Proceeds from disposal of items of property, plant and equipment		**107,343**	73,732
Refund/purchase land use rights		**267**	(6,376)
Purchase of intangible assets		**(40)**	(1,856)
Interest received		**21,108**	19,026
Prepayment for potential acquisition, net		**(220,199)**	(379,801)
Purchase of available-for-sale investment		**(4,000)**	–
Acquisition of subsidiaries	32	**–**	(94,474)
Net cash flows used in investing activities		**(396,512)**	(729,787)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Financing activities			
Proceeds from issue of shares		**–**	1,266,526
Acquisition of non-controlling interests		**(105,500)**	–
Proceeds from interest-bearing bank and other borrowings		**12,436,902**	8,373,639
Repayment of interest-bearing bank and other borrowings		**(12,312,808)**	(8,090,499)
Interest paid		**(480,652)**	(392,621)
Dividend paid		**–**	(103,950)
Advance from a substantial shareholder	*37*	**168,822**	–
(Increase)/decrease in pledged bank deposits		**(369,505)**	328,572
Net cash flows (used in)/generated from financing activities		**(662,741)**	1,381,667
Net (decrease)/increase in cash and cash equivalents		**(263,104)**	441,868
Net foreign exchange differences		**(11,146)**	(814)
Cash and cash equivalents at beginning of year		**1,513,212**	1,072,158
Cash and cash equivalents at end of year	*25*	**1,238,962**	1,513,212
Analysis of balances of cash and cash equivalents			
Cash and bank balances	*25*	**1,238,962**	1,513,212
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		**1,238,962**	1,513,212

1. CORPORATE AND GROUP INFORMATION

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

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

On 27 January 2017, the Company changed its registered name from China Greenland Rundong Auto Group Limited (中國綠地潤東汽車集團有限公司) to China Rundong Auto Group Limited (中國潤東汽車集團有限公司).

2.1 BASIS OF PRESENTATION

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

The consolidated financial statements of the Group have been prepared and presented based on the principle of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), as if the Reorganisation had been completed as at the beginning of the year for the purpose of this report.

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**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group recorded net current liabilities of RMB1,132,677,000 as at 31 December 2016. The Directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the financial statements are prepared on a going concern basis.

2.1 BASIS OF PRESENTATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016.

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described 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 HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012–2014 Cycle,* which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) 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 amendments have had no significant impact on the Group's financial statements.

(b) 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 a 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 applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(c) Annual Improvements to HKFRSs 2012–2014 Cycle issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
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]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKFRS 12 included in *Annual Improvements 2014–2016 Cycle*	*Disclosure of Interests in Other Entities*[1]
Amendments to HKFRS 1 included in *Improvements 2014–2016 Cycle*	*First-time Adoption of International Financial Annual Reporting Standards*[2]
Amendments to HKFRS 28 included in *Annual Improvements 2014–2016 Cycle*	*Investments in Associates and Joint Ventures*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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. During 2015, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

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

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 previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

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 June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

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

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

(b) Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Fair value measurement *(Continued)*

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

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

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

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

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

(c) Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment and depreciation

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

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

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

Category	Estimated useful life	Estimated residual value
Buildings	15–25 years	3%
Leasehold improvements	Over the shorter of the lease terms and 5 years	–
Plant and machinery	10 years	3%
Furniture and fixtures	3–5 years	3%
Motor vehicles	6 years	3%

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets (other than goodwill)

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

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

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

(g) Leases

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

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

The Group as lessor

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Land use rights

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

(i) Investments and other financial assets

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Available-for-sale investments *(Continued)*

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

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

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

(j) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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 other expenses in the statement of profit or loss.

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Available-for-sale financial investments

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

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

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

(l) 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 and accruals, interest-bearing bank and other borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial guarantee contracts

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

(n) 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.

(o) 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.

(p) Inventories

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

(q) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

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

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

(s) Government grants

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

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

(t) Revenue recognition

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

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

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

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

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

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

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Vendor rebate

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

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

(v) Share-based payments

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

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

The cost of equity-settled transactions is recognised 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Share-based payments *(Continued)*

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

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

(w) 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 certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(x) Borrowing costs

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

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

(y) Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, 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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets were RMB7,794,000 and RMB10,657,000 as at 31 December 2016 and 2015, respectively. More details are given in note 29.

Operating lease commitments

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

Estimation uncertainty

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

Provision for inventories

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at lower of cost and net realisable value. The net realisable value is estimated based on current market situation and historical experience on similar inventory. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's financial position.

Impairment of goodwill

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

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

Estimation uncertainty *(Continued)*

Accrual of vendor rebate

The Group reviews the accruals of vendor rebate at the end of each reporting period by reference to the rebates receivables in accordance with the applicable terms and conditions of the suppliers' agreements. The accruals for vendor rebates involved management estimation and the extent of rebates entitlement under the respective categories of vendor rebate. Specific factors management considered included the recent historical sales volume patterns, the rebate rates applied and any other available information concerning the creditworthiness of suppliers.

Impairment of non-financial assets (other than goodwill)

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

Useful lives of property, plant and equipment

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

Useful lives of intangible assets

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.

4. SEGMENT INFORMATION

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

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

Information about geographical areas

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

Information about major customers

Since no revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2016 and 2015, no information about major customers is presented.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	2016 ***RMB'000***	2015 *RMB'000*
Revenue from the sale of motor vehicles	**15,787,649**	12,972,579
Others	**2,185,339**	1,950,475
	17,972,988	14,923,054

(b) Other income and gains, net

	2016 ***RMB'000***	2015 *RMB'000*
Commission income	**308,549**	225,708
Interest income	**21,108**	19,026
Rental income	**7,731**	7,557
Government grants	**5,500**	4,484
Others	**4,337**	10,317
	347,225	267,092

6. PROFIT BEFORE TAX

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

		2016 *RMB'000*	2015 *RMB'000*
(a)	Employee benefit expense (excluding directors' and chief executive's remuneration (*note 9*)):		
	Wages and salaries	**219,761**	189,990
	Equity-settled share option expense	**2,137**	2,516
	Other welfare	**95,845**	98,534
		317,743	291,040
(b)	Cost of sales and services:		
	Cost of sales of motor vehicles	**15,130,375**	12,430,503
	Others	**1,220,104**	1,102,080
		16,350,479	13,532,583
(c)	Other items:		
	Depreciation and impairment of items of property, plant and equipment	**266,561**	227,369
	Advertisement and business promotion expenses	**85,910**	73,992
	Lease expenses	**58,465**	60,483
	Amortisation of intangible assets	**33,224**	28,569
	Bank charges	**14,562**	10,110
	Amortisation of land use rights	**13,645**	13,953
	Write-down of inventories to net realisable value	**15,841**	–
	Loss on disposal of items of property, plant and equipment	**11,602**	6,557

7. FINANCE COSTS

	2016 *RMB'000*	2015 *RMB'000*
Interest expense on bank borrowings wholly repayable within five years	**393,687**	344,550
Interest expense on other borrowings	**87,007**	48,071
Less: interest capitalised	**(42)**	(2,338)
	480,652	390,283

8. TAX

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

	2016 *RMB'000*	2015 *RMB'000*
Current:		
Mainland China corporate income tax	**151,747**	125,812
Deferred tax *(note 29)*	**(5,960)**	(10,628)
	145,787	115,184

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

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

The subsidiaries incorporated in Hong Kong were subject to profits tax at the rate of 16.5% during the years ended 31 December 2016 and 2015. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2016 and 2015.

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

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

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

	2016 *RMB'000*	2015 *RMB'000*
Profit before tax	**427,184**	324,083
Tax at the applicable tax rate (25%)	**106,796**	81,021
Adjustments in respect of current tax of previous years	**777**	901
Expenses not deductible for tax	**27,658**	12,996
Tax losses utilised from previous years	**(7,259)**	–
Tax losses not recognised	**17,770**	20,236
Deductible temporary differences not recognised	**45**	30
Tax charge	**145,787**	115,184

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 2016				
	Directors' fees	Salaries, allowances and other benefits	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Yang Peng*	–	1,009	39	–	1,048
Mr. Liu Dongli	–	830	42	–	872
Mr. Zhao Zhongjie	–	885	42	–	927
Mr. Liu Jian	–	662	39	–	701
Non-executive directors:					
Mr. Yan Sujian	–	611	–	–	611
Mr. Li Wei**	–	–	–	–	–
Mr. Wu Zhengkui**	–	–	–	–	–
Mr. Wu Jin**	–	–	–	–	–
Mr. Zhao Fu**	–	–	–	–	–
Mr. Xiao Zhengsan	220	–	–	–	220
Mr. Mei Jianping	220	–	–	–	220
Mr. Peng Zhenhuai	220	–	–	–	220
Mr. Lee Conway Kong Wai	220	–	–	–	220
	880	3,997	162	–	5,039

* Mr. Yang Peng who acted as an executive director of the Company was also the President of the Company for the year ended 31 December 2016.

