MEIDONG AUTO

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1268

ANNUAL REPORT 2017

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GEOGRAPHICAL COVERAGE

GUANGDONG

PORSCHE

(1) Shunde Dongbao
(2) Shantou Dongbao*

BMW

(3) Yangjiang Meibaohang*
(4) Guangzhou Meibaohang*

Lexus

(5) Dongguan Meidong (49%)
(6) Foshan Meixing (60%)
(7) Zhuhai Meidong*
(8) Qingyuan Meidong*
(9) Yangjiang Meidong*

TOYOTA

(10) Dongguan Dongbu
(11) Dongguan Dongmei
(12) Dongguan Dongxin
(13) Dongguan Anxin (49%)
(14) Dongguan Fenggang
(15) Dongguan Wangniudun

HYUNDAI

(16) Dongguan Guanfeng (70%)
(17) Heyuan Guanfeng*

BEIJING & HEBEI

BMW

(18) Chengde Meibaohang*
(19) Beijing Huibaohang
(20) Beijing Meibaohang

TOYOTA

(21) Beijing Zhongye

HUBEI

BMW

(22) Huanggang Baoxinhang*

HUNAN

BMW

(23) Zhuzhou Meibaohang
(24) Hengyang Meibaohang*
(25) Changde Meibaohang*
(26) Yueyang Meibaohang*
(27) Liuyang Meibaohang*
(28) Yongzhou Meibaohang*

Lexus

(29) Changsha Meidong
(30) Zhuzhou Meidong

TOYOTA

(31) Yiyang Dongxin*

GNASU

Lexus

(32) Lanzhou Meidong*

JIANGXI

BMW

(33) Jingdezhen Meibaohang*
(34) Shangrao Meibaohang*

TOYOTA

(35) Xinyu Dongbu*
(36) Jiujiang Dongbu*

Notes:

(1) Apart from the stores marked by brackets, the others are 100% owned by the Group.

(2) Including a joint venture and an associate in which the Group owns 49% equity interest (Dongguan Meidong and Donguan Anxin).

* Single City Single Store

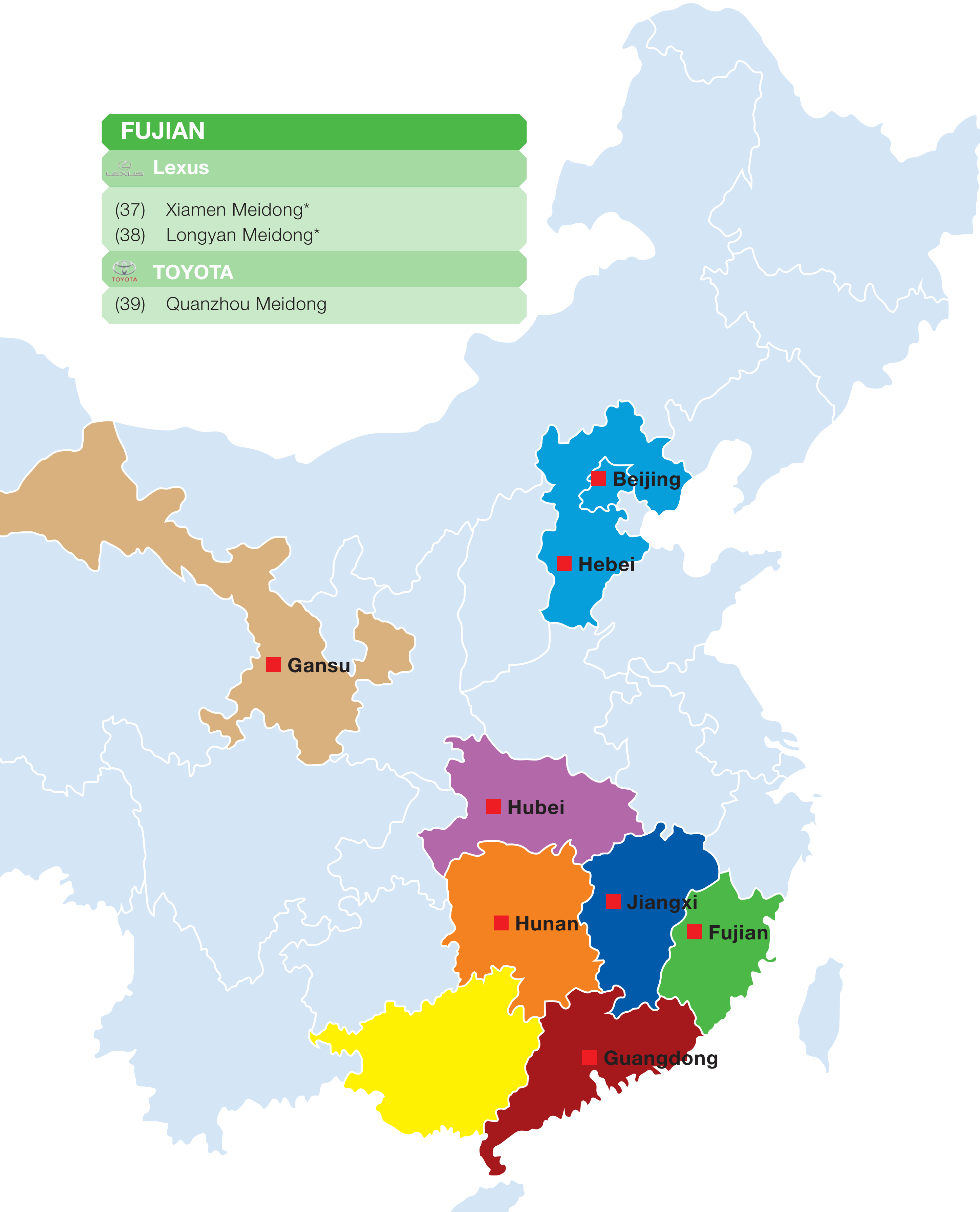
FUJIAN

Lexus

(37) Xiamen Meidong*
(38) Longyan Meidong*

TOYOTA

(39) Quanzhou Meidong



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Chen Guiyi (appointed on 1 April 2017)
Wang, Michael Chou
Jip Ki Chi
Pan Lu (resigned on 31 March 2017)

AUTHORISED REPRESENTATIVES

Ye Tao

COMPANY SECRETARY

Wong Cheung Ki Johnny, FCPA, ACIS, ACS

AUDIT COMMITTEE

Jip Ki Chi *(Chairman)*
Wang, Michael Chou
Chen Guiyi (appointed on 1 April 2017)
Pan Lu (resigned on 31 March 2017)

REMUNERATION COMMITTEE

Wang, Michael Chou *(Chairman)*
(appointed on 1 April 2017)
Jip Ki Chi
Chen Guiyi (appointed on 1 April 2017)
Pan Lu (resigned on 31 March 2017)

NOMINATION COMMITTEE

Ye Fan *(Chairman)* (appointed on 1 April 2017)
Wang, Michael Chou (appointed on 1 April 2017)
Jip Ki Chi
Ye Tao (resigned on 31 March 2017)
Pan Lu (resigned on 31 March 2017)

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

13th Floor, Unit A1
Tian An Tech Industry Building
Huangjin Road
Nancheng District, Dongguan
Guangdong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

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

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
Bank of China (Hong Kong) Limited

STOCK CODE

1268

COMPANY'S WEBSITE

www.meidongauto.com

LETTER FROM CHAIRMAN AND CEO

Dear shareholders,

2017 has been a great year for us, financially and operationally. We achieved new heights in revenue and profit with the highest net margin, return on asset, and return on net equity in our company's history. We also continued our tradition of high dividend by paying out 50.7% of 2017 profit, another record of the company. We opened 5 new stores in 2017, another year of double-digit store growth, and still ended the year with a strong new project pipeline for 2018. We retained 100% of our key managers, improved our customer satisfactions, and continued to streamline the IT/data systems.

In summary, we are glad to see that our culture, strategy, and execution are producing good results again in 2017. In this letter, we are going to share with you our view on China automobile market, our company strategy and operations in 2017, and our outlook into 2018 and beyond.

CHINA AUTOMOBILE MARKET IN 2017

The year 2017 witnessed an accelerating growth of luxury vehicles. Luxury vehicles recorded a remarkable 18.4% growth while overall growth of passenger vehicle slowed down to low single digit, production and sales respectively at 1.6% and 1.4%. We believe that this change is structural and fundamental, attributable to the extensive consumer upgrading, and increasing availability of automobile financing. Meidong, as one of the top players in the luxury vehicle market, is going to benefit from this trend for many years to come.

2017 again saw the growth of vehicle sales in lower tier cities outpaced that of the higher tier cities. This is partly due to natural market growth in lower tier cities where vehicle penetrations are low, and partly due to constrains imposed by license restriction policies in higher tier cities. This trend, together with the higher growth of luxury vehicles, validated the strength of our strategy: focus on lower tier cities and focus on luxury vehicles for future growth.

Vehicle demand and supply in 2017 was fairly well balanced. Industry wide inventory turnover was 1.6 months in January and 0.9 months in December. The good balance in demand and supply resulted in another year of healthy margins for new car sales and high inventory turns.

2017 was a year when many competitive new models were launched into the market, such as BMW's 5 series, new Cayenne by Porsche, new LC and ES series by Lexus and Camry by Toyota. All these new models energized the market, increased foot traffic to 4S stores, and helped the dealer margins and volumes.

MEIDONG STRATEGY AND OPERATIONS IN 2017

In our 2016 letter to you, we emphasized that Meidong was at an Inflection Point: the strategy of focusing on lower tier cities and luxury vehicle was correct and well executed, and we reached a critical mass for potential acceleration. 2017 was indeed a demonstration of the acceleration. We achieved new heights in revenue and profit with the highest net margin, return on asset, and return on net equity in our company's history. We also continued our tradition of high dividend by paying out 50.7% of 2017 profit, another record of the company. We opened 5 new stores in 2017, another year of double-digit store growth, and still ended the year with a strong new project pipeline for 2018. We retained 100% of our key managers, improved our customer satisfactions, and continued to streamline the IT/data systems.

Our revenue grew 22.7% to RMB7,683 million with passenger vehicles sales revenue and after-sales revenue increased by 21.4% to RMB6,778 million and 33.5% to RMB905 million respectively.

The net profit attributable to shareholders amounted to RMB275.8 million, a tremendous year-on-year growth of 81.4% driven by significant expansion of new car sales margin of 1.2 percentage point to 5.6% and significant growth of services revenue as a percentage of total revenue. The gross profit margin improved substantially from 9.2% to 10.7%, so was net profit margin from 2.5% to 3.6%. The return on equity and return on total asset both reached their historical highs to 25.5% and 9.4% respectively.

In 2017, the cash from operating activities increased to RMB378.7 million from RMB354.9 million in 2016, a 6.7% growth year-on-year. As at the end of 2017, our net gearing ratio was at a low level of 61.7%. We further increased the annual dividend payout ratio to 50.7%.

Our inventory level stayed low at 32 days at the end of 2017, recording another year of efficient inventory turns. Efficient inventory turns allowed sufficient cash generation to fund new store constructions, grow working capital, and enable high dividend payout. Sufficient cash generation also enabled a healthy and low-geared balance sheet, vital for our continued growth and, more importantly, for weathering the inevitable industry cycles.

The outstanding performance in 2017 is a result of our successful execution of unique "Single City Single Store" strategy with focuses on luxury brands and in lower tier city markets. In 2017, revenue of passenger vehicles sales of luxury brands (BMW, Lexus, and Porsche) contributed 62.3% of our revenue, marking a significant growth from 53.9% in 2016. It demonstrated our achievement in the continuous optimization towards luxury bands and towards to Single City Single Store outlets.

We maintained a steady pace of our store opening in 2017. We opened 5 new stores in 2017 and our 4S stores totaled 39 at the end of 2017, a 14.7% store count growth over the same period in the previous year. Most of our new stores are Single City Single Store outlets located in lower tier cities, where we can utilize the benefits of less intra-brand competition in both sales and services.

We are a young company with average store age of 4 years. The process of a young store maturing is a process of high same store revenue growth and expanding net margins. In 2017, our revenue grew at 22.7% with 21.7% coming from same store growth and the rest coming from new stores. The net margin expansion we experienced in 2017 was also partly due to our store maturing process.

The Single City Single Store strategy (SCSS) has proven to be a success, as it allowed us to enter many fast growing lower tier cities and to be the only dealer for BMW, Lexus, or Porsche in those cities. Because of less intra-brand competition, we were able to better retain customer loyalty for after-sales services and achieve higher sales margin for passenger vehicles. In 2017, we enhanced the SCSS strategy by adding stores of different brands (ie, a Lexus store in a city where we had a BMW store), or by adding second store of the same brand (ie, a 2nd BMW store in a city where we had the first). By doing so, we strengthened our strategic position by preventing potential competition, taking full advantage of the market growth, and improving efficiency by leveraging our existing operational infrastructure. With the support of manufacturers, we were able to implement the SCSS enhancement in two fourth tier cities, Zhuzhou and Yangjiang, in 2017, and we will implement in more cities in 2018.

2018 AND BEYOND

We expect luxury vehicle market to continue its healthy growth in 2018, though the overall automobile market may face uncertainties due to macro economic conditions in China. We also believe the trend of fast growth in lower tier cities will continue into 2018 and well beyond.

2018 will be another year of new model introductions by BMW, Porsche, and Lexus. Our assessment is that all these new models will help us improve traffic to our stores, increase sales volumes, and enhance profit margins.

We will have another year of double-digit store growth in 2018. We are kicking off at least 12 stores into planning or construction with 4 Porsche stores, 3 Lexus stores, 4 BMW stores and 1 Toyota store. Most of these new stores will finish construction in 2018, will improve our brand mix, and will contribute to revenue and profit growth in 2018, 2019 and beyond. Aligning with the strategy of "Single City Single Store", these new stores will enable us to execute along a proven successful path.

Operationally in 2018, our focus is on inventory turns and after-sales services growth. We ended the year of 2016 and 2017 with low inventory turnover days at around 30 days. We will strive in 2018 to achieve similar level of inventory turnover rate. After-sales services revenue, as a sign of store maturity, is vital as its margin is higher and more "sticky" than that of the sales. High services revenue equates high margin for a store and therefore low risk. We are targeting another year of double-digit growth in services revenue in 2018.

Merger and acquisition will be an increasing area of interest to us. The 4S dealer market faces an intensifying bipolar situation, with many dealership under liquidity constraints. This can provide potential opportunities to us with our growing financial capabilities. We will, however, evaluate M&A opportunities with strong discipline along the following criteria: reasonable valuation compared with the return on investment of new stores, brands and locations which we are comfortable with, and debt/cash requirement which does not stress our balance sheet too much.

In 2018, we will continue to improve our balance sheet to maintain a reasonable debt ratio. We achieved the industry leading return on equity, return on asset, cash investment generation, and dividend payout. We are determined to make the balance sheet simpler and healthier.

2018 marks the eve of new energy vehicles, with Toyota, BMW, and Porsche all planning major new energy models. We are learning how to market, sell, and service new energy vehicles such as hybrid, plugin hybrid, and pure EV. We are confident that we can play an increasingly important and indispensable role in marketing, selling, and servicing new energy vehicles. For example, in 2018 we expect over 30% of our Lexus sales will be hybrid or plugin hybrid models.

On behalf of the Board, we would like to express our sincere gratitude to our employees for all your effort. We would also like to thank our shareholders and business partners for your continuous support. Let us work hard to make 2018 a better year for all of us.

Yours sincerely,

Ye Fan
Chairman

Ye Tao
Chief Executive Officer

20 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and Cost of Sales

For the year ended 31 December 2017, the Group recorded a revenue of RMB7,682,714,000, representing a significant increase of 22.7% as compared with RMB6,263,322,000 in 2016. This includes passenger vehicles sales of RMB6,778,187,000, which grew by approximately 21.4% as compared with last year; and after-sales revenue of RMB904,527,000, which increased by approximately 33.5% as compared with last year. Cost of goods sold increased by 20.7% from RMB5,685,864,000 to RMB6,862,969,000 in 2017. The increase in cost of goods sold was due to an increase in cost of sales of passenger vehicles of 19.8% and an increase in cost of after-sales services of 34.2%.

Gross Profit

For the year ended 31 December 2017, the Group achieved a total gross profit of RMB819,745,000, representing a 42.0% increase as compared with the total gross profit of RMB577,458,000 in 2016. This includes the gross profit of passenger vehicles sales of RMB376,705,000, an approximately 54.5% increase as compared to the last year; and the gross profit of after-sales services of RMB443,040,000, an approximately 32.8% increase as compared to the last year. Gross profit margin increased by 1.5 percentage points from 9.2% in 2016 to 10.7% for the year ended 31 December 2017, which was mainly due to the increase in the gross profit margin of passenger vehicles sales of 1.2 percentage points from 4.4% in 2016 to 5.6% for the year ended 31 December 2017.

Distribution Costs and Administrative Expenses

Distribution costs for the year ended 31 December 2017 amounted to RMB272,445,000, which grew by approximately 32.5% as compared to the last year. Administrative expenses for the year ended 31 December 2017 amounted to RMB230,327,000, which grew by approximately 31.4% as compared to the last year. The increase in distribution costs and administrative expenses was mainly due to the increased number of operating stores.

Finance Costs

Finance costs for the year ended 31 December 2017 amounted to RMB61,331,000, an increase of approximately 19.2% as compared with that of RMB51,470,000 last year which was mainly due to the increase in interest rates and inventory turnover days. During the year ended 31 December 2017, inventory turnover day was 32 days, an increase of 1 day as compared to 31 days in 2016.

Associates and Joint Ventures

For the year ended 31 December 2017, share of results of an associate and a joint venture amounted to RMB23,021,000, representing a decrease of approximately 15.9% as compared to that of RMB27,388,000 last year.

Taxation

For the year ended 31 December 2017, the Group's income tax expenses amounted to RMB98,967,000, representing an increase of approximately 61.6% as compared with the income tax expenses of RMB61,243,000 last year. The increase was mainly attributable to the increased profit before tax in 2017 as compared to the last year.

FINANCIAL RESOURCES AND POSITION

As at 31 December 2017, the Group's loans and borrowings and corporate bonds amounted to RMB816,864,000, representing an increase of approximately 4.1% as compared with the loans and borrowings and corporate bonds of RMB784,597,000 as at 31 December 2016. In particular, short-term loans and borrowings amounted to RMB674,282,000, long-term loans and borrowings amounted to RMB50,677,000, and the corporate bonds amounted to RMB91,905,000 as at 31 December 2017.

As at 31 December 2017, cash and cash equivalents and pledged bank deposits amounted to RMB809,750,000. Most of the cash and cash equivalents and pledged bank deposits were denominated in Renminbi and Hong Kong Dollars. As the Group's businesses are conducted in the People's Republic of China (the "**PRC**"), the Group does not expect to be exposed to any material foreign exchange risks.

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

Contingent Liabilities

As at 31 December 2017, one of the Group's subsidiaries issued financial guarantees to financial institutions in respect of financial facilities granted to related parties of the Group amounting to RMB158,000,000 (31 December 2016: RMB178,000,000), and the financial facilities utilized by the related parties amounted to RMB32,758,000 (31 December 2016: RMB43,381,000).

As at 31 December 2017, the Directors do not consider it probable that a claim will be made under the above guarantees.

BUSINESS REVIEW

In 2017, the automobile industry maintained stable growth momentum with luxury brands significantly outpacing the overall automobile market driven by consumption upgrading. According to the China Association of Automobile Manufacturers, there were 24.718 million units of passenger vehicles sold in China during 2017, representing a year-on-year ("**YoY**") growth of 1.4% as compared to 2016 (2016: 24.377 million units), which accounted for nearly one-third of the global automobile market. As for vehicle models, sport utility vehicles ("**SUV**") and multi-purpose vehicles ("**MPV**") remained as the major drivers with significant growth of 44.6% and 18.4% respectively. Sedans also grew mildly by 3.4%.

Under the back drop of mild overall market growth, various market segments recorded differentiated trends in terms of demand and growth with luxury brands growing much more significantly compared to the overall market. According to the statistics published by the National Bureau of Statistics, the nationwide per capita disposable income in China increased 7.3% in 2017. The upgrade of consumption has driven the continued strong market demand of high-end brands. In 2017, 12 mainstream luxury vehicle brands, in the aggregate, recorded a sales volume of approximately 2.575 million units in China, representing a YoY growth of 18.4%. The three luxury brands the Group distributed, namely Porsche, BMW and Lexus all delivered strong sales record in China in 2017. The Group benefits from the aforementioned market trends and recorded satisfying results with our strategy of “Single City Single Store”.

Moreover, the Group focuses on the second-tier to fourth-tier cities with low market penetration, mild moderate competitive landscape and stronger demand of consumer goods. In 2017, the Group opened 5 new stores across China, mostly stores under the “Single City Single Store” model in lower tier cities, which further enhanced our strategic footprint and enjoyed first-mover advantages.

Furthermore, the Group sees significant potential and tremendous opportunities in the after- sales service market. As at 31 December 2017, vehicle ownership in China reached 301 million units with steady and strong growth, according to the Traffic Management Bureau of the Ministry of Public Security. The continued growth of overall vehicle ownership and aging of vehicles provide immense room for the after sales market. The maturing of the Group’s young store portfolio ensures a steady growth of after-sales service segment of the Group.

RESULTS ANALYSIS

In 2017, the Group continued to implement its “Single City Single Store” strategy with focuses on luxury brands in lower tier cities. Such strategic initiative has generate fruitful results and has led to strong growth in terms of financial results.

Revenue

For 2017, the Group recorded a revenue of RMB7,682.7 million, representing a YoY growth of 22.7% (2016: RMB6,263.3 million). It was attributable to the successful launching of new stores in lower tier cities under the “Single City Single Store” strategy in 2017, which enabled the Group to rapidly penetrate into untapped markets and therefore to expand its business footprint and broaden its income sources. Furthermore, as the Group’s core brands namely Porsche, BMW and Lexus, has entered into a new product cycle, the revenue contribution from the sales of luxury brands significantly increased to 70.2% of the total revenue (2016: 60.4%). In 2017, sales from BMW, Porsche and Lexus amounted to RMB2,479.2 million, RMB1,215.4 million and RMB1,699.8 million respectively, which accounted for 32.3%, 15.8% and 22.1% of the total revenue.

Gross Profit

The 42.0% surge in gross profit from RMB577.5 million in 2016 to RMB819.7 million in 2017 was mainly driven by the satisfactory growth of overall revenue and the significant increase in gross profit margin of passenger vehicles sales. Gross profit of passenger vehicles sales amounted to RMB376.7 million in 2017 (2016: RMB243.8 million), representing an impressive increase of 54.5%. Gross profit of after-sales services also rose from RMB333.7 million in 2016 to RMB443.0 million in 2017, representing a YoY increase of 32.8%. Benefitting from a balanced demand and supply in the industry and long product cycle of major brands, coupled with the continuous brand-mix optimization and the optimization of operation efficiency through platform-based management, the Group's overall gross profit margin also significantly increased by 1.5 percentage points from 9.2% last year to 10.7%. Gross profit margin of passenger vehicles sales surged from 4.4% in 2016 to 5.6% in 2017. Meanwhile, with effective management, and streamlined operation, gross profit margin of after-sales services remained at a high level of 49.0%, which was similar to the last year.

Passenger Vehicle Sales

Under the proven success of the "Single City Single Store" strategy, the Group has enjoyed first mover's advantage and capturing the flourishing demand from consumption upgrade by introducing BMW, Porsche and Lexus new stores to untapped 2nd to 4th tier cities. At the same time, the Group also carries a solid portfolio of medium to high-end brands, namely Toyota and Hyundai to serve the needs of the mass market. In addition, the core brands of the Group also entered into a series of new product cycles during the year, which has become a strong force to drive the new vehicle sales. Coupled with the rapid network expansion and the strong growth in same-store sales revenue of passenger vehicles sales amounted to RMB6,778.2 million (2016: RMB5,585.6 million) in 2017, accounting for an increase of approximately 21.4% as compared with last year. In terms of sales volume, the Group sold 28,711 new vehicles in total, representing an increase of 7.8% as compared to 2016, which was above our expectation. In particular, luxury brands remained as the major driver, the sales volume of BMW, Porsche and Lexus were 6,491 units, 1,475 units and 4,437 units, respectively.

The gradually increase in numbers of mature stores in the portfolio and the strong demand from the 2nd to 4th tier cities, after-sales services segment made significant contribution to the revenue in 2017. The Group serviced a total of 309,136 vehicles in 2017, representing a YoY growth of 19.7% (2016: 258,299 vehicles), bringing the revenue of after-sales services to increase from RMB677.7 million in 2016 to RMB904.5 million in 2017.

Net Profit

On top of revenue growth and significant increase in gross profit margin, the Group enhanced its operation efficiency with information technologies so as to achieve effective cost control. Therefore, profit attributable to equity shareholders increased by 81.4% to RMB275.8 million (2016: RMB152.1 million), and net profit margin grew by 1.1 percentage points to approximately 3.6%. Basic earnings per share was RMB25.26 cents. The interim dividend for 2017 was RMB0.035 per ordinary share and the proposed final dividend for 2017 was RMB0.0883 per ordinary share.

Current Network

The Group opened 5 new stores in 2017, bringing the total numbers of self-operated stores from 34 in 2016 to 39 in 2017, including a joint venture that is operated by the Group and an associate stores. Currently, the Group's store network covers Beijing, Hebei, Hubei, Hunan, Jiangxi, Fujian, Guangdong and Gansu.

No. of stores under operation	2016	**2017**	**Change**
Porsche	2	**2**	–
BMW	11	**14**	3
Lexus	8	**10**	2
Toyota	11	**11**	–
Hyundai	2	**2**	–
Total	34	**39**	5

Prospects

The automobile industry in China in 2018 is expected to continue the steady growth momentum of the previous year. The Group remains optimistic about the luxury brand market. The steady development of the macro economy and the increasing disposable income will further boost consumption upgrade, which will continue to drive strong replacement demand for luxury products. In addition, the favorable product cycles of major luxury brands are expected to sustain the strong momentum of luxury brands in the coming few years.

As a unique and long-term development strategy of the Group, "Single City Single Store" has substantially enhanced the overall profitability and the market position of the Group since its implementation. The Group will continue to speed up network expansion into the second to fourth-tier cities under the Single City Single Store model. The Group has a strong project pipeline with a strong focus of luxury brands that ensures the steady growth of the Group in 2018 and beyond.

Apart from passenger vehicle sales, the Group will also take proactive steps to develop the after-sales segment aiming to increase the contribution of high margin after sales segment to the overall business and speed up the maturation of young store portfolio to further improve profitability. Demand of the after-sales service market has been expanding with the rise in vehicle ownership and the aging of vehicles. This represents a good opportunity for the Group to benefit from its unique market position in the Single City Single Stores in the tier two to four cities we operate, which will lead to a sustainable growth of the after-sales services segment.

To increase its operation and management efficiency and enhance its execution capabilities, the Group employs the IT/data system which performs accurate data analysis and evaluation on its outlets across China. The data-driven management of the Group contributes to further enhance the management efficiency of the Group. Besides, the Group will maintain a healthy balance sheet and strong internal cashflow so as to fully grasp the opportunities arising from the industry to achieve the best returns to shareholders.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ye Fan *(Chairman)*
Mr. Ye Fan, aged 46, is the founder of the Group. He is the younger brother of Mr. Ye Tao, and is the Chairman and an executive Director of the Company. He is primarily responsible for supervising the operations of the Group, planning its business and marketing strategies and overseeing the external relationship with banks, government and other business partners. Mr. Ye Fan was awarded a Bachelor degree in Inorganic Non-metallic Materials (無機非金屬材料) from South China University of Technology (華南理工大學) in July 1993. He is a non-permanent Hong Kong resident.

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

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

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

Mr. Ye Tao *(Chief Executive Officer)*

Mr. Ye Tao, aged 51, is the elder brother of Mr. Ye Fan. He is an executive Director and the Chief Executive Officer of the Company. He is primarily responsible for overseeing the daily operations and management of the Group, planning its business and marketing strategies, supervising investor relationship and serving on the Remuneration Committee and the nomination committee of the Company (the "**Nomination Committee**"). Mr. Ye Tao was awarded a Bachelor degree in Mechanics (力學) from Peking University (北京大學) in July 1989. He also obtained a Master of Science degree in Mechanical Engineering and a Master of Science degree in Management, both from Massachusetts Institute of Technology, in June 1996.