** On 27 May 2016, Mr. Zhao Fu resigned as non-executive director of the Company, and Mr. Wu Jin was appointed as non-executive director of the Company. On 17 August 2016, Mr. Li Wei, Mr. Wu Zhengkui and Mr. Wu Jin resigned as non-executive directors of the Company.

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

	Year ended 31 December 2015				
	Directors' fees	Salaries, allowances and other benefits	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Yang Peng*	–	912	33	–	945
Mr. Liu Dongli	–	768	35	–	803
Mr. Zhao Zhongjie	–	757	40	–	797
Mr. Liu Jian	–	576	35	–	611
Mr. Li Xiang**	–	251	23	–	274
Non-executive directors:					
Mr. Yan Sujian	–	540	–	–	540
Mr. Liu Haifeng**	–	–	–	–	–
Mr. Zhao Fu	–	–	–	–	–
Mr. Li Wei**	–	–	–	–	–
Mr. Wu Zhengkui**	–	–	–	–	–
Mr. Xiao Zhengsan	220	–	–	–	220
Mr. Mei Jianping	220	–	–	–	220
Mr. Peng Zhenhuai	220	–	–	–	220
Mr. Lee Conway Kong Wai	220	–	–	–	220
	880	3,804	166	–	4,850

* Mr. Yang Peng who acted as an executive director of the Company was also the President of the Company for the year ended 31 December 2015.

** On 14 August 2015, Mr. Li Xiang and Mr. Liu Haifeng resigned from their positions as an executive director and a non-executive director, respectively, and Mr. Li Wei and Mr. Wu Zhengkui were appointed as new non-executive directors of the Company.

During the year ended 31 December 2014, certain executive directors, a non-executive director and the chief executive were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 33 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year ended 31 December 2016 is included in the above directors' and chief executive's remuneration disclosures.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2016 and 2015.

10. FIVE HIGHEST PAID EMPLOYEES

The five individuals whose emoluments were the highest for the years ended 31 December 2016 and 2015 include four directors, whose emoluments are reflected in the analysis presented in note 9 above.

Details of the remuneration for the year of the remaining one (2015: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Salaries, bonuses, allowances and benefits in kind	**775**	593
Pension scheme contributions	**–**	35
Equity-settled share option expense	**–**	–
	775	628

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

	2016	2015
Nil to RMB1,000,000	**1**	1
RMB1,000,001 to RMB1,500,000	**–**	–
RMB1,500,001 to RMB2,000,000	**–**	–
	1	1

11. DIVIDENDS

The board of the directors does not recommend payment of dividend to the ordinary equity holders of the Company for the year ended 31 December 2016 (2015: Nil).

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 946,476,000 (2015: 1,026,474,750) 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.

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

	2016 ***RMB'000***	2015 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	**273,515**	203,303

	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**946,476,000**	1,026,474,750
Effect of dilution weighted average number of ordinary shares:		
Conversion preference shares	**664,268,747**	249,100,780
Share options	**906,423**	1,843,127
	1,611,651,170	1,277,418,657

	2016	2015
Earnings per share		
Basic (RMB)	**0.29**	0.20
Diluted (RMB)	**0.17**	0.16

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2016	2,321,584	523,325	227,572	205,057	406,967	180,873	3,865,378
Additions	6,498	15,750	444	2,169	119,168	202,167	346,196
Transfers	110,603	123,906	1,013	4,480	–	(240,002)	–
Disposals	(1,386)	–	(425)	(1,243)	(149,674)	–	(152,728)
At 31 December 2016	2,437,299	662,981	228,604	210,463	376,461	143,038	4,058,846
Accumulated depreciation and Impairment:							
At 1 January 2016	(273,068)	(45,050)	(65,160)	(113,003)	(119,798)	–	(616,079)
Depreciation and impairment provided during the year	(116,477)	(49,495)	(21,543)	(23,581)	(55,465)	–	(266,561)
Disposals	109	–	251	310	33,113	–	33,783
At 31 December 2016	(389,436)	(94,545)	(86,452)	(136,274)	(142,150)	–	(848,857)
Net book value:							
At 31 December 2015	2,048,516	478,275	162,412	92,054	287,169	180,873	3,249,299
At 31 December 2016	2,047,863	568,436	142,152	74,189	234,311	143,038	3,209,989

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

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2015	2,031,726	124,373	176,401	148,519	367,831	166,056	3,014,906
Additions	22,066	188,410	18,676	25,403	101,412	11,585	367,552
Transfers	69,795	148,081	9,643	7,842	–	(235,361)	–
Acquisition of subsidiaries *(note 32)*	202,786	62,461	22,852	25,413	38,006	238,593	590,111
Disposals	(4,789)	–	–	(2,120)	(100,282)	–	(107,191)
At 31 December 2015	2,321,584	523,325	227,572	205,057	406,967	180,873	3,865,378
Accumulated depreciation:							
At 1 January 2015	(174,350)	(8,867)	(42,186)	(71,641)	(77,555)	–	(374,599)
Depreciation provided during the year	(81,144)	(34,830)	(17,258)	(32,381)	(61,756)	–	(227,369)
Acquisition of subsidiaries *(note 32)*	(18,942)	(1,353)	(5,716)	(10,032)	(6,038)	–	(42,081)
Disposals	1,368	–	–	1,051	25,551	–	27,970
At 31 December 2015	(273,068)	(45,050)	(65,160)	(113,003)	(119,798)	–	(616,079)
Net book value:							
At 31 December 2014	1,857,376	115,506	134,215	76,878	290,276	166,056	2,640,307
At 31 December 2015	2,048,516	478,275	162,412	92,054	287,169	180,873	3,249,299

The application for the property ownership certificates for certain buildings with net book values of approximately RMB244,652,000 and RMB258,818,000, respectively, as at 31 December 2016 and 2015 was still in progress.

Certain of the Group's buildings with aggregate net book values of approximately RMB429,712,500 and RMB430,003,000, respectively, as at 31 December 2016 and 2015 were pledged as security for the Group's interest-bearing bank and other borrowings (note 28).

Certain of the Group's buildings with aggregate net book values of RMB14,528,000 and RMB27,570,000, respectively, as at 31 December 2016 and 2015 did not have building ownership certificates because they were built on land where the Group did not have the land use right certificates. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group can build the relevant buildings on such land, (2) no fine will be imposed on the Group for the use of land, (3) the relevant bureaus will not confiscate the constructions and other facilities built on such land, and (4) the Group will not be required to return the relevant land before public bidding. In the opinion of the directors, the risk of the relevant government authorities imposing a fine on the Group or confiscating the buildings is relatively low.

14. LAND USE RIGHTS

	2016 RMB'000	2015 RMB'000
Cost		
At the beginning of the year	**539,476**	376,377
Additions	**–**	12,938
Acquisition of subsidiaries *(note 32)*	**–**	150,161
At the end of the year	**539,476**	539,476
Accumulated amortisation		
At the beginning of the year	**(58,674)**	(32,689)
Charge for the year	**(13,645)**	(13,953)
Acquisition of subsidiaries *(note 32)*	**–**	(12,032)
At the end of the year	**(72,319)**	(58,674)
Net book value:		
At the end of the year	**467,157**	480,802

The Group's land use rights are related to land located in Mainland China. The remaining periods of the land use rights of the Group are from 11 to 47 years.

Certain of the Group's land use rights with aggregate net book values of approximately RMB135,300,000 and RMB185,641,000, respectively, as at 31 December 2016 and 2015 were pledged as security for the Group's interest-bearing bank and other borrowings (note 28).

Certain of the Group's land use rights are rights with aggregate net book values of RMB11,196,000 and RMB11,744,000, respectively, as at 31 December 2016 and 2015, of which the Group had not obtained the land use right certificates. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group can build and operate dealership stores on such land, (2) no fine will be imposed on the Group for the use of land, (3) the relevant bureaus will not confiscate the constructions and other facilities built on such land, and (4) the Group will not be required to return the relevant land before public bidding. In the opinion of the directors, the risk of the relevant government authorities imposing a fine on the Group or requiring the Group to return the relevant land before public bidding is relatively low.