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

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

Ms. Liu Xuehua

Ms. Liu Xuehua, aged 54, is an executive Director and the chief financial officer of the Company. Ms. Liu is the spouse of Mr. Yu Bin, one of the senior management of the Company. She is primarily responsible for general administration of the Group, focusing principally on accounting, treasury, administrative and human resources management of the Group. She is the key person-in-charge of the formulation, implementation and enhancement of the internal control polices of the Group. Ms. Liu obtained a Bachelor degree in Administration Management from Peking University (北京大學), through long distance learning in July 2002. By profession, she is an accountant, and her qualification was conferred by the Ministry of Finance of the PRC in 1994.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jip Ki Chi

Mr. Jip Ki Chi, aged 48, was appointed as an independent non-executive Director with effect from 15 November 2013. Mr. Jip is currently the chief financial officer and company secretary of Sage International Group Limited (Stock code: 8082.HK). Mr. Jip was awarded a Bachelor degree of Business in Accountancy from Queensland University of Technology, Australia in 1994, and a Master degree in Business Administration from the University of Adelaide, Australia in 2008. Mr. Jip is a Certified Practising Accountant of CPA Australia (CPA (Aust.)). He obtained his qualification as a fellow member of Hong Kong Institute of Certified Public Accountants in 2007 (FCPA). Mr. Jip has a wealth of experience in accounting, finance, management and company secretarial field, and has worked as the chief financial officer and company secretary of Inventronics Holdings Limited and Zhong Da Mining Limited, the financial controller and company secretary of Hao Tian Resources Group Limited (Stock code 474.HK) (currently known as Hao Tian Development Group Limited) and the financial controller of Wah Shing Group.

Mr. Wang, Michael Chou

Mr. Wang, aged 48, was appointed as an independent non-executive Director with effect from 22 June 2015. Mr. Wang was awarded a Master of Business Administration by the Wharton School of Business at the University of Pennsylvania in 1997 and a Bachelor of Arts from Southwestern University in 1992. He is currently the managing partner and president of Abax Global Capital. Mr. Wang is responsible for the overall business management and investment activities at Abax and also focuses on the management of portfolio companies. Mr. Wang is a member of the fund's investment committee and is the Chairman of such firm's operating committee.

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

Mr. Chen Guiyi

Mr. Chen Guiyi, aged 39, was appointed as an independent non-executive Director with effect from 1 April 2017. From September 1997 to July 2001, Mr. Chen studied at the China Youth University of Political Science where he obtained a bachelor's degree in legal studies. From September 2003 to July 2004, he studied at the University of Groningen of the Netherlands where he obtained a master's degree in laws. From July 2001 to September 2005, he has been an associate director at the newspaper office of Beijing Times of People's Daily. From October 2005 to March 2016, he was one of the partners of the law firm, Jingtian & Gongcheng in Beijing, the PRC. Since March 2016, he has been one of the partners of W&G Investment Management Co., Ltd.. Mr. Chen has ample experience in the capital market, specializing in both the domestic and overseas capital market, and has provided legal services in respect of the domestic and overseas issuance of stocks and bonds for dozens of companies. He was nominated as the Dealmaker of the Year 2014 of Mainland China by the provider of print and online legal news and information, Asian Legal Business under the Thomson Reuters group.

SENIOR MANAGEMENT

Mr. Yu Bin

Mr. Yu Bin, aged 55, is our vice president of after-sales operations unit. Mr. Yu is the spouse of Ms. Liu Xuehua, one of our executive Directors. Currently, he is primarily responsible for the overall management of the after-sales services of the Group. Mr. Yu holds a Bachelor degree in Engineering of Vehicle Transportation. Mr. Yu joined the Group as the chief officer in after-sales operations in August 2011 and was then in charge of the management of the after-sales services of the Group. Mr. Yu has over 30 years of working experience in vehicle repair and technical training. Before Mr. Yu joined our Group, he worked as the vehicle repair officer, training and education officer, technical training supervisor, vehicle repair and production technology supervisor for Beijing Public Transport Holding (Group) Co., Ltd. Repair Branch.

Ms. Wang Feixue

Ms. Wang Feixue, aged 37, is our vice president of sales and marketing unit. Currently, she is primarily responsible for the overall management of the sales and marketing functions of the Group. Ms. Wang completed a two-year professional study programme in Chinese language and literature in Henan Broadcast Television University. Ms. Wang joined the Group as a sales consultant in July 2004 and was then in charge of sales of new vehicles. Ms. Wang left the Group in July 2006, then rejoined the Group as a corporate planning manager in July 2007. Before Ms. Wang rejoined the Group in July 2007, she worked for Dongguan Zhicheng Trading Company Limited as the sales manager, and was in charge of managing the sales department.

Ms. Luo Liuyu

Ms. Luo Liuyu, aged 34, is our vice president of human resources and administration unit. Currently, she is primarily responsible for the overall human resources management and planning of the Group, including recruitment, job allocation, training, formulating remuneration and fringe benefit policies, etc. Ms. Luo completed a three-year professional study programme in Finance in Dongguan University of Technology. Ms. Luo joined the Group as a finance supervisor in September 2007 and was then in charge of the management of the finance department, including fund and assets management, internal auditing, costs control management and financial statements preparation. Before Ms. Luo joined the Group, she worked for Dongguan Zhicheng Trading Company Limited as accounting supervisor, taking charge of the daily operations of finance department and other accounting functions.

Ms. Chen Saijin

Ms. Chen Saijin, aged 37, is our vice president of purchasing and projects unit. Currently, she is primarily responsible for the overall procurement of the Group and supervising internal control matters. Ms. Chen was granted a technical certificate in computer software profession by the Guangdong Labour and Social Security Bureau. Ms. Chen also completed a three-year professional study programme in Accounting in Renmin University of China (中國人民大學) through Internet learning. Ms. Chen joined the Group as an accounting officer in October 2004 and was then in charge of the accounting function of the finance department. Before Ms. Chen joined the Group, she worked for Dongguan Hongyan Vehicle Trading Company Limited as the deputy manager of finance department, taking charge of the auditing of costs and other finance matters.

REPORT OF THE DIRECTORS

The Board has pleasure in presenting the Report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2017 and a discussion on the Group's future business development are provided in the section "Letter from Chairman and CEO" and "Management Discussion and Analysis" of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in the section "Letter from Chairman Statement and CEO". The financial risk management objectives and policies of the Group can be found in note 28 to the consolidated financial statements.

Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2017 are provided in page 31 of this section and note 33 to the consolidated financial statements of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the "Five Year Financial Summary" on page 140 of this Annual Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

RESULTS AND FINAL DIVIDEND

The results of the Group for the year ended 31 December 2017 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on page 50 to page 140 of this Annual Report.

The Directors have recommended the payment of a final cash dividend out of the share premium account under reserves of the Company of RMB0.0883 per share (2016: RMB0.064 per share) to the Shareholders whose names are on the register of members of the Company on 31 May 2018. Subject to approval by the Shareholders at the AGM and compliance with the Companies Law of the Cayman Islands, the final dividend will be paid on or about 12 June 2018 and the register of members of the Company will be closed from 25 May 2018 to 31 May 2018, both days inclusive, for determination of entitlement of the final dividend, during which period no transfer of shares will be registered.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity set out on page 53 of this Annual Report.

The Company's reserves available for distribution to the Shareholders as at 31 December 2017 amounted to RMB110,835,000 (2016: RMB225,821,000), subject to the applicable statutory requirements under the laws of the Cayman Islands.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five financial years ended 31 December 2017 is set out on page 140 of this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

For the purpose of disclosing the environmental, social and governance ("**ESG**") information in accordance with the ESG Reporting Guide in Appendix 27 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company has engaged an external consultant to identify material ESG issues of the Group and assist in the reporting of the Group's performance based on its ESG management approach, strategy, priorities and objective. The ESG report will be dispatched to the shareholder of the Company and will be published on the website of the Company and the Stock Exchange in due course. For details of the Company's environmental policies and performance and its compliance with the relevant laws and regulations in the environmental and social aspects, please refer to the ESG report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the year ended 31 December 2017 are set out in note 11 to the consolidated financial statements.

TAX RELIEF

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

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

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year ended 31 December 2017 are set out in note 27(c) to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this Annual Report were as follows:

Executive Directors

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

Independent Non-Executive Directors

Mr. Chen Guiyi (appointed on 1 April 2017)
Mr. Jip Ki Chi
Mr. Wang, Michael Chou
Mr. Pan Lu (resigned on 31 March 2017)

The biographical details of the Directors and senior management of the Company are set out on page 15 to 18 of this Annual Report.

In accordance with Article 105 of the articles of association of the Company (the "**Articles of Association**"), Ms. Liu Xuehua and Mr. Wang, Michael Chou shall retire from office by rotation at the AGM and, all of them being eligible, would offer themselves for re-election.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

Directors' Service Contracts

Each of the executive Directors has entered into a new letter of appointment with the Company commencing with effect from 15 November 2016. Each of the executive Directors was not appointed for any specific length or proposed length of services and his term of service shall continue unless and until terminated by either party giving not less than three months' notice in writing to the other party.

The independent non-executive Director, Mr. Chen Guiyi has entered into a new letter of appointment with the Company commencing with effect from 1 April 2017. Mr. Chen Guiyi was not appointed for any specific length or proposed length of services and his term of service shall continue unless and until terminated by either party by not less than three months' notice in writing. The independent non-executive Director, Mr. Jip Ki Chi has entered into a new letter of appointment with the Company commencing with effect from 15 November 2016. Mr. Jip Ki Chi was not appointed for any specific length or proposed length of services and his term of service shall continue unless and until terminated by either party by not less than three months' notice in writing. The independent non-executive Director, Mr. Wang, Michael Chou has entered into an appointment letter with the Company for an initial term of three years from 22 June 2015, which can be terminated by either party giving not less than three months' notice in writing to the other party. Each of the independent non-executive Directors is subject to the provisions for retirement by rotation and reelection at the AGM in accordance with the Articles of Association. Save as disclosed above, no Director will be proposed for re-election at the AGM in accordance with the Articles of Association.

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

Directors' Remuneration

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

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

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

Interests In Contracts

Other than as disclosed in note 31 to the consolidated financial statements, there is no contract of significance to which the Company, its holding company, or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Competing Business

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

Directors' Interests or Short Positions in Shares and Underlying Shares

As at 31 December 2017, the interests and short positions of the Directors and chief executive in the Shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") to be notified to the Company and the Stock Exchange, were as follows:

Long Positions or short Positions in shares and underlying shares

Name of director	Capacity	Interest in shares Personal interest shares	 Family interest	Total interest in shares	Interest in underlying Shares pursuant to share options	Approximate percentage of shareholding as at 31 December 2017
Mr. Ye Fan (1 and 2)	Settlor of trust	–	754,400,000	754,400,000	–	68.54%
Mr. Ye Tao	Beneficial Owner	–	–	–	2,000,000	0.18%
Ms Liu Xuehua	Beneficial Owner	–	–	–	2,150,000	0.20%

Notes:

(1) Mr. Ye Fan is the settlor of the Ye Family Trust, a revocable discretionary family trust. The entire capital of Apex Holdings Enterprises Limited ("**Apex Holdings**") is an asset of such family trust, and Apex Holdings in turn holds the entire issued share capital of Apex Sail Limited ("**Apex Sail**").

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

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

Directors' Rights to Acquire Shares

Pursuant to the Company's share option scheme adopted by the Shareholders on 13 November 2013 (the "**SOS**"), the Company has granted to certain Directors options to subscribe Shares, details of which as at 31 December 2017 were as follows:

					At at 31 December 2017	
Name of director	Date of Grant	Exercisable period	Number of Shares subject to the outstanding options as at 01.01.2014	Exercise price HK$	Number of Shares subject to outstanding options	Approximate percentage of shareholding
Mr. Ye Tao	20.01.2014	01.01.2015 – 12.11.2023	–	1.80	500,000	0.05%
	20.01.2014	01.01.2016 – 12.11.2023	–	1.80	500,000	0.05%
	20.01.2014	01.01.2017 – 12.11.2023	–	1.80	500,000	0.05%
	20.01.2014	01.01.2018 – 12.11.2023	–	1.80	500,000	0.05%
Ms. Liu Xuehua	20.01.2014	01.01.2015 – 12.11.2023	–	1.80	537,500	0.05%
	20.01.2014	01.01.2016 – 12.11.2023	–	1.80	537,500	0.05%
	20.01.2014	01.01.2017 – 12.11.2023	–	1.80	537,500	0.05%
	20.01.2014	01.01.2018 – 12.11.2023	–	1.80	537,500	0.05%

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

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

Notes:

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

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

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

Save as disclosed above, as at 31 December 2017, none of the Directors had any interests or short positions in the Shares or underlying shares of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Arrangements to Purchase Shares or Debentures

Other than the SOS, at no time during the year ended 31 December 2017 was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following Shareholders (other than the Directors or chief executives of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of shareholder	Capacity	Number of Shares Held	Approximate percentage of shareholding
Apex Sail (1) and (3)	Beneficial owner	754,400,000	68.54%
Apex Holdings (1)	Interest in a controlled corporation	754,400,000	68.54%
Ms. Hu Huanran (2)	Interest of spouse	754,400,000	68.54%
FIL Limited	Investment manager	97,314,000	8.64%
Everbright Securities Company Limited (3)	Interest in a controlled corporation	355,838,151	32.33%
Sun Hung Kai Financial Group Limited (3)	Interest in a controlled corporation	355,838,151	32.33%
PA Venture Opportunity IV Limited (3) and (4)	Person having a security interest in shares	355,838,151	32.33%
	Beneficial Owner	5,000,000	0.45%
	Other	19,143,698	1.74%
Pacific Alliance Asia Opportunity Fund L.P. (3) and (4)	Interest in a controlled corporation	379,981,849	34.52%
Pacific Alliance Group Limited (3) and (4)	Interest in a controlled corporation	379,981,849	34.52%
Pacific Alliance Investment Management Limited (3) and (4)	Interest in a controlled corporation	379,981,849	34.52%
PAG Holdings Limited (3) and (4)	Interest in a controlled corporation	379,981,849	34.52%
Asian Equity Special Opportunities Portfolio Master Fund Limited (3) and (4)	Person having a security interest in shares	355,838,151	32.33%
	Other	31,129,916	2.83%
	Beneficial Owner	5,378,000	0.49%
RAYS Capital Partners Limited (3) and (4)	Investment Manager	392,346,067	35.65%
Ruan David Ching-chi (3) and (4)	Interest in a controlled corporation	392,346,067	35.65%
Yip Yok Tak Amy (3) and (4)	Interest in a controlled corporation	392,346,067	35.65%

Notes:

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

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

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

(4) The Bonds were issued with warrants, of which 24,143,698 warrants were held by PA Venture Opportunity IV Limited and 38,629,916 warrants were held by RAYS Capital Partners Limited (which is owned as to 50% and 50% by Mr. Ruan David Ching-chi and Ms. Yip Yok Tak Amy respectively), details of which are set out in the announcements dated 21 January 2015 and 9 March 2015. 5,000,000 warrants held by PA Venture Opportunity IV Limited were exercised in 12 October 2017 and 2,500,000 and 5,000,000 warrants held by RAYS Capital Partners Limited were exercised on 25 July 2017 and 18 September 2017 respectively. As at 31 December 2017, 19,143,698 warrants were held by PA Venture Opportunity IV Limited and 31,129,916 warrants were held by RAYS Capital Partners Limited.

Save for the Shareholders as disclosed herein, the Directors are not aware of any persons (other than the Directors and chief executive of the Company) who had an interest or a short position in the Shares or underlying shares of the Company as recorded as at 31 December 2017 in the register to be kept by the Company under Section 336 of the SFO.

Short positions in Shares and underlying Shares in the Company

As at 31 December 2017, the Company had not been notified of any short positions being held by any substantial Shareholder in the Shares or underlying Shares of the Company.

Other Persons

As at 31 December 2017, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executives and the substantial Shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

SHARE OPTION SCHEME

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

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

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

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

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

On 20 January 2014, share options to subscribe for 11,400,000 Shares were granted under the SOS to two Directors and eligible employees (the "**Grant**"). The Grant represents approximately 1.04% of the issued share capital of the Company as at the date of this report. Details of the share options outstanding as at the date of this report are as follows:

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

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

Name of Director	Option type	Date of Grant	Exercisable Period	Exercise price HK$	Number of Shares subject to the outstanding options as at 01.01.2017	Granted during the period	Forfeited during the period	Number of Shares subject to the outstanding options as at 31.12.2017	Weighted average closing price of shares immediately before the date(s) on which the options were exercised HK$
Category 1: Directors									
Mr. Ye Tao	2014 Options	20.01.2014	01.01.2015 – 12.11.2023	1.80	500,000	–	–	500,000	–
		20.01.2014	01.01.2016 – 12.11.2023	1.80	500,000	–	–	500,000	–
		20.01.2014	01.01.2017 – 12.11.2023	1.80	500,000	–	–	500,000	–
		20.01.2014	01.01.2018 – 12.11.2023	1.80	500,000	–	–	500,000	–
Ms. Liu Xuehua	2014 Options	20.01.2014	01.01.2015 – 12.11.2023	1.80	537,500	–	–	537,500	–
		20.01.2014	01.01.2016 – 12.11.2023	1.80	537,500	–	–	537,500	–
		20.01.2014	01.01.2017 – 12.11.2023	1.80	537,500	–	–	537,500	–
		20.01.2014	01.01.2018 – 12.11.2023	1.80	537,500	–	–	537,500	–
Total for Directors					4,150,000	–	–	4,150,000	–
Category 2: Employees	2014 Options	20.01.2014	01.01.2015 – 12.11.2023	1.80	1,330,000	–	–	1,330,000	–
		20.01.2014	01.01.2016 – 12.11.2023	1.80	1,330,000	–	–	1,330,000	–
		20.01.2014	01.01.2017 – 12.11.2023	1.80	1,330,000	–	–	1,330,000	–
		20.01.2014	01.01.2018 – 12.11.2023	1.80	1,330,000	–	–	1,330,000	–
Total for Employees					5,320,000	–	–	5,320,000	
All Category					9,470,000	–	–	9,470,000	

Notes:

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

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

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

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

CONTINUING CONNECTED TRANSACTION

There were no significant connected transactions.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in note 31 to the consolidated financial statements.

NON-COMPETITION UNDERTAKINGS

Each of the controlling Shareholders has provided to the Company a written confirmation in respect of his/its compliance with the Non-Compete Undertakings dated 13 November 2013 (the "**Non-Compete Undertakings**") for the year ended 31 December 2017. The independent non-executive Directors have also reviewed the status of compliance by each of the controlling Shareholders with the undertakings in the Non-Compete Undertakings and have confirmed that, as far as he/it can ascertain, there is no breach of any of the undertakings in the Non-Compete Undertakings.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2017 are set out in note 22 to the consolidated financial statements.

DONATIONS

During the year ended 31 December 2017, the Group made charitable and other donations amounting to RMB Nil.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, the five largest customers of the Group accounted for approximately 0.84% of the total revenue and sales to the largest customer accounted for approximately 0.72% of the total revenue. The five largest suppliers of the Group in aggregate accounted for about 90.80% of its operating costs for the year ended 31 December 2017. Purchases from the largest supplier accounted for about 21.02% of its operating costs for the year ended 31 December 2017. None of the Directors, their close associates, or any Shareholder (who to the knowledge of the Directors owned more than 5% of the Company's share capital) had any interest in the Group's five largest customers or suppliers.

PRE-EMPTIVE RIGHTS

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

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2017, save as disclosed herein, the Company has not entered into any equity-linked agreement.

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

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2017 and until the date of this report.

EMOLUMENT POLICY

As at 31 December 2017, the Group had a total of 3,489 employees, the majority of whom are situated in the PRC. In addition to offering competitive remuneration packages to employee, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

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

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

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

DIRECTORS' INDEMNITY

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**Code**") during the year ended 31 December 2017. Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in this Annual Report.

SIGNIFICANT LEGAL PROCEEDINGS

During the year ended 31 December 2017, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

EVENTS AFTER THE REPORTING PERIOD

Particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2017 are provided in note 33 to the consolidated financial statements and in this section on page 23 of "Long Positions or Short Positions in Shares and Underlying Shares" and page 25 of "Substantial Shareholders".

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2017 have been audited by KPMG, the Company's external auditors (the "**Auditors**"). A resolution will be proposed at the AGM to re-appoint KPMG as the Auditors.

On behalf of the Board
Ye Fan
Chairman

Hong Kong, 20 March 2018

CORPORATE GOVERNANCE REPORT

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

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the code provisions as set out in the Code during the year ended 31 December 2017.

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

BOARD OF DIRECTORS

Composition of the Board

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

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

Independent Non-executive Directors
Mr. Chen Guiyi
Mr. Wang, Michael Chou
Mr. Jip Ki Chi

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 15 to 18 of this Annual Report.

The Company has arranged appropriate directors' and officers' liabilities insurance for Directors and officers of the Company. Details of the directors' indemnity are provided in the Report of the Directors on page 30 of this Annual Report. The insurance coverage is reviewed on an annual basis.

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

Except for the family relationship between Mr. Ye Fan and Mr. Ye Tao as disclosed in the biographical details on pages 15 to 16 of this Annual Report, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

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

Each of the executive Directors has entered into a new letter of appointment with the Company commencing with effect from 15 November 2016. Each of the executive Directors was not appointed for any specific length or proposed length of services and his term of service shall continue unless and until terminated by either party giving not less than three months' notice in writing to the other party.

The independent non-executive Director, Mr. Chen Guiyi has entered into a new letter of appointment with the Company commencing with effect from 1 April 2017. Mr. Chen Guiyi was not appointed for any specific length or proposed length of services and his term of service shall continue unless and until terminated by either party by not less than three months' notice in writing. The independent non-executive Director, Mr. Jip Ki Chi has entered into a new letter of appointment with the Company commencing with effect from 15 November 2016. Mr. Jip Ki Chi was not appointed for any specific length or proposed length of services and his term of service shall continue unless and until terminated by either party by not less than three months' notice in writing. The independent non-executive Director, Mr. Wang, Michael Chou has entered into an appointment letter with the Company for an initial term of three years from 22 June 2015, which can be terminated by either party giving not less than three months' notice in writing to the other party. Each of the independent non-executive Directors is subject to the provisions for retirement by rotation and reelection at the AGM in accordance with the Articles of Association. Save as disclosed above, no Director will be proposed for re-election at the AGM in accordance with the Articles of Association.

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

During the year ended 31 December 2017, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules and the appointment of independent non-executive Directors representing at least one-third of the Board pursuant to Rule 3.10A of the Listing Rules.

Functions of the Board

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

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

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

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

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

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

Corporate Governance Functions

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

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

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

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

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

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

During the year ended 31 December 2017, the Board approved the terms of reference of the Board (with respect to corporate governance duties), and the terms of reference of the Nomination Committee, the audit committee (the "**Audit Committee**") and the Remuneration Committee and the Shareholders communication policy of the Company (the "**Shareholders Communication Policy**").

Directors' Training and Continuous Professional Development

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

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

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

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

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

Board Meetings

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

During the year ended 31 December 2017, four Board meetings were held. Details of individual attendance of each of the Directors are set out below:

	Attendance/ Number of Meetings Eligible to Attend
Executive directors:	
Mr. Ye Fan *(Chairman)*	4/4
Mr. Ye Tao *(Chief Executive Officer)*	4/4
Ms. Liu Xuehua	4/4
Independent Non-executive Directors:	
Mr. Chen Guiyi (appointed on 1 April 2017)	2/2
Mr. Wang, Michael Chou	4/4
Mr. Jip Ki Chi	4/4
Mr. Pan Lu (resigned on 31 March 2017)	2/2

Board Process

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

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

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

Chairman and Chief Executive Officer

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

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

Responsibilities of the Directors

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

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

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

BOARD COMMITTEES

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

Remuneration Committee

The Remuneration Committee comprise of three independent non-executive Directors, namely Mr. Wang, Michael Chou, Mr. Jip Ki Chi and Mr. Chen Guiyi. Mr. Pan Lu is the chairman of the Remuneration Committee before 1 April 2017 and Mr. Wang, Michael Chou is the chairman of the Remuneration Committee on or after 1 April 2017.

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

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

The Remuneration Committee held two meetings during the year ended 31 December 2017 with individual attendance as follows:

Members of the Remuneration Committee	**Attendance/ Number of Meetings**
Mr. Wang, Michael Chou *(Chairman)* (appointed on 1 April 2017)	2/2
Mr. Chen Guiyi (appointed on 1 April 2017)	Nil
Mr. Jip Ki Chi	2/2
Mr. Pan Lu (resigned on 31 March 2017)	2/2

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

Audit Committee

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

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

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

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

The Audit Committee held three meetings during the year ended 31 December 2017 with individual attendance as follow:

Members of the Audit Committee	Attendance/ Number of Meetings Eligible to Attend
Mr. Jip Ki Chi *(Chairman)*	3/3
Mr. Chen Guiyi (appointed on 1 April 2017)	1/1
Mr. Wang, Michael Chou	3/3
Mr. Pan Lu (resigned on 31 March 2017)	2/2

A meeting of the Audit Committee was held on 20 March 2018 to review the Group's consolidated financial statements for the year ended 31 December 2017.

Nomination Committee

The Nomination Committee comprises one executive Director, Mr. Ye Fan and two independent non-executive Directors, Mr. Wang, Michael Chou, and Mr. Jip Ki Chi. Mr. Ye Tao was the chairman of the Nomination Committee before 1 April 2017 and Mr. Ye Fan is the Chairman of the Nomination Committee on or after 1 April 2017.

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

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

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

The Nomination Committee held two meetings during the year ended 31 December 2017. The attendance records of the meetings are as follow:

Members of the Nomination Committee	Attendance/ Number of Meetings
Mr. Ye Fan *(Chairman)* (appointed on 1 April 2017)	Nil
Mr. Wang, Michael Chou (appointed on 1 April 2017)	Nil
Mr. Jip Ki Chi	2/2
Mr. Ye Tao (resigned on 31 March 2017)	2/2
Mr. Pan Lu (resigned on 31 March 2017)	2/2

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

EXTERNAL AUDITOR

The Auditors is KPMG. KPMG provided services in respect of the audit of Company's consolidated financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the year ended 31 December 2017. KPMG also reviewed the 2017 unaudited interim financial information of the Group prepared in accordance with Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the HKICPA.

During the year ended 31 December 2017, total fees charged by KPMG in respect of audit services amounted to RMB4,200,000, including interim review of the financial statement of the Company for the six months ended 30 June 2017.

Non-audit service fees charged by KPMG during the year ended 31 December 2017 are as follows:

Description of services performed

	RMB
Tax service	**8,300**
	8,300

The statement of the Auditors regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 44 to 49 of this Annual Report.

DIRECTORS' RESPONSIBILITIES IN PREPARING FINANCIAL STATEMENTS

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

GOING CONCERN

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

EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

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

In respect of the year ended 31 December 2017, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget.

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

COMPANY SECRETARY

The Company Secretary is Mr. Wong Cheung Ki Johnny, who is not an employee of the Company, has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

During the year ended 31 December 2017, AGM was held on 18 May 2017, details of individual attendance of each of the Directors are as follows:

	Attendance/ Annual General Meeting eligible to attend
Executive Directors	
Mr. Ye Fan *(Chairman)*	1/1
Mr. Ye Tao *(Chief Executive Officer)*	1/1
Ms. Li Xuehua	1/1
Independent Non-executive Directors:	
Mr. Chen Guiyi	1/1
Mr. Wang, Michael Chou	1/1
Mr. Jip Ki Chi	1/1

SHAREHOLDERS' RIGHTS

Convening an Extraordinary general Meeting by Shareholders and Putting Forward Proposals

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

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

Making Enquiries to the Board

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

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of China MeiDong Auto Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 50 to 139, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and 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 2017 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 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**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

Timing of revenue recognition

Refer to note 4 to the consolidated financial statements and the accounting policies on page 76.

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue principally comprises sales of passenger motor vehicles and the provision of after-sales services to a significant number of individual customers. Sales of passenger motor vehicles are recognised when the customer has accepted the vehicle which is evidenced by the customer's signature on the car delivery note. Revenue arising from after-sales services is recognised when the relevant service is completed and there are no further performance obligations. The Group manually tracks and records revenue. We identified the timing of revenue recognition as a key audit matter because the manual tracking and recording processes increase the risk of error whereby revenue may not be recognised in the correct financial period.	Our audit procedures to assess the timing of revenue recognition included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to the timing of revenue recognition; • inspecting standard sales contracts for sales of passenger motor vehicles and after-sales services to identify terms and conditions which may affect revenue recognition and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards; • selecting a sample of sales of passenger motor vehicles recorded during the year and after-sales services rendered during the year plus additional samples of revenue records for one month before and after the year end and comparing the details of the selected transactions with the related sales contracts, car delivery notes and evidence of signed customer acceptance for passenger vehicles sales and after-sales service transactions, where applicable, to assess whether the related revenue had been recognised appropriately and in the correct accounting period; and • scrutinising all manual journal entries relating to revenue raised during the year and inspecting underlying documentation for journal entries which were considered to be material or met other specified risk-based criteria.

KEY AUDIT MATTERS (CONTINUED)

Recognition of vendor rebates

Refer to notes 6(c) and 19 to the consolidated financial statements and the accounting policies on page 78.