Included in the Group's land use rights are rights to some parcels of land, with aggregate net book values of RMB31,392,000 and RMB34,703,000, respectively, as at 31 December 2016 and 2015, which the Group did not use for their designated usage. Under applicable PRC laws and regulations, government approval is required for land use rights holders to change the designated usage for the land. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group is the legal land use right holder of the relevant lands with full payment made, (2) the relevant bureaus are aware of the Group's present use of the land as dealership stores, and (3) there will be no fines or additional land grant fees to be imposed by the relevant bureaus and the Group will not be required to return the land to the government. In the opinion of the directors, the risk of the relevant government authorities imposing a fine on the Group or requiring the Group to return the relevant land is relatively low.

15. INTANGIBLE ASSETS

	Software RMB'000	Dealership relationship RMB'000	Customer relationship RMB'000	Insurance license RMB'000	Total RMB'000
Cost					
At 1 January 2016	**23,352**	**353,900**	**133,849**	**26,500**	**537,601**
Additions	**40**	**–**	**–**	**–**	**40**
At 31 December 2016	**23,392**	**353,900**	**133,849**	**26,500**	**537,641**
Accumulated amortisation					
At 1 January 2016	**(12,449)**	**(24,707)**	**(11,705)**	**(3,977)**	**(52,838)**
Charge for the year	**(3,724)**	**(18,345)**	**(8,923)**	**(2,232)**	**(33,224)**
At 31 December 2016	**(16,173)**	**(43,052)**	**(20,628)**	**(6,209)**	**(86,062)**
Net book value					
At 31 December 2016	**7,219**	**310,848**	**113,221**	**20,291**	**451,579**
Cost					
At 1 January 2015	19,394	141,300	50,137	26,500	237,331
Additions	1,856	–	–	–	1,856
Acquisition of subsidiaries *(note 32)*	2,102	212,600	83,712	–	298,414
At 31 December 2015	23,352	353,900	133,849	26,500	537,601
Accumulated amortisation					
At 1 January 2015	(8,411)	(9,297)	(4,178)	(1,743)	(23,629)
Charge for the year	(3,398)	(15,410)	(7,527)	(2,234)	(28,569)
Acquisition of subsidiaries *(note 32)*	(640)	–	–	–	(640)
At 31 December 2015	(12,449)	(24,707)	(11,705)	(3,977)	(52,838)
Net book value					
At 31 December 2015	10,903	329,193	122,144	22,523	484,763

16. PREPAYMENTS

	2016 RMB'000	2015 RMB'000
Prepayments for potential acquisitions *(i)*	**600,000**	379,801
Prepayments for land use rights	**9,209**	9,612
	609,209	389,413

(i) Included in the prepayment was an amount of RMB300 million made in relation to the proposed acquisition for Yangzhou Huawei Automobile Investment Management Co., Ltd. ("**Huawei Automobile**"), which principally engaged in automobile sales and services business, and the details of the proposed acquisition has been disclosed in the Group's public announcement dated 20 October 2016.

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.

	2016 RMB'000	2015 RMB'000
Analysed as:		
Current	**3,148**	2,750
Non-current	**1,179**	2,426
	4,327	5,176

Finance lease receivables comprise:

	Minimum lease receivables 2016 RMB'000	Present value of minimum lease receivables 2016 RMB'000
Analysed as:		
Within one year	**3,608**	**3,245**
In the second to fifth years, inclusive	**1,351**	**1,082**
	4,959	**4,327**
Less: unearned finance income	**632**	**N/A**
Present value of minimum lease receivables	**4,327**	**4,327**

18. GOODWILL

	2016 *RMB'000*	2015 *RMB'000*
Cost:		
At the beginning of the year	**700,724**	207,146
Acquisition of a subsidiary *(Note 32)*	**–**	493,578
At 31 December	**700,724**	700,724

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the respective cash-generating units for impairment testing.

The recoverable amounts of the cash-generating units have 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 units beyond the five-year period from the end of the reporting period is 3% (2015: 3%) for all years. The pre-tax discount rate applied to the cash flow projections is 17% (2015: 17.5%).

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 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.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2016 RMB'000	2015 RMB'000
Unlisted equity investments, at cost		
Jiangsu Bank Company Limited	–	53,000
Xuzhou Huaihai Nongcun Commercial Bank Company Limited	40,000	40,000
Tongshanxian Nongcun Credit Cooperation Association	9,000	9,000
Gaojing Internet Technology Company	4,000	–
	53,000	102,000
Listed equity investments, at fair value		
Jiangsu Bank Company Limited		
— At cost	53,000	–
— Accumulated fair value gains	43,300	–
	96,300	–
	149,300	102,000

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

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

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

In the first half year of 2016, the Group entered into an equity interest transfer agreement to acquire 10% equity interests of Gaojing Internet Technology Company (高景網絡技術(上海)有限公司 or "**Gao Jing**") at a consideration of RMB8,000,000. The Group does not have significant influence over Gao Jing and has classified its investment amount available-for-sale. As at 31 December 2016, the Group paid RMB4,000,000, i.e. 50% consideration, in accordance with the capital investment agreement.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. As at 31 December 2016 and 31 December 2015, certain unlisted equity investments with carrying amounts of RMB53,000,000 and RMB102,000,000, respectively, were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future. As at 31 December 2016, the equity shares in Jiangsu Bank were stated at fair value less impairment because Jiangsu Bank (600919) was listed in Shanghai Stock Exchange on 2 August 2016. The net gains in respect of the Group's available-for-sale investments of Jiangsu Bank recognised in other comprehensive income amounted to RMB43,300,000 (RMB32,475,000, net of tax) as at 31 December 2016.

As at 31 December 2016 and 2015, certain of the Group's bank loans amounting to RMB65,000,000 and RMB65,000,000, respectively, were secured by equity shares of Jiangsu Bank (note 28).

20. INVENTORIES

	2016 ***RMB'000***	2015 *RMB'000*
Motor vehicles	**1,990,391**	1,647,930
Spare parts and accessories	**200,601**	162,522
	2,190,992	1,810,452
Less: Provision for inventories	**15,841**	–
	2,175,151	1,810,452

Certain of the Group's inventories with carrying amounts of RMB1,543,191,000 and RMB1,314,186,000 as at 31 December 2016 and 2015 were pledged as security for the Group's bills payable.

Certain of the Group's inventories with aggregate net book values of approximately RMB458,666,000 and RMB404,745,000 as at 31 December 2016 and 2015 were pledged as security for the Group's interest-bearing bank and other borrowings (note 28).

21. TRADE RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**337,570**	251,775
Impairment	**–**	–
	337,570	251,775

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

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 RMB'000	2015 RMB'000
Within 3 months	**312,627**	235,108
3 to 12 months	**24,775**	14,696
Over 12 months	**168**	1,971
	337,570	251,775

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

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**312,627**	235,108
Less than 3 months past due	**24,775**	14,696
3 to 12 months past due	**168**	1,971
	337,570	251,775

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.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Prepayments to suppliers	**1,256,860**	1,080,999
Rebate receivables	**1,114,091**	750,228
Other receivables *(i)*	**130,000**	242,055
VAT recoverable	**28,523**	109,091
Prepaid expense	**9,104**	11,181
Others	**77,776**	124,104
	2,616,354	2,317,658

(i) In November 2016, the Group provided an advance of RMB130 million to Huawei Automobile for its working capital and operating activities purposes. The advance is unsecured and subject to the prevailing interest rate at 8% per annum for a term of 12 months period, or before the completion of Huawei Automobile acquisition (note 16), whichever is earlier.

In April 2015, the Group acquired 100% equity interests in eight dealership stores in Jiangsu Province and Shandong Province from independent third parties (the "Sellers"), at a cash consideration of RMB605 million (note 32). As at 31 December 2015, the other receivables due from the Sellers' related parties arising from the acquisition amounted to RMB242 million, which were fully collected by the Group as at 31 December 2016.

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.

23. CASH IN TRANSIT

	2016	2015
	RMB'000	*RMB'000*
Cash in transit	**31,550**	47,606

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

24. PLEDGED BANK DEPOSITS

	2016	2015
	RMB'000	*RMB'000*
Deposits pledged with banks as collateral against:		
— Bills payable granted by the banks	**1,289,134**	780,743
— Credit facilities granted by the banks	**918,010**	548,505
	2,207,144	1,329,248

The pledged bank deposits, which are all denominated in RMB as at 31 December 2016 and 2015, earn interest at interest rates stipulated by the respective financial institutions.

25. CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000
Cash and bank balances	**1,238,962**	1,513,212

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

The Group's cash and bank balances as at 31 December 2016 and 2015 are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
Denominated in:		
— RMB	**1,220,223**	1,115,097
— HKD	**5,031**	300,716
— USD	**13,708**	97,399
	1,238,962	1,513,212

26. TRADE AND BILLS PAYABLES

	2016 RMB'000	2015 RMB'000
Bills payable	**2,873,123**	2,700,467
Trade payables	**163,455**	74,550
Trade and bills payables	**3,036,578**	2,775,017

An aged analysis of the trade and bills payables as at 31 December 2016 and 2015, based on the invoice date, is as follows:

	2016 RMB'000	2015 RMB'000
Within 3 months	**2,407,881**	2,164,085
3 to 6 months	**600,624**	586,932
6 to 12 months	**26,175**	24,000
Over 12 months	**1,898**	–
	3,036,578	2,775,017

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

27. OTHER PAYABLES AND ACCRUALS

	2016 RMB'000	2015 RMB'000
Advances from customers	**1,058,759**	312,543
Payables for purchase of items of property, plant and equipment and land use rights	**239,136**	194,067
Taxes payable (other than income tax)	**174,940**	131,801
Unsettled consideration for business combinations *(note 32)*	**53,154**	53,154
Accrued expenses	**39,581**	33,654
Dividend payable	**13,320**	13,320
Advancements from former shareholders and employees arising from new acquisitions *(note 32)*	**68,840**	241,359
Others	**170,211**	112,645
	1,817,941	1,092,543

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2016 Effective interest rate (%)	2016 RMB'000	2015 Effective interest rate (%)	2015 RMB'000
Current					
Bank loans		**4.00–8.70**	**3,772,704**	4.35–10.20	3,453,152
Other borrowings		**5.52–10.50**	**664,530**	6.44–10.55	353,154
			4,437,234		3,806,306
Non-current					
Long-term loan facilities	*(i)*		**–**	3.55–3.98	974,040
Bank loans		**7.35–8.32**	**166,775**	7.44–8.97	461,388
Other borrowings	*(ii)*	**8.90**	**730,000**		–
			896,775		1,435,428
Transaction cost			**–**		(31,819)
			896,775		1,403,609
			5,334,009		5,209,915
Bank loans and other borrowings representing:					
— secured	*(a)*		**698,650**		148,179
— guaranteed	*(b)*		**2,100,884**		2,238,774
— secured and guaranteed	*(a)(b)*		**1,804,475**		1,880,741
— unsecured	*(i)(ii)*		**730,000**		942,221
			5,334,009		5,209,915

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

(i) The Group entered into a facility agreement with a syndicate of banks on 27 November 2015 (the "**Facility Agreement**") for a loan facility of US$100 million which is subject to the accession by any additional banks to the Facility Agreement increased by US$150 million (the "**Facility**"). The Group utilised US$150 million as at 31 December 2015 and utilised the total amount of US$250 million as at 31 March 2016. The Facility period is for a term of 36 months effective from the first utilisation date of 2 December 2015 and its interest rate is floating based on LIBOR.

As stipulated in the Facility Agreement, a repayment might be triggered upon the occurrence of a change of control event, which means any event or circumstance where:

(a) any person owns beneficially, directly or indirectly, more shares in the Company than the aggregate number of shares owned beneficially, directly or indirectly, by Greenland Financial Overseas Investment Group Co., Ltd. ("**Greenland**"); or

(b) Greenland and Mr. Yang Peng collectively do not have or cease to have control over the Company; or

(c) the Company's financial statements are not consolidated in all audited and consolidated financial statements of the Greenland for each financial year; or

(d) the Company does not remain a subsidiary of the Greenland.

Such loan was fully repaid in September 2016. Further details of the Facility Agreement was reported in the 2015 annual report of the Company.

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

(ii) The Group entered into a facility agreement with Shanghai Fengyu Investment Ltd., (上海奉宇投資管理有限公司), an independent third party, on 8 July 2016 for loan facility of RMB730 million. The facility is unsecured and the facility period is for a term of 18 months till January, 2018 and its interest rate is fixed at 8.9% per annum.

	2016 **RMB'000**	2015 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**3,772,704**	3,453,152
In the second year	**115,275**	452,171
In the third to fifth years, inclusive	**51,500**	951,438
	3,939,479	4,856,761
Other borrowings repayable:		
Within one year	**664,530**	353,154
In the second year	**730,000**	–
	5,334,009	5,209,915

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

(i) mortgages over the Group's buildings, which had aggregate net book values of approximately RMB429,712,500 and RMB430,003,000, respectively, as at 31 December 2016 and 2015 (note 13);

(ii) mortgages over the Group's land use rights situated in Mainland China, which had aggregate net book values of approximately RMB135,300,000 and RMB185,641,000, respectively, as at 31 December 2016 and 2015 (note 14);

(iii) certain of the Group's bank loans amounting to RMB65,000,000 and RMB65,000,000 as at 31 December 2016 and 2015, respectively, which were secured by equity shares of Jiangsu Bank (note 19);

(iv) mortgages over the Group's inventories, which had aggregate net book values of approximately RMB458,666,000 and RMB404,745,000, respectively, as at 31 December 2016 and 2015 (note 20); and

(v) mortgages over 1,168,640,000 shares and 1,168,640,000 shares of the Group's subsidiaries, respectively, as at 31 December 2016 and 2015.

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

(b) Details of the guaranteed bank loans are as follows:

(i) certain of the Group's bank loans amounting to RMB2,030,939,000 and RMB3,752,449,000, respectively, which were guaranteed by the subsidiaries of the Group as at 31 December 2016 and 2015.

(ii) certain of the Group's bank loans amounting to RMB276,266,000 and RMB367,066,000, respectively, which were guaranteed jointly by the subsidiaries of the Group, Mr. Yang Peng and the third parties as at 31 December 2016 and 2015.

29. DEFERRED TAX

Deferred tax assets

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements for the years ended 31 December 2016 and 2015 are as follows:

	Accrued payroll *RMB'000*	Losses available for offsetting against future taxable profits *RMB'000*	Provisions *RMB'000*	Total *RMB'000*
At 1 January 2015	393	6,423	642	7,458
Credited/(charged) to the statement of profit or loss during the year *(note 8)*	(148)	3,679	(332)	3,199
At 31 December 2015 and 1 January 2016	245	10,102	310	10,657
Credited/(charged) to the statement of profit or loss during the year *(note 8)*	(35)	(3,370)	542	(2,863)
At 31 December 2016	**210**	**6,732**	**852**	**7,794**

29. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

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

	2016 **RMB'000**	2015 *RMB'000*
Tax losses	**275,755**	233,711

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

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	**Deferred tax liabilities arising from change in fair value of available-for-sale financial assets** *RMB'000*	**Total** *RMB'000*
At 1 January 2015	55,486	–	55,486
Deferred tax liabilities charged to the consolidated statement of financial position	101,327	–	101,327
Deferred tax credited to the statement of profit or loss during the year *(note 8)*	(7,429)	–	(7,429)
At 31 December 2015 and 1 January 2016	149,384	–	149,384
Deferred tax charged to the consolidated statement of comprehensive income *(note 19)*	–	10,825	10,825
Deferred tax credited to the statement of profit or loss during the year *(note 8)*	(8,823)	–	(8,823)
At 31 December 2016	**140,561**	**10,825**	**151,386**

30. SHARE CAPITAL

Shares

	2016 RMB'000	2015 RMB'000
Issued and fully paid:		
946,476,000 (2015: 946,476,000) ordinary shares of US$0.0000005 each	3	3
664,268,747 (2015: 664,268,747) convertible preference shares of US$0.0000005 each	2	2
	5	5

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

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2015	1,074,474,000	3	760,124	760,127
Issue of new shares *(note (a), (b) & (c))*	536,270,747	2	1,266,524	1,266,526
At 31 December 2015 and 1 January 2016	1,610,744,747	5	2,026,648	2,026,653
Issue of new shares *(note (a), (b) & (c))*	–	–	–	–
At 31 December 2016	1,610,744,747	5	2,026,648	2,026,653

30. SHARE CAPITAL *(Continued)*

Notes:

(a) On 16 May 2015, the Company, Greenland Financial Overseas Investment Group Co., Ltd. ("**Greenland**") and Rundong Fortune ("RF", the original controlling shareholder ultimately controlled by Mr. Yang Peng) entered into the subscription agreement, pursuant to which Greenland had conditionally agreed to subscribe for, and the Company had conditionally agreed to allot and issue, a total of 536,270,747 subscription shares, at a subscription price of HK$2.89 per share or an aggregate subscription price of HK$1,549,822,458 (the "**Subscription**").