The Key Audit Matter	How the matter was addressed in our audit
The Group earns vendor rebates under numerous different arrangements with automobile manufacturers. Rebate policies vary in different fiscal years and principally comprise volume based purchase rebates, sales rebates for certain specific car models, performance rebates and other specific rebates. Volume based purchase rebates and sales rebates are usually granted by the vendors if certain purchase or sales target are met. Performance rebates are granted by the vendors in accordance with the vendors' comprehensive assessment of the Group's business performance. In addition, other specific rebates are granted to the Group, which include, but are not limited to, new store one-off compensation and regional annual awards. Volume based purchase rebates are recognised as a deduction from the cost of purchase of motor vehicles when the performance conditions associated with them are met. Sales rebates, performance rebates and other specific rebates are recognised as a deduction from costs of sales when the respective conditions associated with them are met. The Group manually calculates rebates and recognises them when the associated conditions for recognition are met. We identified recognition of vendor rebates as a key audit matter because there are many different kinds of rebate policies in place and because the manual calculation of the Group's entitlement to such rebates increases the risk that vendor rebates could be recognised before the entitlement conditions have been met.	Our audit procedures to assess the recognition of vendor rebates included the following: • obtaining an understanding of the design and implementation of management's key internal controls in relation to the recognition of vendor rebates; • assessing the accounting treatment in respect of the recognition of vendor rebates by inspecting the terms and conditions of the vendor rebate policies for all automobile manufacturers with reference to the requirements of the prevailing accounting standards; • selecting a sample of vendor rebates recognised and settled during the year and comparing the recognised rebate amount with credit notes issued by the vendors or bank payment slips; • for vendor rebate receivables at the reporting date, performing recalculations of the amounts receivable, on a sample basis, based on the terms of the underlying vendor rebate policies and relevant inputs, including sales and purchase volume data, rebate rates and other specific criteria as set out in the respective vendor rebate policies; • evaluating, on a sample basis, the above relevant inputs used to calculate vendor rebates by comparing the inputs with relevant underlying documentation; and • assessing, on a sample basis, whether vendor rebates accrued at the previous financial reporting date were subsequently settled in the current year.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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.

- 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.

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

- 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 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 Au Yat Fo.

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

20 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017
(Expressed in RMB'000)

	Note	2017	2016
Revenue	4	7,682,714	6,263,322
Cost of sales		(6,862,969)	(5,685,864)
Gross profit		819,745	577,458
Other income	5	99,055	45,780
Distribution costs		(272,445)	(205,665)
Administrative expenses		(230,327)	(175,282)
Profit from operations		416,028	242,291
Finance costs	6(a)	(61,331)	(51,470)
Share of profits of an associate	15	320	4,162
Share of profits of a joint venture	16	22,701	23,226
Profit before taxation	6	377,718	218,209
Income tax	7(a)	(98,967)	(61,243)
Profit for the year		278,751	156,966
Other comprehensive income for the year		–	–
Profit and total comprehensive income for the year		278,751	156,966
Profit and total comprehensive income attributable to:			
Equity shareholders of the Company		275,787	152,057
Non-controlling interests		2,964	4,909
Profit and total comprehensive income for the year		278,751	156,966
Earnings per share			
Basic (RMB cents)	10(a)	25.26	13.97
Diluted (RMB cents)	10(b)	25.23	13.97

The notes on pages 55 to 139 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017
(Expressed in RMB'000)

	Note	31 December 2017	31 December 2016
Non-current assets			
Property, plant and equipment	11	**681,146**	621,525
Lease prepayments	12	**97,528**	100,478
Intangible assets	13	**10,228**	12,454
Interest in an associate	15	**19,153**	18,833
Interest in a joint venture	16	**37,413**	53,443
Other non-current assets	17	**48,392**	20,327
Deferred tax assets	26(b)	**12,887**	10,084
		906,747	837,144
Current assets			
Inventories	18	**673,129**	483,940
Trade and other receivables	19	**583,983**	497,790
Pledged bank deposits	20	**264,543**	346,825
Cash and cash equivalents	21	**545,207**	426,169
		2,066,862	1,754,724
Current liabilities			
Loans and borrowings	22	**674,282**	614,708
Trade and other payables	23	**1,030,069**	878,547
Corporate bonds	24	**91,905**	43,531
Income tax payables	26(a)	**30,212**	20,794
		1,826,468	1,557,580
Net current assets		**240,394**	197,144
Total assets less current liabilities		**1,147,141**	1,034,288

The notes on pages 55 to 139 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017
(Expressed in RMB'000)

	Note	31 December 2017	31 December 2016
Non-current liabilities			
Loans and borrowings	22	**50,677**	75,635
Corporate bonds	24	**–**	50,723
Deferred tax liabilities	26(b)	**2,849**	3,110
Other non-current liabilities		**–**	2,530
		53,526	131,998
NET ASSETS		**1,093,615**	902,290
EQUITY			
Share capital	27(c)	**86,585**	85,529
Reserves	27(e)	**968,972**	778,955
Total equity attributable to equity shareholders of the Company		**1,055,557**	864,484
Non-controlling interests		**38,058**	37,806
TOTAL EQUITY		**1,093,615**	902,290

Approved and authorised for issue by the board of directors on 20 March 2018.

Ye Fan
Directors

Ye Tao
Directors

The notes on pages 55 to 139 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017
(Expressed in RMB'000)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000 (note 27(e)(i))	Capital redemption reserve RMB'000 (note 27(e)(ii))	Capital reserves RMB'000 (note 27(e)(iii))	PRC statutory reserves RMB'000 (note 27(e)(iv))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	85,869	375,460	646	(38,795)	65,657	275,919	764,756	28,897	793,653
Changes in equity for 2016:									
Profit and total comprehensive income for the year	–	–	–	–	–	152,057	152,057	4,909	156,966
Capital injection by non-controlling interests	–	–	–	–	–	–	–	4,000	4,000
Appropriation to reserves	–	–	–	–	23,880	(23,880)	–	–	–
Dividends declared and paid (note 27(a) and note 27(b))	–	(50,054)	–	–	–	–	(50,054)	–	(50,054)
Equity settled share-based transactions (note 25)	–	–	–	819	–	–	819	–	819
Repurchase of own shares (note 27(c)(iii))	(340)	(3,094)	340	–	–	–	(3,094)	–	(3,094)
Balance at 31 December 2016	85,529	322,312	986	(37,976)	89,537	404,096	864,484	37,806	902,290
Balance at 1 January 2017	85,529	322,312	986	(37,976)	89,537	404,096	864,484	37,806	902,290
Changes in equity for 2017:									
Profit and total comprehensive income for the year	-	-	-	-	-	275,787	275,787	2,964	278,751
Capital injection by non-controlling interests	-	-	-	-	-	-	-	4,000	4,000
Appropriation to reserves	-	-	-	-	46,324	(46,324)	-	-	-
Dividends declared and paid (note 27(a) and note 27(b))	-	(107,812)	-	-	-	-	(107,812)	-	(107,812)
Equity settled share-based transactions (note 25)	-	-	-	348	-	-	348	-	348
Acquisition of non-controlling interest	-	-	-	-	-	(788)	(788)	(6,712)	(7,500)
Issue of ordinary shares upon exercise of warrants (note 27(d)	1,056	25,091	-	(2,609)	-	-	23,538	-	23,538
Balance at 31 December 2017	86,585	239,591	986	(40,237)	135,861	632,771	1,055,557	38,058	1,093,615

The notes on pages 55 to 139 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017
(Expressed in RMB'000)

	Note	2017	2016
Operating activities:			
Cash generated from operations	21(b)	**378,674**	354,864
Income tax paid	26(a)	**(92,613)**	(54,626)
Net cash generated from operating activities		**286,061**	300,238
Investing activities:			
Payment for the purchase of property, plant and equipment		**(178,470)**	(149,073)
Proceeds from disposal of property, plant and equipment		**50,083**	27,805
Payment for purchase of software		**(1,085)**	(1,435)
Advances to related parties		**–**	(151)
Repayment of advances to related parties		**–**	151
Interest received		**5,006**	5,241
Dividends received from a joint venture	16	**38,731**	16,170
Net cash used in investing activities		**(85,735)**	(101,292)
Financing activities:			
Proceeds from loans and borrowings	21(c)	**763,813**	742,730
Repayment of loans and borrowings	21(c)	**(725,082)**	(685,431)
Decease in pledged bank deposits	20	**19,278**	–
Proceeds from exercise of warrants	27(d)	**14,123**	–
Payment for repurchase of own shares	27(c)(iii)	**–**	(3,094)
Acquisition of non-controlling interests in a subsidiary		**(7,500)**	–
Advances from related parties	21(c)	**5,029**	22,646
Repayment of advances from related parties		**–**	(22,620)
Dividends declared and paid	27(b)	**(107,812)**	(50,054)
Capital injection by non-controlling interests		**4,000**	4,000
Interest paid	21(c)	**(47,137)**	(34,869)
Net cash used in financing activities		**(81,288)**	(26,692)
Net increase in cash and cash equivalents		**119,038**	172,254
Cash and cash equivalents at 1 January		**426,169**	253,915
Cash and cash equivalents at 31 December	21(a)	**545,207**	426,169

The notes on pages 55 to 139 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries and the Group's interests in an associate and a joint venture.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

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

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

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

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

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 21(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities 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 Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combination

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

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

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

(e) Subsidiaries and non-controlling interests

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Subsidiaries and non-controlling interests (continued)

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Associates and joint ventures

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Associates and joint ventures (continued)

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

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

(g) Derivative financial instruments

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

(h) Property, plant and equipment

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment (continued)

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

–	Buildings	15-30 years
–	Leasehold improvements	over the shorter of the unexpired term of the lease and the estimated useful lives
–	Plant and machinery	5-10 years
–	Passenger vehicles	1-5 years
–	Office equipment and furniture	3-5 years

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

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

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

(i) Intangible assets

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

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Car dealership is amortised from the date of acquisition over its estimated useful life of 20 years. Software is amortised from the date it is available for use over its estimated useful life of 2 years. Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Lease prepayments

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

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

(iii) Operating lease charges

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets

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

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).
- For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

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

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

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– lease prepayments;

– intangible assets;

– investment in an associate;

– investment in a joint venture; and

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Inventories

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

Cost is calculated on specific identification or weighted average basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

(m) Trade and other receivables

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

(n) Interest-bearing borrowings

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

(o) Trade and other payables

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Cash and cash equivalents

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

(q) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution retirement plan

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

(iii) Share-based payments

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

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

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

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

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

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

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

  - the same taxable entity; or

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Provisions and contingent liabilities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition

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

(i) Sale of goods

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

(ii) Services income

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

(iii) Commission income

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

(iv) Interest income

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

(u) Vendor rebates

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Translation of foreign currencies

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

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

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

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

(w) Borrowing costs

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Segment reporting

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

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

(i) Recognition of income taxes and deferred tax assets

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Depreciation and amortisation

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

(ii) Net realisable value of inventories

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

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

(iii) Impairment of trade and other receivables

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	2017	2016
	RMB'000	RMB'000
Sales of passenger vehicles	**6,778,187**	5,585,623
After-sales services	**904,527**	677,699
	7,682,714	6,263,322

(b) Segment reporting

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

(i) Information about geographical area

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

(ii) Information about major customers

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

5 OTHER INCOME

	2017 RMB'000	2016 RMB'000
Commission income	**56,799**	41,274
Bank interest income	**4,766**	4,908
Management service income	**12,107**	–
Net gain/(loss) on disposal of property, plant and equipment	**11,270**	(200)
Net foreign exchange gain/(loss)	**10,609**	(6,132)
Others	**3,504**	5,930
	99,055	45,780

6 PROFIT BEFORE TAXATION

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

	Note	2017 RMB'000	2016 RMB'000
(a) Finance costs:			
Interest on			
– loans and borrowings		**29,612**	25,072
– corporate bonds		**20,819**	18,552
Total borrowing costs		**50,431**	43,624
Other finance cost	(i)	**10,900**	7,846
		61,331	51,470
(b) Staff costs:			
Salaries, wages and other benefits		**302,899**	220,715
Equity settled share-based payment expenses	(ii)	**348**	819
Contributions to defined contribution retirement plans	(iii)	**10,333**	8,867
		313,580	230,401

6 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs (continued):

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

(ii) The Group recognised an expense of RMB348,000 for the year ended 31 December 2017 (2016: RMB819,000) in relation to share options granted to certain employees of the Group pursuant to a share option scheme (see note 25).

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

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

(c) Other items:

	2017 RMB'000	2016 RMB'000
Cost of inventories	**7,245,866**	6,014,754
Write down of inventories	**4,983**	–
Depreciation	**69,048**	55,228
Amortisation of lease prepayments	**2,950**	2,950
Amortisation of intangible assets	**2,226**	1,521
Operating lease charges	**41,793**	31,219
Net foreign exchange (gain)/loss	**(10,609)**	6,132
Auditors' remuneration	**4,200**	3,680

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2017 RMB'000	2016 RMB'000
Current tax:		
Provision for PRC income tax for the year (note 26(a))	**102,031**	58,497
Deferred tax:		
(Origination)/reversal of temporary differences (note 26(b))	**(3,064)**	2,746
	98,967	61,243

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

	2017 RMB'000	2016 RMB'000
Profit before taxation	**377,718**	218,209
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned (i)	**102,446**	63,973
Tax effect of non-deductible expenses	**1,628**	1,390
Tax effect of non-taxable income on share of profits of an associate	**(80)**	(1,040)
Tax effect of non-taxable income on share of profits of a joint venture	**(5,675)**	(5,806)
Tax effect of unused tax losses not recognised	**648**	2,726
Actual tax expense	**98,967**	61,243

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

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

The Group's PRC subsidiaries are subject to income tax at the statutory tax rate of 25%.

8 DIRECTORS' EMOLUMENTS

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

Year ended 31 December 2017

	Note	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (note i) RMB'000	Total RMB'000
Executive directors								
Mr. Ye Fan		–	604	2,500	5	3,109	–	3,109
Mr. Ye Tao		–	2,418	2,020	–	4,438	75	4,513
Ms. Liu Xuehua		–	724	740	–	1,464	81	1,545
Non-executive directors								
Mr. Wang Ju		84	–	–	–	84	–	84
Mr. Pan Lu (resigned on 31 March 2017)		21	–	–	–	21	–	21
Mr. Jip Ki Chi		139	–	–	–	139	–	139
Mr. Chen Gui Yi (appointed on 1 April 2017)		63	–	–	–	63	–	63
		307	3,746	5,260	5	9,318	156	9,474

8 DIRECTORS' EMOLUMENTS (CONTINUED)

Year ended 31 December 2016

	Note	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (note i) RMB'000	Total RMB'000
Executive directors								
Mr. Ye Fan		–	603	2,036	–	2,639	–	2,639
Mr. Ye Tao		–	2,418	560	–	2,978	177	3,155
Ms. Liu Xuehua		–	724	708	–	1,432	190	1,622
Non-executive directors								
Mr. Wang Ju		87	–	–	–	87	–	87
Mr. Pan Lu		87	–	–	–	87	–	87
Mr. Jip Ki Chi		144	–	–	–	144	–	144
		318	3,745	3,304	–	7,367	367	7,734

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

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

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

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2016: three) are directors whose emoluments is disclosed in note 8. The aggregate of the emoluments in respect of the other two (2016: two) individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowance and benefits in kind	494	512
Share-based payments	22	42
	516	554

The emoluments of the two (2016: two) individuals with the highest emoluments are within the following bands:

	2017 Number of individuals	2016 Number of individuals
HK$		
Nil – 1,000,000	2	2

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB275,787,000 (2016: RMB152,057,000) and the weighted average of 1,091,740,000 ordinary shares in issue (2016: 1,088,256,000 shares) during the year ended 31 December 2017.