(b) On 14 August 2015, the Board of the Company announced that all conditions precedent in respect of the subscription agreement had been satisfied by the parties to the subscription agreement and the completion of the subscription took place in accordance with the terms of the subscription agreement. The Company allotted and issued a total of 536,270,747 subscription shares, comprising 251,942,800 ordinary shares and 284,327,947 convertible preference shares ("**CPS**") of par value US$0.0000005 each in the share capital of the Company at a subscription price of HK$2.89 per share.

In connection with the Subscription and in order to facilitate the maintenance of the public float requirement by the Company upon the completion of the Subscription, RF, KKR China Auto Retail Holding Ltd II ("**KKR**") and the Company entered into the redesignation agreement, pursuant to which (a) up to 200,073,200 RF ordinary shares, subject to the redesignation adjustment, would be redesignated into the same number of RF redesignated shares; and (b) up to 179,867,600 KKR ordinary shares, subject to the redesignation adjustment, would be redesignated into the same number of KKR redesignated shares upon the completion of the Subscription.

On 17 August 2015, the Company collected total net proceeds of RMB1,266,526,000, after deducting the transaction costs, from the issuance of the subscription shares to Greenland.

(c) On 3 July 2016, the Company made an announcement related to a series of share transfer agreement entered into among several major shareholders of the Company. According to the announcement:

(i) On 26 June 2016, Rundong Fortune and the Greenland entered into a share transfer agreement, according to which the Greenland agreed to sell all 568,270,747 shares to Rundong Fortune at a price of HK$3.5273 per share or a total consideration of HK$2,004,444,227. The transfer was completed on 27 June 2016. Subject to the completion of this transaction, 2 directors of the Company who have been appointed by the Greenland will resign from the Board.

(ii) On 26 June 2016, Rundong Fortune also entered into a share transfer agreement with KKR, and in the agreement KKR agreed to sell 168,000,000 shares to Rundong Fortune at a price of HK$3.5273 per share or a total consideration of HK$592,586,400. Subject to the completion of this transaction, 1 director of the Company who has been appointed by KKR will resign from the Board.

(iii) Since Rundong Fortune increased its shareholding in the Company from 30.0% to 60.0% of ordinary shares, pursuant to SEHK Listing Rule 26.1 of the Takeovers Code, Rundong Fortune is required to make an unconditional mandatory general offer in cash for all the issued shares other than those already owned or agreed to be acquired by Rundong Fortune and the parties acting in concert with it.

According to its announcement dated 3 July 2016 and pursuant to HKSE Listing Rule 26.1 of the Takeovers Code, on 27 July 2016, Rundong Fortune dispatched a composite offer to independent shareholders of the Company to make an unconditional mandatory cash general offer for all the issued shares at a price of HK$3.5273 per share. In addition, according to its composite offer dated 27 July 2016, the transfer of KKR was completed on 15 July 2016. On 17 August 2016, Rundong Fortune and the Company jointly announced that the offer was closed on the same day. Rundong Fortune had received valid acceptances in respect of a total of 35,285,009 ordinary shares under the offer, representing approximately 3.7% of the ordinary shares in issue as at the date of the announcement, and the total consideration was HK$124,460,812.

According to its announcement dated 30 September 2016, the company was informed by Rundong Fortune that it has reduced its shareholding in the company by selling down a total of 35,285,009 Ordinary Shares, representing approximately 3.7% of the issued Ordinary Shares of the company as at the date of this announcement, to independent third parties (the "**Sell-down**"). Immediately upon the completion of the Selldown, the Ordinary Shares shareholding of Rundong Fortune has been reduced from approximately 68.1% to approximately 64.4%.

31. RESERVES

(i) Merger reserve

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

(ii) Statutory reserve

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

(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) Available-for-sale investment revaluation reserve

The available-for-sale investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period.

(v) Exchange fluctuation reserve

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

32. BUSINESS COMBINATIONS

In April 2015, the Group acquired 100% equity interests in eight dealership stores in Jiangsu Province and Shandong Province from independent third parties, at a cash consideration of RMB605,000,000. The consideration of RMB605,000,000 was not fully settled with the remaining balance of RMB53,154,000 outstanding as at 31 December 2016.

The fair values of the identifiable assets and liabilities of the eight dealership stores as at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	548,030
Land use rights	138,129
Intangible assets	297,774
Inventories	205,298
Trade receivables	53,843
Prepayments, deposits and other receivables	365,673
Pledged bank deposits	720,075
Cash in transit	9,214
Cash and cash equivalents	38,887
Trade and bills payables	(353,604)
Other payables and accruals	(571,371)
Interest-bearing bank and other borrowings	(1,239,199)
Deferred tax liabilities	(101,327)
Total identifiable net assets	111,422
Goodwill on acquisition *(note 18)*	493,578
Satisfied by cash	605,000

Since the acquisition, the acquired businesses contributed RMB1,465,669,000 to the Group's turnover and RMB14,350,000 loss to the consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year ended 31 December 2015 would have been RMB15,411,897,000 and RMB179,361,000, respectively.

33. SHARE OPTION SCHEME

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

The Former Listing Vehicle offered the share options to subscribe for a total of 40,000,000 shares upon their exercise, representing 5% of the then issued share capital of the Former Listing Vehicle, to Runda (PTC) Limited ("**Runda**"), acting as the trustee to the Employee Pre-IPO Trust. Runda holds the share options for the benefit of the eligible participants when they are granted with the share options. Share options were offered to each eligible participant in various batches from 2 January 2012 to 31 December 2013.

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

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

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

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

33. SHARE OPTION SCHEME *(Continued)*

The following share options were outstanding under the Pre-IPO Scheme during the years ended 31 December 2016 and 2015:

	2016		2015	
	Exercise price *US$ per share*	**Number of options** *'000*	Exercise price *US$ per share*	Number of options *'000*
At the beginning of the year	**0.3573**	**5,204**	0.3573	6,012
Granted during the year	**0.3573**	**705**	0.3573	804
Forfeited during the year	**0.3573**	**(709)**	0.3573	(1,612)
Exercised during the year	**–**	**–**	0.3573	–
At the end of the year	**0.3573**	**5,200**	0.3573	5,204

The weighted average fair values of the share options granted during the years ended 31 December 2016 and 2015 were US$0.2031 (RMB1.3189) and US$0.2192 (RMB1.3401) per option. The Group recognised equity-settled share option expenses of RMB2,137,000 and RMB2,516,000 during the years ended 31 December 2016 and 2015, respectively.

The fair value of the share options granted during the years ended 31 December 2016 and 2015 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2016	2015
Dividend yield (%)	**–**	–
Expected volatility (%)	**50.1**	37.9
Risk-free interest rate (%)	**2.94**	2.77
Expected life of options (year)	**10**	10
Weighted average share price (US$ per share)	**0.4103**	0.4514

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

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

At 31 December 2016 and 2015, 5,199,767 and 5,203,800 share options were outstanding under the Pre-IPO Scheme, respectively.

34. CONTINGENT LIABILITIES

(i) The Group had provided guarantees in respect of banking facilities associated with certain companies of the Huawei Automobile (Note 16), with an aggregate amount of approximately RMB312 million. The Directors confirmed that these guarantees will be released within the next twelve months period by 31 December 2017.

(ii) In the opinion of the Directors of the Company, other than the property defectives mentioned in notes 13 and 14, as at 31 December 2016, neither the Group nor the Company had any significant contingent liabilities.

35. COMMITMENTS

a. Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding as at 31 December 2016 not provided for in the financial statements were as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Contracted, but not provided for land use rights and buildings	**173,439**	251,878

b. Operating lease commitments

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

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases with its tenants falling due as follows:

	2016		2015	
	Properties ***RMB'000***	**Land** ***RMB'000***	Properties *RMB'000*	Land *RMB'000*
Within one year	**37,739**	**16,024**	32,140	14,801
In the second to fifth years, inclusive	**147,634**	**57,162**	125,277	45,747
After five years	**161,329**	**100,858**	134,448	72,263
	346,702	**174,044**	291,865	132,811

36. PLEDGE OF ASSETS

Details of the Group's assets pledged for its interest-bearing bank and other borrowings and bills payable are disclosed in notes 13, 14, 19, 20, 24 and 28 to the financial statements.

37. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the years ended 31 December 2016 and 2015:

Mr. Yang Peng is the chairman and a substantial shareholder of the Group and is also considered to be a related party of the Group.

(a) The Group had the following transaction with a related party during the years ended 31 December 2016 and 2015:

	2016 ***RMB'000***	2015 *RMB'000*
Advance from a substantial shareholder:		
Mr. Yang Peng	**168,822**	–

The above transactions was conducted in accordance with the terms mutually agreed between the parties.

(b) The Group had the following significant balances with its related party during the year:

	2016 ***RMB'000***	2015 *RMB'000*
Due to a substantial shareholder:		
Mr. Yang Peng	**168,822**	–

The amount due to the related party was unsecured, interest free, with no fixed terms of repayment and non-trade in nature.

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

	2016 ***RMB'000***	2015 *RMB'000*
Short term employee benefits	**6,581**	5,137
Pension scheme contributions	**252**	234
Equity-settled share option expense	**–**	–
Total compensation paid to key management personnel	**6,833**	5,371

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

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

(d) Management Subscription Agreements with certain members of directors and senior management of the Group

On 16 May 2015, the Company entered into subscription agreements (the "**Management Subscription Agreements**") with certain members of directors and senior management of the Group (the "**Management Subscribers**"), pursuant to which the Company conditionally agreed to allot and issue and the Management Subscribers conditionally agreed to subscribe for, a total of 80,537,237 management subscription shares at the price of HK$2.89 per share pursuant to the terms and conditions of the Management Subscription Agreements, and such management subscription became effective until the completion of the Subscription.

The management subscription scheme will take place in four instalments. First batch of 24,161,171 shares, representing 30% of the aggregate number of management subscription shares, were granted in August 2015 when the Management Subscription Agreements were completed. The first batch management subscription shares were forfeited during the year, as the performance conditions were not met pursuant to the terms and conditions of the Management Subscription Agreements.

According to the announcement dated 3 July 2016 and the composite offer dated 27 July 2016, each of the Management Subscribers served a Management Subscribers Irrevocable Undertaking to Rundong Fortune and the Company, pursuant to which none of the Management Subscribers would accept an offer in respect of the cancellation of the Management Subscription Shares if one were to be made to any of them. In other words, the Management Subscription was still effective as at 31 December 2016 and onwards.

24,508,951 Management Subscription Shares were forfeited during the year. As at 31 December 2016, 29,432,655 Management Subscription Shares remained outstanding, conferring rights on the Management Subscribers to subscribe for Ordinary Shares.

38. FAIR VALUE

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

The Group has no significant interest-bearing assets other than pledged bank deposits (note 24) and cash and cash equivalents (note 25).

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

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

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000*
2016		
RMB	**50**	**(30)**
RMB	**(50)**	**30**
2015		
RMB	50	(23,864)
RMB	(50)	23,864

Foreign currency risk

The Group's business is located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB, except for certain bank balances denominated in HK$ and US$ as disclosed in note 25.

The Group's assets and liabilities denominated in HK$ and US$ were mainly held by certain subsidiaries incorporated outside Mainland China which had HK$ and US$ as their functional currencies.

The Group did not have material foreign currency transactions in Mainland China during the years ended 31 December 2016 and 2015.

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

Foreign currency risk *(Continued)*

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

	Increase/ (decrease) in HK$ rate *%*	**Increase/ (decrease) in profit before tax** *RMB'000*	**Increase/ (decrease) in equity** *RMB'000*
2016			
If RMB weakens against HK$	**5**	**10,795**	**10,795**
If RMB strengthens against HK$	**(5)**	**(10,795)**	**(10,795)**

	Increase/ (decrease) in US$ rate *%*	**Increase/ (decrease) in profit before tax** *RMB'000*	**Increase/ (decrease) in equity** *RMB'000*
2016			
If RMB weakens against US$	**5**	**(22,911)**	**(22,911)**
If RMB strengthens against US$	**(5)**	**22,911**	**22,911**

	Increase/ (decrease) in HK$ rate *%*	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
2015			
If RMB weakens against HK$	5	15,036	15,036
If RMB strengthens against HK$	(5)	(15,036)	(15,036)

	Increase/ (decrease) in US$ rate *%*	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
2015			
If RMB weakens against US$	5	42,241	42,241
If RMB strengthens against US$	(5)	(42,241)	(42,241)

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

Credit risk

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

As at 31 December 2016 and 2015, all pledged bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

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

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

31 December 2016	**On demand** *RMB'000*	**Less than 3 months** *RMB'000*	**3 to 12 months** *RMB'000*	**1 to 5 years** *RMB'000*	**Beyond 5 years** *RMB'000*	**Total** *RMB'000*
Trade and bills payables	**3,036,578**	**–**	**–**	**–**	**–**	**3,036,578**
Interest-bearing bank and other borrowings	**58,506**	**155,580**	**4,223,148**	**896,775**	**–**	**5,334,009**
Due to a controlling shareholder	**–**	**–**	**168,822**	**–**	**–**	**168,822**
Other payables and accruals	**741,987**	**–**	**–**	**–**	**–**	**741,987**
	3,837,071	**155,580**	**4,391,970**	**896,775**	**–**	**9,281,396**

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*	Beyond 5 years *RMB'000*	Total *RMB'000*
Trade and bills payables	2,775,017	–	–	–	–	2,775,017
Interest-bearing bank and other borrowings	1,432,102	197,930	3,445,930	1,435,428	–	6,511,390
Other payables and accruals	767,802	–	–	–	–	767,802
	4,974,921	197,930	3,445,930	1,435,428	–	10,054,209

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

Capital management

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

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

	2016 *RMB'000*	2015 *RMB'000*
Trade and bills payables	**3,036,578**	2,775,017
Interest-bearing bank and other borrowings	**5,334,009**	5,209,915
Other payables and accruals	**741,987**	767,802
Amounts due to a related party	**168,822**	–
Less: cash and cash equivalents	**(1,238,962)**	(1,513,212)
Net debt	**8,042,434**	7,239,522
Equity attributable to owners of the parent	**3,388,916**	3,122,538
Capital and net debt	**11,431,350**	10,362,060
Gearing ratio	**70%**	70%

40. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Schnell International Ltd.	British Virgin Islands 14 September 2010	Registered and paid–in capital of US$5	100	–	Investment holding
Schnell Holding Ltd.	Hong Kong 29 October 2010	Registered and paid-in capital of HK$10,000	–	100	Investment holding
Allegro Auto International Ltd.	British Virgin Islands 14 September 2010	Registered and paid-in capital of US$5	100	–	Investment holding
Spring Oasis Investments Limited	Hong Kong 13 September 2010	Registered and paid-in capital of HK$10,000	–	100	Investment holding

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name		Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Percentage of ownership interest Indirect %	Principal activities
Spring Oasis Investments Holding Limited		Cayman Islands 28 October 2011	Registered and paid-in capital of US$50,000	–	100	Investment holding
Fresca International Ltd.		British Virgin Islands 14 September 2010	Registered and paid-in capital of US$5	100	–	Investment holding
Stay Success Limited		Hong Kong 13 September 2010	Registered and paid-in capital of HK$10,000	–	100	Investment holding
Presto Auto International Ltd.		British Virgin Islands 14 September 2010	Registered and paid-in capital of US$5	100	–	Investment holding
Treasure Path Holdings Limited		Hong Kong 13 September 2010	Registered and paid-in capital of HK$10,000	–	100	Investment holding
Vivace Auto International Ltd.		British Virgin Islands 14 September 2010	Registered and paid-in capital of US$5	100	–	Investment holding
True Worth Investments Limited		Hong Kong 13 September 2010	Registered and paid-in capital of HK$10,000	–	100	Investment holding
Rundong Automobile Group Co., Ltd. 潤東汽車集團有限公司	(i)	Xuzhou, the PRC 3 March 1998	Registered and paid-in capital of RMB641,999,800	–	100	Investment holding
Xuzhou Rundong Jiaoguang Automobile Sales and Services Company Limited 徐州潤東交廣汽車營銷管理有限公司	(i)	Xuzhou, the PRC 10 June 2008	Registered and paid-in capital of RMB107,150,000	–	100	Investment holding
Xuzhou Rundong Automobile Sales Management Company Limited 徐州潤東汽車營銷管理有限公司	(i)	Xuzhou, the PRC 20 June 2003	Registered and paid-in capital of RMB204,090,000	–	100	Investment holding
Xuzhou Yuemei Automobile Sales Management Company Limited 徐州悦美汽車營銷管理有限公司	(i)	Xuzhou, the PRC 20 September 2010	Registered and paid-in capital of RMB50,000,000	–	100	Investment holding