Weighted average number of ordinary shares

	2017	2016
Issued ordinary shares at 1 January	1,088,130,000	1,092,170,000
Effect of shares repurchased (see note 27(c)(iii))	–	(3,914,000)
Effect of exercise of warrants (see note 27(d))	3,610,000	–
Weighted average number of ordinary shares at 31 December	1,091,740,000	1,088,256,000

10 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB275,787,000 (2016: RMB152,057,000) and the weighted average of 1,093,245,000 ordinary shares (2016: 1,088,256,000 shares) in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's employee share option scheme during the year ended 31 December 2017.

The impact of warrants to earnings per share was anti-dilutive for the year ended 31 December 2017.

Weighted average number of shares (diluted)

	2017	2016
Weighted average number of ordinary shares for the year ended 31 December	1,091,740,000	1,088,256,000
Effect of deemed issue of shares under the employee share option scheme (see note 25)	1,505,000	–
Weighted average number of ordinary shares at 31 December	1,093,245,000	1,088,256,000

The impact of share options and warrants to earnings per share was anti-dilutive for the year ended 31 December 2016 and therefore there were no dilutive potential ordinary shares during the year, as a result, the diluted earnings per share is equivalent to the basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Passenger vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2016	411,721	37,567	67,877	61,633	47,357	36,555	662,710
Additions	1,214	10,489	14,489	55,473	12,058	60,050	153,773
Transfer	27,590	27,069	15,537	–	3,181	(73,377)	–
Disposals	–	–	(376)	(38,508)	(291)	(3,818)	(42,993)
At 31 December 2016	440,525	75,125	97,527	78,598	62,305	19,410	773,490
At 1 January 2017	440,525	75,125	97,527	78,598	62,305	19,410	773,490
Additions	206	27,444	991	95,333	12,465	31,043	167,482
Transfer	21,266	8,056	9,440	–	–	(38,762)	–
Disposals	–	–	(281)	(60,709)	(1,360)	–	(62,350)
At 31 December 2017	461,997	110,625	107,677	113,222	73,410	11,691	878,622
Accumulated depreciation:							
At 1 January 2016	40,446	16,772	15,407	15,861	23,239	–	111,725
Charge for the year	17,792	3,609	6,733	19,979	7,115	–	55,228
Written back on disposals	–	–	(170)	(14,550)	(268)	–	(14,988)
At 31 December 2016	58,238	20,381	21,970	21,290	30,086	–	151,965
At 1 January 2017	58,238	20,381	21,970	21,290	30,086	–	151,965
Charge for the year	17,834	6,478	9,121	27,134	8,481	–	69,048
Written back on disposals	–	–	(188)	(22,092)	(1,257)	–	(23,537)
At 31 December 2017	76,072	26,859	30,903	26,332	37,310	–	197,476
Net book value:							
At 31 December 2017	385,925	83,766	76,774	86,890	36,100	11,691	681,146
At 31 December 2016	382,287	54,744	75,557	57,308	32,219	19,410	621,525

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB227,609,000 as at 31 December 2017 (2016: RMB216,792,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2017.

Property, plant and equipment with net book value of RMB7,995,000 are pledged as security for bank loans (see note 22(b)(i)) as at 31 December 2017 (2016: RMB8,325,000).

12 LEASE PREPAYMENTS

	2017 **RMB'000**	2016 RMB'000
Cost:		
At 1 January	**115,651**	115,651
Additions	**–**	–
At 31 December	**115,651**	115,651
Accumulated amortisation:		
At 1 January	**(15,173)**	(12,223)
Charge for the year	**(2,950)**	(2,950)
At 31 December	**(18,123)**	(15,173)
Net book value:		
At 31 December	**97,528**	100,478

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

Lease prepayments with net book value of RMB84,129,000 are pledged as security for bank loans (see note 22(b)(i)) as at 31 December 2017 (2016: RMB77,455,000).

13 INTANGIBLE ASSETS

The Group

	Car dealership RMB'000	Software RMB'000	Total RMB'000
Cost:			
At 1 January 2016	16,350	–	16,350
Additions	–	2,820	2,820
At 31 December 2016	16,350	2,820	19,170
At 1 January 2017	16,350	2,820	19,170
Additions	–	–	–
At 31 December 2017	16,350	2,820	19,170
Accumulated amortisation:			
At 1 January 2016	(5,195)	–	(5,195)
Charge for the year	(816)	(705)	(1,521)
At 31 December 2016	(6,011)	(705)	(6,716)
At 1 January 2017	(6,011)	(705)	(6,716)
Charge for the year	(816)	(1,410)	(2,226)
At 31 December 2017	(6,827)	(2,115)	(8,942)
Net book value:			
At 31 December 2017	9,523	705	10,228
At 31 December 2016	10,339	2,115	12,454

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

14 INVESTMENTS IN SUBSIDIARIES

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

			Proportion of ownership interest			
Name of company	**Place of incorporation and business**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
China MeiDong Auto International Limited ("**MeiDong International**") (中國美東汽車國際有限公司)	British Virgin Islands	100 shares of USD 1 each	100%	100%	–	Investment holding
China Meidong Auto (HK) Limited ("**MeiDong HK**") (中國美東汽車(香港)有限公司)	Hong Kong	10,000 shares	100%	–	100%	Investment holding
Dongguan Meixin Business Consulting Co., Ltd. ("**Dongguan Meixin**") (東莞美信企業管理諮詢有限公司)	The PRC	RMB200,000,000	100%	–	100%	Investment holding
Beijing Zhongye	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Dongguan Guanfeng Auto Co., Ltd. (東莞市冠豐汽車有限公司)	The PRC	RMB10,000,000	70%	–	70%	Automobile dealership
Dongguan Dongbu Toyota Auto Sales and Services Co., Ltd. (東莞市東部豐田汽車銷售服務有限公司)	The PRC	RMB50,000,000	100%	–	100%	Automobile dealership
Dongguan Dongmei Toyota Auto Sales and Services Co., Ltd. (東莞東美豐田汽車銷售服務有限公司)	The PRC	RMB50,000,000	100%	–	100%	Automobile dealership
Dongguan Dongxin Auto Sales and Services Co., Ltd. (東莞市東鑫汽車銷售服務有限公司)	The PRC	RMB50,000,000	100%	–	100%	Automobile dealership
Xiamen Meidong Auto Sales and Services Co., Ltd. (廈門美東汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Zhuzhou Meibaohang Auto Sales and Services Co., Ltd. (株洲市美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Quanzhou Meidong Toyota Auto Sales and Services Co., Ltd. (泉州美東豐田汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Lanzhou Meidong Lexus Auto Sales and Services Co., Ltd. (蘭州美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Yiyang Dongxin Auto Sales and Services Co., Ltd. (益陽市東鑫汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Heyuan Guanfenghang Auto Co., Ltd. (河源市冠豐行汽車有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Hengyang Meibaohang Auto Sales and Services Co., Ltd. (衡陽市美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Chengde Meibaohang Auto Sales and Services Co., Ltd. (承德美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Beijing Meibaohang Auto Sales and Services Co., Ltd. (北京美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	75%	–	75%	Automobile dealership
Foshan Dongbao Auto Sales and Services Co., Ltd. (佛山東保汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Changsha Meidong Lexus Auto Sales and Services Co., Ltd. (長沙美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Dongguan Dongyue Used Vehicles Co., Ltd. (東莞市東粵二手車有限公司)	The PRC	RMB5,000,000	100%	–	100%	Used vehicle trading
Changde Meibaohang Auto Sales and Services Co., Ltd. (常德市美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Shantou Dongbao Auto Sales and Services Co., Ltd. (汕頭市東保汽車銷售服務有限公司)	The PRC	RMB52,000,000	100%	–	100%	Automobile dealership
Longyan Meidong Lexus Auto Sales and Services Co., Ltd. (龍岩美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Yueyang Meibaohang Auto Sales and Services Co., Ltd. (岳陽市美寶行汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Meidong Finance Lease Co., Ltd. (美東融資租賃有限公司)	The PRC	RMB 68,880,000/nil	100%	–	100%	Finance lease service
Jingdezhen Meibaohang Auto Sales and Services Co., Ltd. (景德鎮美寶行汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Xinyu Dongbu (新余東部豐田汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Zhuhai Meidong Lexus Auto Sales and Services Co., Ltd. (珠海美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Huanggang Baoxinhang Auto Sales and Services Co., Ltd. (黃岡寶鑫行汽車銷售服務有限公司)	The PRC	RMB15,000,000	100%	–	100%	Automobile dealership
Foshan Meixin Lexus Auto Sales and Services Co., Ltd. (佛山美興雷克薩斯汽車銷售服務有限公司)	The PRC	RMB30,000,000	60%	–	60%	Automobile dealership
Yangjiang Meibaohang Auto Sales and Services Co., Ltd. (陽江美寶行汽車銷售服務有限公司)	The PRC	RMB15,000,000	100%	–	100%	Automobile dealership
Guangzhou Meibaohang Auto Sales and Services Co., Ltd. (廣州美寶行汽車銷售服務有限公司)	The PRC	RMB25,000,000	100%	–	100%	Automobile dealership
Beijing Huibaohang Auto Sales and Services Co., Ltd. (北京匯寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Liuyang Meibaohang Auto Sales and Services Co., Ltd. (瀏陽美寶行汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Qingyuan Meidong Lexus Auto Sales and Services Co., Ltd. (清遠美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Zhuzhou Meidong Lexus Auto Sales and Services Co., Ltd. (株洲美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Jiujiang Dongbu Toyota Auto Sales and Services Co., Ltd. (九江東部豐田汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Yongzhou Meibaohang Auto Sales and Services Co., Ltd. (永州美寶行汽車銷售服務有限公司)	The PRC	RMB8,000,000	100%	–	100%	Automobile dealership
Shangrao Meibaohang Auto Sales and Services Co., Ltd. (上饒美寶行汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Dongguan Meiyue Auto Sales and Services Co., Ltd. (東莞美悅汽車銷售服務有限公司)	The PRC	RMB12,000,000	100%	–	100%	Automobile dealership
Yangjiang Meidong Lexus Auto Sales and Services Co., Ltd. (陽江美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Ganzhou Xinbao Auto Sales and Services Co., Ltd. (贛州鑫保汽車銷售服務有限公司)	The PRC	RMB25,000,000	100%	–	100%	Automobile dealership

Note:

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

15 INTEREST IN AN ASSOCIATE

	2017 RMB'000	2016 RMB'000
Share of net assets	**19,153**	18,833

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

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

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

16 INTEREST IN A JOINT VENTURE

	2017 RMB'000	2016 RMB'000
Share of net assets	**37,413**	53,443

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

Name of Joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Dongguan Meidong Automotive Service Co., Ltd. ("**Dongguan Meidong**")	Incorporated	The PRC	RMB22,000,000	49%	–	49%	Automobile dealership

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

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

16 INTEREST IN A JOINT VENTURE (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
Gross amounts of Dongguan Meidong's		
Current assets	**145,897**	175,721
Non-current assets	**15,885**	17,012
Current liabilities	**(85,430)**	(83,377)
Non-current liabilities	**–**	(289)
Equity	**(76,353)**	(109,067)
Included in the above assets and liabilities:		
Cash and cash equivalents	**64,874**	92,872
Current financial liabilities (excluding trade and other payables and provisions)	**(8,218)**	(22,148)
Revenue	**722,556**	665,419
Profit and total comprehensive income	**46,329**	47,400
Profit distribution to Dongguan Meixin	**38,731**	16,170
Included in the above profit:		
Depreciation and amortisation	**(2,484)**	(2,101)
Interest income	**839**	832
Interest expense	**(109)**	(57)
Income tax expense	**(15,576)**	(15,885)
Reconciled to the Group's interest in Dongguan Meidong		
Gross amounts of Dongguan Meidong's net assets	**76,353**	109,067
Group's effective interest	**49%**	49%
Group's share of Dongguan Meidong's net assets and carrying amount in the consolidated financial statements	**37,413**	53,443

17 OTHER NON-CURRENT ASSETS

	2017 RMB'000	2016 RMB'000
Prepayments for property, plant and equipment and intangible assets	13,339	–
Long-term deposits and receivables	35,053	20,327
	48,392	20,327

18 INVENTORIES

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

	2017 RMB'000	2016 RMB'000
Motor vehicles	622,802	435,557
Others	50,327	48,383
	673,129	483,940

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

	2017 RMB'000	2016 RMB'000
Carrying amount of inventories sold	7,245,866	6,014,754
Write-down of inventories	4,983	–

Inventories with carrying amount of RMB231,613,000 have been pledged as security for loans and borrowings (see note 22(b)(i)) as at 31 December 2017 (2016: RMB172,702,000).

Inventories with carrying amount of RMB248,015,000 have been pledged as security for the bills payable (see note 23(b)) as at 31 December 2017 (2016: RMB193,449,000).

19 TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	81,183	74,991
Prepayments	134,017	123,132
Other receivables and deposits	354,551	295,857
Amounts due from third parties	569,751	493,980
Amounts due from related parties (note 31(c))	14,232	3,810
Trade and other receivables	583,983	497,790

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

Trade and other receivables with carrying amount of RMB107,662,000 have been pledged as security for loans and borrowings (see note 22(b)(i)) as at 31 December 2017 (2016: RMB101,889,000).

Trade and other receivables with carrying amount of RMB15,041,000 have been pledged as security for the bills payable (see note 23(b)) as at 31 December 2017 (2016: RMB13,450,000).

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

	2017 RMB'000	2016 RMB'000
Within 1 month	72,994	70,095
1 to 2 months	3,348	1,314
2 to 3 months	340	140
Over 3 months	4,501	3,442
	81,183	74,991

Details on the Group's credit policy are set out in note 28.