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Shanghai Baojing Automobile Sales and Services Company Limited. 上海寶景汽車銷售服務有限公司	Shanghai, the PRC 6 July 2010	Registered and paid-in capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Shanghai Baojing Xingcheng Automobile Sales and Services Company Limited 上海寶景星誠汽車銷售服務有限公司	Shanghai, the PRC 26 November 2010	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Shanghai Baojing Yuejie Automobile Sales & Services Company Limited 上海寶景悦捷汽車服務有限公司	Shanghai, the PRC 13 December 2011	Registered and paid-in capital of RMB500,000	–	100	Sale and service of motor vehicles
Shanghai Jierun Automobile Sales and Services Company Limited 上海捷潤汽車銷售服務有限公司	Shanghai, the PRC 19 September 2011	Registered and paid-in capital of RMB40,000,000	–	100	Sale and service of motor vehicles
Xuzhou Baojing Automobile Sales Services Company Limited 徐州寶景汽車銷售服務有限公司	Xuzhou, the PRC 6 March 2007	Registered and paid-in capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Xuzhou Baojing Runbao Automobile Sales and Services Company Limited 徐州寶景潤寶汽車銷售服務有限公司	Xuzhou, the PRC 12 April 2011	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rundong Ruijing Automobile Sales and Services Company Limited 徐州潤東瑞景汽車銷售服務有限公司	Xuzhou, the PRC 24 November 2004	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Percentage of ownership interest Indirect %	Principal activities
Xuzhou Rundong Zhitian Automobile Sales and Services Company Limited 徐州潤東之田汽車銷售服務有限公司	Xuzhou, the PRC 4 December 2005	Registered and paid-in capital of RMB15,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rundong Zhifeng Automobile Sales and Services Company Limited 徐州潤東之風汽車銷售服務有限公司	Xuzhou, the PRC 1 July 2005	Registered and paid-in capital of RMB12,000,000	–	51	Sale and service of motor vehicles
Xuzhou Rundong Zhouji Automobile Sales Services Company Limited 徐州潤東洲際汽車銷售服務有限公司	Xuzhou, the PRC 29 March 2004	Registered and paid-in capital of RMB12,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rundong Jiahua Automobile Sales and Services Company Limited 徐州潤東嘉華汽車銷售服務有限公司	Xuzhou, the PRC 25 May 2004	Registered and paid-in capital of RMB12,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rundong Automobile Trading Company Limited 徐州潤東汽車貿易有限公司	Xuzhou, the PRC 13 July 2001	Registered and paid-in capital of RMB13,000,000	–	100	Sale and service of motor vehicles
Xuzhou Huifeng Lexus Automobile Sales and Services Company Limited 徐州滙豐雷克薩斯汽車銷售服務有限公司	Xuzhou, the PRC 28 February 2006	Registered and paid-in capital of RMB25,000,000	–	100	Sale and service of motor vehicles
Xuzhou Jierun Automobile Sales and Services Company Limited 徐州捷潤汽車銷售服務有限公司	Xuzhou, the PRC 27 July 2011	Registered and paid-in capital of RMB16,000,000	–	100	Sale and service of motor vehicles

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Maanshan City Baojing Automobile Sales and Services Company Limited 馬鞍山市寶景汽車銷售服務有限公司	Maanshan, the PRC 10 December 2010	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Nantong Runbaohang Automobile Sales and Services Company Limited 南通潤寶行汽車銷售服務有限公司	Nantong, the PRC 28 June 2010	Registered and paid-in capital of RMB12,000,000	–	100	Sale and service of motor vehicles
Huzhou Runzhiyi Automobile Sales and Services Company Limited 湖州潤之翼汽車銷售服務有限公司	Huzhou, the PRC 9 June 2011	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Huzhou Rundong Automobile Sales and Services Company Limited 湖州潤東汽車銷售服務有限公司	Huzhou, the PRC 18 May 2011	Registered and paid-in capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Huzhou Baojing Automobile Sales and Services Company Limited 湖州寶景汽車銷售服務有限公司	Huzhou, the PRC 28 May 2010	Registered and paid-in capital of RMB30,000,000	–	100	Sale and service of motor vehicles
Huaian Baotielong Automobile Sales and Services Company Limited 淮安寶鐵龍汽車銷售有限公司	Huaian, the PRC 23 February 2011	Registered and paid-in capital o RMB15,000,000	–	100	Sale and service of motor vehicles
Huaian Rundong Zhifu Automobile Sales and Services Company Limited 淮安潤東之福汽車銷售服務有限公司	Huaian, the PRC 6 April 2006	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Xuzhou Rundong Huifeng Automobile Sales Services Company Limited 淮安潤東滙豐汽車銷售服務有限公司	Huaian, the PRC 24 September 2007	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Huaian Rundong Renheng Automobile Sales and Services Company Limited 淮安潤東仁恆汽車銷售服務有限公司	Huaian, the PRC 29 March 2007	Registered and paid-in capital of RMB13,000,000	–	100	Sale and service of motor vehicles
Huaian Rundong Shidai Automobile Sales and Services Company Limited 淮安潤東時代汽車銷售服務有限公司	Huaian, the PRC 1 August 2005	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Huaian Baojing Automobile Sales and Services Company Limited 淮安寶景汽車銷售服務有限公司	Huaian, the PRC 20 January 2010	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Lianyungang Tianlan Automobile Sales and Services Company Limited 連雲港天瀾汽車銷售服務有限公司	Lianyungang, the PRC 1 July 2004	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Lianyungang Tianlan Fengtian Automobile Sales and Services Company Limited 連雲港天瀾豐田汽車銷售服務有限公司	Lianyungang, the PRC 25 April 2006	Registered and paid-in capital of RMB12,000,000	–	100	Sale and service of motor vehicles
Lianyungang Rundong Tianyue Automobile Sales and Services Company Limited 連雲港潤東天裕汽車銷售服務有限公司	Lianyungang, the PRC 10 January 2008	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Lianyungang Zhibao Automobile Sales and Services Company Limited 連雲港之寶汽車銷售服務有限公司	Lianyungang, the PRC 22 April 2009	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Suqian Runkai Automobile Sales and Services Company Limited 宿遷潤凱汽車銷售服務有限公司	Suqian, the PRC 15 August 2011	Registered and paid-in capital of RMB15,000,000	–	100	Sale and service of motor vehicles
Yantai Runjie Automobile Sales and Services Company Limited 煙台潤捷汽車銷售服務有限公司	Yantai, the PRC 16 September 2011	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Qingdao Baojing Automobile Sales and Services Company Limited 青島寶景汽車銷售服務有限公司	Qingdao, the PRC 16 September 2011	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Suzhou Baojing Automobile Sales and Services Company Limited 蘇州市寶景汽車銷售服務有限公司	Suzhou, the PRC 24 November 2011	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Linyi Baojing Automobile Sales and Services Company Limited 臨沂寶景汽車銷售服務有限公司	Linyi, the PRC 14 April 2011	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Taizhou Baojing Automobile Sales and Services Company Limited 泰州寶景汽車銷售服務有限公司	Taizhou, the PRC 1 March 2011	Registered and paid-in capital of RMB21,000,000	–	100	Sale and service of motor vehicles
Zaozhuang Baojing Automobile Sales and Services Company Limited 棗莊寶景汽車銷售服務有限公司	Zaozhuang, the PRC 14 April 2011	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Rizhao Baojing Automobile Sales Company Limited 日照寶景汽車銷售服務有限公司	Rizhao, the PRC 12 March 2012	Registered and paid-in capital of RMB17,000,000	–	100	Sale and service of motor vehicles