20 PLEDGED BANK DEPOSITS

	2017 RMB'000	2016 RMB'000
Restricted bank deposits pledged in respect of loans and borrowings (note 22(b)(i))	**50,559**	69,837
Restricted bank deposits pledged in respect of bills payable (note 23(b))	**213,984**	276,988
	264,543	346,825

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

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2017 RMB'000	2016 RMB'000
Cash at bank and in hand	**545,207**	426,169

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

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

	Note	2017 RMB'000	2016 RMB'000
Profit before taxation		**377,718**	218,209
Adjustments for:			
– Depreciation	6(c)	**69,048**	55,228
– Amortisation of lease prepayments	6(c)	**2,950**	2,950
– Amortisation of intangible assets	6(c)	**2,226**	1,521
– Net (gain)/loss on disposal of property, plant and equipment	5	**(11,270)**	200
– Write down of inventories	6(c)	**4,983**	–
– Finance costs	6(a)	**61,331**	51,470
– Share of profits of an associate		**(320)**	(4,162)
– Share of profits of a joint venture		**(22,701)**	(23,226)
– Interest income	5	**(4,766)**	(4,908)
– Equity settled share-based payment expenses	6(b)	**348**	819
– Foreign exchange gain		**(10,220)**	–
Changes in working capital:			
Increase in inventories		**(194,172)**	(17,622)
Increase in trade and other receivables		**(85,361)**	(126,077)
Decrease in pledged bank deposits		**63,004**	36,282
Increase in trade and other payables		**140,602**	166,394
Decrease in other non-current assets		**(14,726)**	(2,214)
Cash generated from operations		**378,674**	354,864

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans and other borrowings RMB'000 (Note 1)	Corporate bonds RMB'000 (Note 24)	Interest payables RMB'000 (Note 2)	Other payables due to a related party RMB'000 (Note 31(c))	Total RMB'000
At 1 January 2017	690,343	94,254	2,893	26	787,516
Changes from financing cash flows:					
Proceeds from loans and borrowings	763,813	–	–	–	763,813
Repayment of loans and borrowings	(725,082)	–	–	–	(725,082)
Interest paid	–	–	(47,137)	–	(47,137)
Advances from related parties	–	–	–	5,029	5,029
Total changes from financing cash flows	38,731	–	–	5,029	(3,377)
Exchange adjustments	(4,115)	(6,077)	(28)	–	(10,220)
Other changes:					
Exercise of warrants by way of setting off corporate bonds (note 24)	–	(9,415)	–	–	(9,415)
Interest expenses (note 6(a))	–	13,143	48,188	–	61,331
Total other changes	–	3,728	48,188	–	51,916
At 31 December 2017	724,959	91,905	3,916	5,055	825,835

Note 1: Bank loans and other borrowings consist of bank loans and borrowings from a related party as disclosed in note 22.

Note 2: Interest payables is recorded in trade and other payables as disclosed in note 23.

22 LOANS AND BORROWINGS

(a) At 31 December 2017, loans and borrowings were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year or on demand (i)	**674,282**	614,708
After 1 year but within 2 years (i)	**50,677**	23,200
After 2 year but within 5 years (i)	**–**	52,435
	50,677	75,635
	724,959	690,343

(i) Loans and borrowings of RMB417,223,000 repayable within 1 year were guaranteed by a related party as at 31 December 2017 (2016: RMB236,563,000) (see note 31(d)).

Loans and borrowings of RMB25,600,000 repayable after 1 year but within 2 years were guaranteed by a related party as at 31 December 2017 (2016: RMB23,200,000) (see note 31(d)).

Loans and borrowings of RMB25,600,000 repayable after 2 year but within 5 years were guaranteed by a related party as at 31 December 2016 (see note 31(d)).

(b) At 31 December 2017, loans and borrowings were secured as follows:

	2017 RMB'000	2016 RMB'000
Unsecured bank loans	**–**	33,252
Unsecured borrowings from other financial institutions	**17,371**	36,517
Unsecured borrowings from a related party (note 31 (c))	**33,436**	26,835
	50,807	96,604
Secured bank loans (i)	**358,984**	350,091
Secured borrowings from other financial institutions (i)	**315,168**	243,648
	674,152	593,739
	724,959	690,343

22 LOANS AND BORROWINGS (CONTINUED)

(b) At 31 December 2017, loans and borrowings were secured as follows: (continued)

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

	2017 RMB'000	2016 RMB'000
Inventories	231,613	172,702
Trade and other receivables	107,662	101,889
Property, plant and equipment	7,995	8,325
Lease prepayments	84,129	77,455
Pledged bank deposits	50,559	69,837
	481,958	430,208

23 TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	83,361	70,681
Bills payable	477,040	483,887
	560,401	554,568
Receipts in advance	328,939	226,833
Other payables and accruals	134,990	96,010
Amounts due to third parties	1,024,330	877,411
Amounts due to related parties (note 31(c))	5,739	1,136
Trade and other payables	1,030,069	878,547

23 TRADE AND OTHER PAYABLES (CONTINUED)

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

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

	2017 RMB'000	2016 RMB'000
Pledged bank deposits	213,984	276,988
Inventories	248,015	193,449
Trade and other receivables	15,041	13,450
	477,040	483,887

As at 31 December 2017, bills payable of RMB199,803,000 were guaranteed by a related party (2016: RMB221,689,000) (see note 31(d)).

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

	2017 RMB'000	2016 RMB'000
Within 3 months	516,386	495,680
After 3 months but within 6 months	44,015	58,888
	560,401	554,568

24 CORPORATE BONDS

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

According to the terms and conditions of the bonds, the bonds bear an interest rate of 9% per annum and will mature in 3 years. The bonds may additionally bear a default interest rate of 25% per annum subject to the occurrence of certain default events. The bondholders were entitled to redeem the bonds after the second anniversary of the issuance date but no later than the date which is fourteen days before the bond maturity date, in a maximum principal amount equal to 50 percent of the principal amount. Unless previously redeemed or cancelled as provided herein, the Company shall redeem any outstanding bonds on the maturity date in an amount equal to the redemption amount and an additional redemption amount HK$22,815,000 on the bonds, to be payable to each bondholder pro-rata to the principal amount of the bonds held by that bondholder. The redemption rights of the bonds were separately evaluated with nil fair value at both the issuance date and the reporting period end (see note 28(e)(i)).

During the year ended 31 December 2017, subscription rights attaching to 12,500,000 warrant shares were exercised at a subscription price of RMB1.883 per ordinary share (see note 27(d)). Consequently, the Company issued 12,500,000 ordinary shares upon the exercise of the subscription rights, of which 7,500,000 ordinary shares were issued for a cash consideration of RMB14,122,500 and 5,000,000 ordinary shares were issued for a consideration of RMB9,415,000 which is setting off with the outstanding principal amount of the corporate bonds held by the warrants holders.

Details of the Group’s corporate bonds are set out in note 21(c).

The bonds were guaranteed by Mr. Ye Fan and Mr. Ye Tao and secured by 355,838,151 ordinary shares of the Company held by Apex Sail (see note 31(d)).

25 EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

The options outstanding at 31 December 2017 had an exercise price of HK$1.8 (2016: HK$1.8) and a remaining contractual life of 5.87 years (2016: 6.87 years).

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

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

25 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

	2017		2016	
	Exercise price	**Number of options**	Exercise price	Number of options
Outstanding at the beginning of the year	**HK$1.8**	**9,470,000**	HK$1.8	10,570,000
Granted during the year		**–**		–
Exercised during the year		**–**		–
Forfeited during the year		**–**		(1,100,000)
Outstanding at the end of the year		**9,470,000**		9,470,000
Exercisable at the end of the year		**9,470,000**		9,470,000

No options were exercised during the year ended 31 December 2017 (2016: nil).

(c) Fair value of share options and assumptions:

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

Fair value of share options and assumptions

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

25 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(c) Fair value of share options and assumptions: (continued)

Fair value of share options and assumptions (continued)

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

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

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2017 **RMB'000**	2016 RMB'000
At the beginning of the year	**20,794**	16,923
Provision for current income tax for the year	**102,031**	58,497
Payment during the year	**(92,613)**	(54,626)
At the end of the year	**30,212**	20,794

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

(b) Deferred tax assets and liabilities recognised

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

	Fair value adjustment arising from business combinations RMB'000	Depreciation/ amortisation charges in excess of depreciation/ amortisation allowances RMB'000	Unused tax losses RMB'000	Accruals RMB'000	Capitalised interest RMB'000	Inventory provision RMB'000	Total RMB'000
Deferred tax (liabilities)/ assets arising from:							
At 1 January 2016	(3,079)	450	8,986	5,193	(1,830)	–	9,720
Credited/(charged) to profit or loss (note 7(a))	288	(350)	(5,563)	1,885	994	–	(2,746)
At 31 December 2016	(2,791)	100	3,423	7,078	(836)	–	6,974
At 1 January 2017	**(2,791)**	**100**	**3,423**	**7,078**	**(836)**	**-**	**6,974**
Credited/(charged) to profit or loss (note 7(a))	**277**	**85**	**(891)**	**2,307**	**40**	**1,246**	**3,064**
At 31 December 2017	**(2,514)**	**185**	**2,532**	**9,385**	**(796)**	**1,246**	**10,038**

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

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

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

(ii) Reconciliation to consolidated statement of financial position:

	The Group	
	2017	2016
	RMB'000	RMB'000
Representing:		
Net deferred tax assets	**12,887**	10,084
Net deferred tax liabilities	**(2,849)**	(3,110)
	10,038	6,974

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB18,892,000 (2016: RMB17,983,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity before they expire. The PRC deductible tax losses in PRC expire within 5 years from the year when such losses were incurred. The tax losses incurred by MeiDong HK do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

The Corporate Income Tax Law of the PRC and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of PRC enterprises accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2017 in respect of undistributed earnings of RMB758,763,000 (2016: RMB496,266,000) as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributable in the foreseeable future.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2016	85,869	375,460	646	17,817	(77,075)	402,717
Loss and total comprehensive income for the year	–	–	–	–	(39,038)	(39,038)
Dividend approved and paid in respect of the previous year (note 27(b))	–	(50,054)	–	–	–	(50,054)
Equity settled share-based transactions (note 25)	–	–	–	819	–	819
Repurchase of own shares (note 27(c)(iii))	(340)	(3,094)	340	–	–	(3,094)
Balance at 31 December 2016	85,529	322,312	986	18,636	(116,113)	311,350
Balance at 1 January 2017	85,529	322,312	986	18,636	(116,113)	311,350
Loss and total comprehensive income for the year	–	–	–	–	(30,004)	(30,004)
Dividend approved and paid in respect of the previous year (note 27(b))	–	(107,812)	–	–	–	(107,812)
Equity settled share-based transactions (note 25)	–	–	–	348	–	348
Issue of ordinary shares upon exercise of warrants (note 27(d))	1,056	25,091	–	(2,609)	–	23,538
Balance at 31 December 2017	86,585	239,591	986	16,375	(146,117)	197,420

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2017 **RMB'000**	2016 RMB'000
Interim dividend for the year, approved and paid during the year, of RMB0.035 per ordinary share (2016: nil)	**38,172**	–

	2017 **RMB'000**	2016 RMB'000
Final dividend proposed after the statement of financial position date of RMB0.0883 per ordinary share (2016: RMB0.064 per ordinary share)	**101,625**	69,640

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

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

	2017 **RMB'000**	2016 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.064 per ordinary share (2016: RMB0.046 per ordinary share)	**69,640**	50,054

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

The share capital of the Group as at 31 December 2017 represented the amount of issued and paid-up capital of the Company with details set out below:

Authorised:

	Note	Par value HK$	2017 Number of shares (thousand)	2017 Nominal value of ordinary shares HK$'000	2016 Number of shares (thousand)	2016 Nominal value of ordinary shares HK$'000
At 31 December	(i)	0.1	**20,000,000**	**2,000,000**	20,000,000	2,000,000

Ordinary shares, issued and fully paid:

	Note	Number of ordinary shares (thousand)	Nominal value of ordinary shares HK$('000)
At 1 January 2016		1,092,170	109,217
Shares repurchased and cancelled	(iii)	(4,040)	(404)
At 31 December 2016 and 1 January 2017		1,088,130	108,813
Issue of ordinary shares upon exercise of warrants	27(d)	12,500	1,250
At 31 December 2017		1,100,630	110,063
RMB equivalent ('000) at 31 December 2017			86,585
RMB equivalent ('000) at 31 December 2016			85,529

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(i) Authorised share capital

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

(ii) Issued and fully paid share capital

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

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

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

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

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

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(iii) Repurchase of own shares

During the year ended 31 December 2016, the Company repurchased 2,798,000 number of ordinary shares. All of the repurchased shares and 1,242,000 number of ordinary shares repurchased on 31 December 2015, which were not yet paid or cancelled as of 31 December 2015 were cancelled as of 31 December 2016 and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of RMB340,000 was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of RMB2,754,000 was charged to the share premium account as well.

During the year ended 31 December 2015, the Company repurchased 9,072,000 number of ordinary shares. Except for 1,242,000 number of ordinary shares repurchased on 31 December 2015, which were not yet paid or cancelled as of 31 December 2015, all of the repurchased shares were cancelled as of 31 December 2015 and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of RMB646,000 was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of RMB4,790,000 was charged to the share premium account as well.

(d) Warrants

On 9 March 2015, the Company issued warrants, which entitled the holders thereof to subscribe up to RMB118,202,715 for 62,773,614 warrant shares at a subscription price of RMB1.883 per warrant share within three years after the issuance date. The fair value of warrants amounting to RMB13,103,000 net of direct warrant issuance expenses of RMB127,000 was credited to capital reserve.

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Warrants (continued)

During the year ended 31 December 2017, subscription rights attaching to 12,500,000 warrant shares were exercised at a subscription price of RMB1.883 per ordinary share for a total consideration of RMB23,537,500 (see note 24) and consequently, HK$1,250,000 (equivalent to RMB1,056,000) and RMB22,481,500 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these warrants in an aggregate amount of RMB2,609,203 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of warrants.

During the year ended 31 December 2016, no warrants were exercised.

(e) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital redemption reserve

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

(iii) Capital reserves

Capital reserve comprises the following:

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

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Nature and purpose of reserves (continued)

(iv) PRC statutory reserve

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

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

(f) Capital management

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

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

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

During 2017, the Group's strategy, which was unchanged from 2016, was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management (continued)

The adjusted net debt-to-capital ratio at 31 December 2017 was as follows:

		The Group	
		2017	2016
	Note	RMB'000	RMB'000
Current liabilities:			
Loans and borrowings	22	674,282	614,708
Bills payable	23	477,040	483,887
Corporate bonds	24	91,905	43,531
		1,243,227	1,142,126
Non-current liabilities:			
Loans and borrowings	22	50,677	75,635
Corporate bonds	24	–	50,723
Total debt		1,293,904	1,268,484
Add: Proposed dividends	27(b)	101,625	69,640
Less: Pledged bank deposits	20	(264,543)	(346,825)
Cash and cash equivalents	21(a)	(545,207)	(426,169)
Adjusted net debt		585,779	565,130
Total equity		1,093,615	902,290
Less: Proposed dividends	27(b)	(101,625)	(69,640)
Adjusted capital		991,990	832,650
Adjusted net debt-to-capital ratio		0.59	0.68

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

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

At the end of reporting period, the Group has certain concentration of credit risk as prepayments to vendors and other receivables due from vendors constitute a large portion of trade and other receivables. The receivables from the five largest debtors at 31 December 2017 represented 51% of the total trade and other receivables (2016: 51%), while 16% of the total trade and other receivables were due from the largest single debtor (2016: 15%).