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Lianyungang Runhe Automobile Sales and Services Company Limited 連雲港潤合汽車銷售有限公司	Lianyungang, the PRC 10 August 2012	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Nanjing Baojing Automobile Sales and Services Company Limited 南京寶景汽車銷售服務有限公司	Nanjing, the PRC 25 May 2012	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Yancheng Baojing Automobile Sales and Services Company Limited 鹽城寶景汽車銷售服務有限公司	Yancheng, the PRC 1 August 2012	Registered and paid-in capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Linyi Aofeng Automobile Sales and Services Company Limited 臨沂奧豐汽車銷售服務有限公司	Linyi, the PRC 18 May 2011	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Linyi Jinhua Automobile Sales and Services Company Limited 臨沂金華汽車銷售服務有限公司	Linyi, the PRC 29 November 2002	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Linyi Jialun Automobile Insurance Brokerage Co., Ltd. 臨沂佳輪汽車保險代理有限公司	Linyi, the PRC 23 May 2012	Registered and paid-in capital of RMB3,000,000	–	100	Automobile insurance
Zaozhuang Aowei Automobile Sales and Services Company 棗莊奧威汽車銷售服務有限公司	Zaozhuang, the PRC 5 May 2008	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Lianyungang Runjie Automobile Sales Company Limited 連雲港潤捷汽車銷售有限公司	Lianyungang, the PRC 25 April 2013	Registered and paid-in capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Xuzhou Runzhiyi Automobile Sales and Services Company Limited 徐州潤之意汽車銷售服務有限公司	Xuzhou, the PRC 26 June 2013	Registered and paid-in capital of RMB20,000,000	–	100	Sale and service of motor vehicles

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Huai'an Runbaohang Automobile Services Company Limited 淮安潤寶行汽車服務有限公司	Huaian, the PRC 11 July 2013	Registered and paid-in capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Jinan Runzhiyi Automobile Sales and Services Company Limited 濟南潤之意汽車銷售服務有限公司	Jinan, the PRC 23 July 2013	Registered and paid-in capital of RMB30,000,000	–	100	Sale and service of motor vehicles
Hong Kong Gen-kun Investment Co., Limited	Hong Kong 25 July 2011	Registered and paid-in capital of HK$10,000	–	100	Investment holding
Huiyu (Shanghai) Financing and Leasing Company 匯譽(上海)融資租賃有限公司	Shanghai, the PRC 30 September 2013	Registered capital of US$30,000,000 Paid-in capital of US$10,000,000	–	100	Automobile financing and leasing
Nanjing Runzhiyi Automobile Sales and Services Company Limited 南京潤之意汽車銷售服務有限公司	Nanjing, the PRC 4 March 2014	Registered and paid-in capital of RMB50,000,000	–	100	Sale and service of motor vehicles
Suzhou Runbaohang Automobile Services Company Limited 蘇州潤寶行汽車服務有限公司	Suzhou, the PRC 27 February 2014	Registered and paid-in capital of RMB3,000,000	–	100	Service of motor vehicles
Shanghai Jingbao Automobile Services Company Limited 上海景寶汽車服務有限公司	Shanghai, the PRC 12 May 2014	Registered capital of RMB5,000,000	–	100	Service of motor vehicles
Shanghai Zhilian Automobile Services Company Limited 上海智聯汽車銷售服務有限公司	Shanghai, the PRC 3 June 2014	Registered capital of RMB10,000,000	–	100	Sale of motor vehicles
Shanghai Puyuan Automobile Services Company Limited 上海浦源汽車銷售服務有限公司	Shanghai, the PRC 7 November 2014	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Zhangjiagang Free Trade Zone Zhibao Automobile Services Company Limited 張家港保税區智寶汽車銷售服務有限公司	Zhangjiagang, the PRC 7 November 2014	Registered capital of RMB10,000,000	–	100	Sale of motor vehicles
Xuzhou Jingzhong Automobile Services Company Limited 徐州景眾汽車銷售服務有限公司	Xuzhou, the PRC 28 November 2014	Registered capital of RMB5,000,000	–	100	Sale and service of motor vehicles
Xuzhou Zhixin Automobile Services Company Limited 徐州智信汽車服務有限公司	Xuzhou, the PRC 2 February 2015	Registered capital of RMB500,000	–	100	Sale of motor spare parts
Linyi Jialun Automobile Services Company Limited 臨沂佳輪汽車銷售服務有限公司	Linyi, the PRC 25 October 1989	Registered capital of RMB30,000,000	–	100	Sale and service of motor vehicles
Linyi Fenghui Automobile Services Company Limited 臨沂豐匯汽車銷售服務有限公司	Linyi, the PRC 18 August 2010	Registered capital of RMB8,000,000	–	100	Sale and service of motor vehicles
Linyi Jinyang Automobile Services Company Limited 臨沂金羊汽車銷售服務有限公司	Linyi, the PRC 30 June 1999	Registered capital of RMB8,000,000	–	100	Sale and service of motor vehicles
Linyi Jinlun Automobile Services Company Limited 臨沂金倫汽車銷售服務有限公司	Linyi, the PRC 22 October 2002	Registered capital of RMB8,000,000	–	100	Sale and service of motor vehicles
Nantong Runzhiyi Automobile Services Company Limited 南通潤之意汽車銷售服務有限公司	Nantong, the PRC 3 July 2015	Registered capital of RMB30,000,000	–	100	Sale and service of motor vehicles
Shanghai Puze Automobile Services Company Limited 上海浦澤汽車銷售服務有限公司	Shanghai, the PRC 29 October 2015	Registered capital of RMB2,000,000	–	100	Sale and service of motor vehicles

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered/paid-in/ issued capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Xuzhou Baozun Automobile Services Company Limited 徐州寶尊汽車銷售服務有限公司	Xuzhou, the PRC 29 February 2012	Registered capital of RMB25,500,000	–	100	Sale and service of motor vehicles
Suqian Baozun Automobile Services Company Limited 宿遷寶尊汽車銷售服務有限公司	Suqian, the PRC 25 November 2011	Registered capital of RMB16,500,000	–	100	Sale and service of motor vehicles
Xuzhou Kainuo Automobile Services Company Limited 徐州凱諾汽車銷售服務有限公司	Xuzhou, the PRC 14 January 2013	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Xuzhou Weichen Shenlan Automobile Services Company Limited 徐州維辰深藍汽車銷售服務有限公司	Xuzhou, the PRC 29 March 2013	Registered capital of RMB25,000,000	–	100	Sale and service of motor vehicles
Nanjing Zhihang Automobile Services Company Limited 南京智航汽車銷售服務有限公司	Nanjing, the PRC 26 September 2016	Registered capital of RMB1,000,000	–	100	Sale and service of motor vehicles
Chongqing Zhilan Automobile Services Company Limited 重慶智瀾汽車銷售服務有限公司	Chongqing, the PRC 25 March 2016	Registered capital of RMB100,000,000	–	100	Sale and service of motor vehicles

(i) The statutory accounts for the year ended 31 December 2016 were audited by 徐州春秋聯合會計師事務所 (Xuzhou Chunqiu Union Certified Public Accountants), certified public accountants registered in the PRC. Except for these PRC investment holding subsidiaries, no statutory accounts for the year ended 31 December 2016 have been prepared by any of these subsidiaries as at the date of this report.

41. EVENTS AFTER THE REPORTING PERIOD

As disclosed in Note 16 in the financial statements in relation with the proposed acquisitions, the Directors of the Company are of the opinion that these acquisitions are still in progress and the completion of the acquisitions are subject to the legal registrations and approvals from the relevant authorities.

42. 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:

	Notes	**2016** **RMB'000**	2015 *RMB'000*
NON-CURRENT ASSETS			
Investments in subsidiaries	*40*	**4,328,731**	4,328,731
CURRENT ASSETS			
Cash and cash equivalents		**14,336**	106,149
Due from subsidiaries		**1,263,498**	1,301,388
Total current assets		**1,277,834**	1,407,537
TOTAL ASSETS		**5,606,565**	5,736,268
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**–**	942,221
CURRENT LIABILITIES			
Other payables and accruals		**955,541**	13,320
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,651,024**	5,722,948
NET ASSETS		**4,651,024**	4,780,727
EQUITY			
Share capital	*30*	**5**	5
Reserves		**4,651,019**	4,780,722
TOTAL EQUITY		**4,651,024**	4,780,727

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of the Directors on 30 March 2017.

润东汽车

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