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

(b) Liquidity risk

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

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

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

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

(b) Liquidity risk (continued)

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

	At 31 December 2017 Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Corporate bonds	**97,969**	**–**	**–**	**97,969**	**91,905**
Loans and borrowings	**686,311**	**54,619**	**–**	**740,930**	**724,959**
Trade and other payables	**1,030,069**	**–**	**–**	**1,030,069**	**1,030,069**
	1,814,349	**54,619**	**–**	**1,868,968**	**1,846,933**

	At 31 December 2016 Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Corporate bonds	8,163	115,192	–	123,355	94,254
Loans and borrowings	613,584	50,532	58,432	722,548	690,343
Trade and other payables	878,547	–	–	878,547	878,547
Other non-current liabilities	–	2,530	–	2,530	2,530
	1,500,294	168,254	58,432	1,726,980	1,665,674

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

(c) Interest rate risk

(i) Interest rate profile

Cash at bank, pledged bank deposits and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk. Cash at bank and pledged bank deposits are with fixed interest rates ranging from 0.30% to 3.65% per annum as at 31 December 2017 (2016: 0.30% to 1.15%).

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

	2017		2016	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings				
Bank loans	1.20-7.38	165,836	1.20-7.38	171,279
Borrowings from a related party	6.00	33,436	6.00	26,835
Corporate bonds	23.82	91,905	23.82	94,254
		291,177		292,368
Variable rate borrowings				
Bank loans	3.50-6.48	193,148	3.50-6.17	212,064
Borrowings from other financial institutions	5.25-8.50	332,539	5.25-7.93	280,165
		525,687		492,229
		816,864		784,597

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

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

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

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis during the reporting period for 2016.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit after tax and retained profits for the year RMB'000
At 31 December 2017		
Basis points	**100**	**(4,112)**
Basis points	**(100)**	**4,112**
At 31 December 2016		
Basis points	100	(3,781)
Basis points	(100)	3,781

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

(d) Currency risk

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

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

	Exposure to foreign currencies (expressed in Renminbi)			
	2017		2016	
	Hong Kong Dollars RMB'000	**United States Dollars RMB'000**	Hong Kong Dollars RMB'000	United States Dollars RMB'000
Cash and cash equivalents	**12,011**	**16**	71,174	–
Loans and borrowings	**(101,075)**	**–**	(62,616)	–
Corporate bonds	**(91,905)**	**–**	(94,254)	–
Net exposure arising from recognised assets and liabilities	**(180,969)**	**16**	(85,696)	–

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

(d) Currency risk (continued)

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

	2017		2016	
	Increase/ (decrease) in foreign exchange rate	(Decrease)/ increase in profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rate	(Decrease)/ increase in profit after tax and retained profits RMB'000
Hong Kong Dollars	5%	(9,048)	5%	(4,285)
	(5%)	9,048	(5%)	4,285
United States Dollars	5%	1	5%	–
	(5%)	(1)	(5%)	–

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2016.

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

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

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

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

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

(e) Fair value measurement (continued)

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

Fair value hierarchy (continued)

	Fair value at 31 December 2017	Fair value measurement as at 31 December 2017 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instruments:				
– Redemption option embedded in corporate bonds	–	N/A	N/A	–

	Fair value at 31 December 2016	Fair value measurement as at 31 December 2016 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instruments:				
– Redemption option embedded in corporate bonds	–	N/A	N/A	–

During the year ended 31 December 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

(e) Fair value measurement (continued)

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

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Redemption option embedded in corporate bonds	Swaption Model	Discount rate	7% (2016: 18%)	7% (2016: 18%)

The fair value of redemption option embedded in the corporate bonds is determined using swaption model and the significant unobservable input used in the fair value measurement is discount rate. The fair value measurement is negatively correlated to the discount rate. As at 31 December 2017, it is estimated that with all other variables held constant, an increase/decrease in the discount rate by 1% would have decreased/increased the Group's profit by 0% (2016: 0%).

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

	2017 RMB'000
Redemption option embedded in corporate bonds at issuance date (9 March 2015) and 31 December 2017	–

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 31 December 2016.

29 COMMITMENTS

(a) Capital commitments for property, plant and equipment outstanding at 31 December 2017 not provided for in the consolidated financial statements were as follows:

	The Group	
	2017	2016
	RMB'000	RMB'000
Contracted for	**22,485**	–
Authorised but not contracted for	**99,962**	7,050
	122,447	7,050

(b) At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases of buildings and land are payable as follows:

	The Group	
	2017	2016
	RMB'000	RMB'000
Within one year	**41,371**	28,515
After 1 year but within 5 years	**132,158**	107,513
After 5 years	**334,970**	302,160
	508,499	438,188

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

30 CONTINGENT LIABILITIES

As at 31 December 2017, one subsidiary of the Group issued financial guarantees to financial institutions in respect of financial facilities granted to related parties of the Group amounting to RMB158,000,000 (2016: RMB178,000,000) and the financial facilities utilised by the related parties amounted to RMB32,758,000 (2016: RMB43,381,000) as at 31 December 2017 (see note 31(e)).

As at 31 December 2017, the directors do not consider it probable that a claim will be made under the above guarantees taking into account the financial performance of the related parties.

31 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2017, the directors are of the view that the following companies are related parties of the Group:

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

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

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Recurring transactions

	2017 RMB'000	2016 RMB'000
Rental expense:		
Dadong Group	**1,620**	1,620
Management service income:		
Dongguan Meidong	**12,107**	–

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

(b) Non-recurring transactions

	2017 RMB'000	2016 RMB'000
Sales of passenger vehicles:		
Dongguan Meidong	**11,339**	43,882
Dadong Group	**–**	175
	11,339	44,057
Purchases of passenger vehicles:		
Dongguan Meidong	**13,310**	30,645
Advance to a related party:		
Dadong Group	**–**	151
Repayment of advance to a related party:		
Dadong Group	**–**	151

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Non-recurring transactions (continued)

	2017 RMB'000	2016 RMB'000
Advance from related parties:		
Dadong Group	–	120
Shenzhen Tengjin	–	2,400
Ye Fan	5,029	20,126
	5,029	22,646
Repayment of advance from related parties:		
Dadong Group	–	120
Shenzhen Tengjin	–	2,400
Ye Fan	–	20,100
	–	22,620
Loans and borrowing from a related party:		
Apex Sail (i)	8,359	26,835

(i) Unsecured loan and borrowing of HK$10,000,000 (equivalent to RMB8,359,000) with one year maturity period was borrowed by MeiDong HK from Apex Sail during the year ended 31 December 2017 (2016: HK$30,000,000 (equivalent to RMB26,835,000)), which bears an annual interest rate at 6%.

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties

At 31 December 2017, the Group had the following balances with related parties:

	2017 RMB'000	2016 RMB'000
Other receivables due from:		
Dongguan Meidong	**14,232**	3,810
Other payables due to:		
Dadong Group	**684**	684
Ye Fan	**5,055**	26
Dongguan Meidong	**–**	426
	5,739	1,136
Loans and borrowings due to:		
Apex Sail (note 31(b)(i))	**33,436**	26,835

Except for loans and borrowings due to Apex Sail, the amounts due from/to related parties are unsecured, interest free and have no fixed terms of repayment.

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Guarantees and securities issued by related parties

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Guarantees issued by a related party in respect of loans and borrowings borrowed by the Group:		
– Ye Fan (i)	**442,823**	285,363
Guarantees issued by a related party in respect of bills issued by the Group:		
– Ye Fan	**199,803**	221,689
Guarantees issued by related parties in respect of corporate bonds issued by the Group:		
– Ye Fan/Ye Tao (ii)	**91,905**	94,254

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Securities provided by a related party in respect of corporate bonds issued by the Group:		
– Apex Sail (ii)	**91,905**	94,254

(i) Loans and borrowings of RMB442,823,000 (2016: RMB285,363,000) were guaranteed by Mr. Ye Fan as at 31 December 2017.

(ii) Corporate bonds of RMB91,905,000 (2016: RMB94,254,000) were guaranteed by Mr. Ye Fan and Mr. Ye Tao and secured by 355,838,151 original shares (2016: 355,838,151 shares) of the Company held by Apex Sail as at 31 December 2017.

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Guarantees issued by the Group

	2017 RMB'000	2016 RMB'000
Guarantees issued by the Group in respect of financial facilities granted to related parties:		
– Dongguan Meidong	80,000	80,000
– Dongguan Anxin	78,000	98,000
	158,000	178,000

(f) Key management personnel remuneration

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

	2017 RMB'000	2016 RMB'000
Short-term employee benefits	10,194	8,565
Equity compensation benefits	200	469
	10,394	9,034

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

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

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

The related party transactions in respect of management service income as disclosed above do not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2017	31 December 2016
Non-current assets			
Interests in a subsidiary		**292,662**	260,001
Long-term receivables		**39,319**	–
		331,981	260,001
Current assets			
Other receivables		**4,834**	150,403
Cash and cash equivalents		**26,216**	34,204
		31,050	184,607
Current liabilities			
Other payables		**6,068**	3,224
Loans and borrowings		**67,638**	35,780
Corporate bonds		**91,905**	43,531
		165,611	82,535
Net current (liabilities)/assets		**(134,561)**	102,072
Total assets less current liabilities		**197,420**	362,073
Non-current liabilities			
Corporate bonds		**–**	50,723
		–	50,723
NET ASSETS		**197,420**	311,350
EQUITY	27		
Share capital		**86,585**	85,529
Reserves		**110,835**	225,821
TOTAL EQUITY		**197,420**	311,350

33 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Final dividend

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

(b) Equity settled share-based transactions

Pursuant to a resolution of the board of directors of the Company passed on 4 January 2018, 11,980,000 share options were granted to certain eligible employees of the Group under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 11,980,000 shares of the Company in aggregate with an exercise price of HK$2.58, among which 2,000,000 and 2,150,000 share options were granted to Mr. Ye Tao and Ms. Liu Xuehua, the executive directors of the Company, respectively. Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the Company.

(c) Exercise of warrants and repayment of corporate bonds

During January 2018, subscription rights attaching to 50,273,614 warrant shares were exercised at a subscription price of RMB1.883 per ordinary share. Consequently, the Company issued 50,273,614 ordinary shares upon the exercise of the subscription rights, of which 48,973,614 ordinary shares were issued for a cash consideration of RMB92,217,000 and 1,300,000 ordinary shares were issued for a consideration of RMB2,448,000 which is setting off with the outstanding principal amount of the corporate bonds held by the warrants holders. On 9 March 2018, the Group repaid the remaining outstanding principal amount of the corporate bonds, corresponding interests and the additional redemption amount to bond holders.

(d) Disposal of interest in an associate

On 27 February 2018, Dongguan Meixin, a wholly owned subsidiary of the Group, entered into a share purchase agreement with a third party, pursuant to which Dongguan Meixin had agreed to sell and the third party had agreed to purchase the 49% equity interest of Dongguan Anxin, an associate of the Group, for an aggregate purchase price of RMB19,850,000.

(e) Issuance of guarantees

On 5 March 2018, one subsidiary of the Group renewed its financial guarantees to a financial institution in respect of financial facilities granted to Dongguan Meidong amounting to RMB80,000,000 (see note 31(e)). The directors do not consider it probable that a claim will be made under the guarantee.

34 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2017, the directors consider the immediate parent of the Group to be Apex Sail, which is incorporated under the laws of the British Virgin Islands, and the ultimate controlling party of the Group to be Mr. Ye Fan.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to HKAS 40, *Investment property: Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position. Specially, the Group assesses the impact of HKFRS 9, HKFRS 15 and HKFRS 16 as below:

While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's consolidated financial statements for the period beginning on 1 January 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in the Group's consolidated financial statements for the period beginning on 1 January 2018.

HKFRS 9, *Financial instruments*

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification measurement of financial liabilities. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI). The Group currently does not have any financial assets measured at FVTPL or FVTOCI.

Based on the assessment so far, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurement upon the adoption of HKFRS 9.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

HKFRS 9, *Financial instruments* *(continued)*

(a) Classification and measurement (continued)

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. Based on a preliminary assessment, the application of the new impairment model may not have a significant impact on the Group.

(c) Hedging accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group currently does not have any hedge relationship and therefore it may not have any impact on the Group on adoption of HKFRS 9.

Based on the above assessment so far, the Group considers that the initial application of HKFRS 9 will not have a significant impact on the Group's results of operations and financial position.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligation in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group plans to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018.

Based on the assessment so far, the Group considers that the initial application of HKFRS 15 will not have a significant impact on the Group's results of operations and financial position.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

HKFRS 16, *Leases*

As disclosed in note 2(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease.

Once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 29(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB508,499,000 for properties and other assets, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2013	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	3,479,663	3,854,807	4,807,980	6,263,322	**7,682,714**
Profit before taxation	149,358	156,115	146,587	218,209	**377,718**
Taxation	(39,164)	(41,367)	(40,535)	(61,243)	**98,967**
Profit for the year	110,194	114,748	106,052	156,966	**278,751**
Profit attributable to equity shareholders of the Company	105,956	110,680	102,163	152,057	**275,787**
Non-controlling interests	4,238	4,068	3,889	4,909	**2,964**
Profit for the year	110,194	114,748	106,052	156,966	**278,751**
Earnings per share					
Basic (RMB cents)	13.75	11.07	9.69	13.97	**25.26**
Diluted (RMB cents)	13.75	11.07	9.69	13.97	**25.23**

ASSETS AND LIABILITIES

	As at 31 December				
	2013	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total Assets	1,815,639	2,109,714	2,378,716	2,591,868	**2,973,609**
Total Liabilities	(1,338,427)	(1,544,414)	(1,585,063)	(1,689,578)	**(1,879,994)**
	477,212	565,300	793,653	902,290	**1,093,615**
Equity attributable to equity shareholders of the Company	460,272	544,292	764,756	864,484	**1,055,557**
Non-controlling interests	16,940	21,008	28,897	37,806	**38,058**
Total Equity	477,212	565,300	793,653	902,290	**1,093,615**