GRAND BAOXIN AUTO GROUP LIMITED
廣匯寶信汽車集團有限公司

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

Stock Code 股份代號：1293

2017
ANNUAL REPORT
年報

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LI Jianping *(Chairman)*
Mr. WANG Xinming *(President)*
Mr. LU Ao
Mr. QI Junjie

Non-Executive Directors

Mr. ZHOU Yu
Ms. XU Xing (appointed on 16 October 2017)
Mr. LU Linkui (resigned on 16 October 2017)

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. DIAO Jianshen *(Chairman)*
Mr. LI Jianping
Mr. WANG Keyi

NOMINATION COMMITTEE

Mr. WANG Keyi *(Chairman)*
Mr. LI Jianping
Mr. DIAO Jianshen

COMPANY SECRETARY

Ms. CHENG Mei Chun (appointed on 16 October 2017)
Mr. CHEN Changdong (resigned on 16 October 2017)

AUTHORISED REPRESENTATIVES

Mr. LI Jianping
Ms. XU Xing (appointed on 16 October 2017)
Mr. CHEN Changdong (resigned on 16 October 2017)

STOCK CODE

1293

WEBSITE

www.klbaoxin.com

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

LEGAL ADVISERS TO HONG KONG LAW

Kirkland & Ellis
26th Floor, Gloucester Tower, The Landmark,
15 Queen's Road Central, Hong Kong.

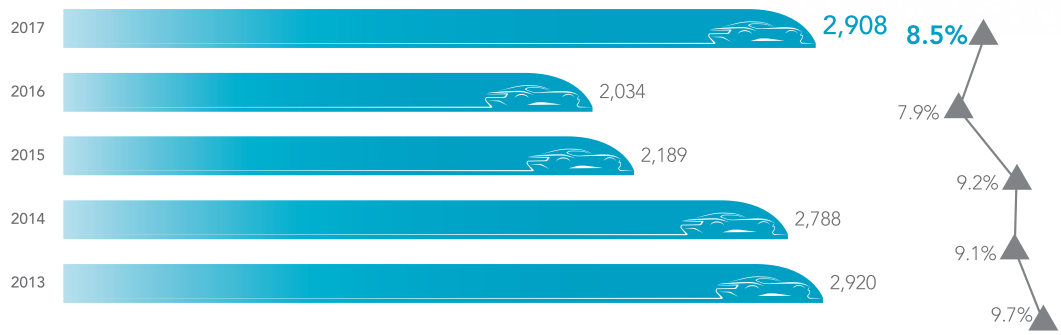
AUDITORS

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

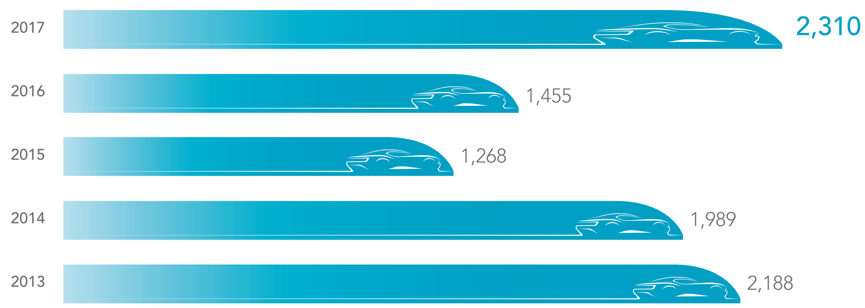
FINANCIAL HIGHLIGHTS

REVENUE
(RMB million)

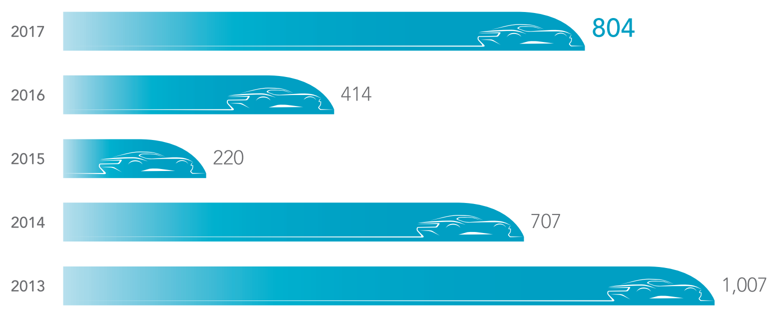
GROSS PROFIT AND GROSS PROFITS MARGIN
(RMB million)



EBITDA
(RMB million)



PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT
(RMB million)



DEAR SHAREHOLDERS,

On behalf of the board (the "**Board**") of directors (the "**Directors**") and the management of Grand Baoxin Auto Group Limited (the "**Company**" or "**our Company**"), I am pleased to present the annual results report of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**we**" or "**us**") for the twelve months ended 31 December 2017 (the "**Reporting Period**").

In 2017, the growth of the PRC economy was stable in general and household consumption has further increased. Gross domestic product increased by 6.9% year-on-year and consumption contributed to 58.8% of economic growth. Having experienced rapid growth in the past few years, the automobile industry, as one of the pillar industries in China's national economy, was going through comprehensive transformation and was gradually transiting from a sales growth market to an ownership growth market. According to statistics from the China Association of Automobile Manufacturers, the sales volume of passenger vehicles in the PRC in 2017 amounted to 24,720,000 units, representing a year-on-year increase of 1.4% as compared with the same period in 2016 and generally maintaining a slight growth momentum. However, the sales volume of luxury passenger vehicle brands still maintained a relatively fast growth rate of over 17.0%, accounting for approximately 9.0% of the market shares of passenger vehicles.

In 2017, the Group followed the market trend and further improved its regional management system. The strategic integration with China Grand Automotive Services Co., Ltd. (廣匯汽車服務股份公司) ("**CGA**", collectively with its subsidiaries, the "**CGA Group**") has achieved results. Leveraging the advanced sales concepts of the CGA Group, the Group has created its own business model and automobile dealership services system, significantly enhancing its overall management capabilities. Meanwhile, through ongoing resource integration, the Group has also strengthened its ability to request rebates from manufacturers, exercised effective pricing management on key automobile models, and ensured the stable growth of new automobile sales through engaging the customer base and controlled inventories effectively. During the Reporting Period, performance of sales business of new vehicles of the Group remained stable and recorded revenue of approximately RMB30.332 billion, representing an increase of approximately 32.7% as compared with the same period of last year.

In 2017, due to continuous increase in car ownership and vehicle age, the automobile post-sales market has developed into a new focus of the industry, and the unique business model of the automobile industry has determined that 4S stores as sales parties of automobiles own the unique advantage of after-sales services. Meanwhile, the formal promulgation of the Measures for the Administration of Automobile Sales (汽車銷售管理辦法) (the "**Measures**") by the Ministry of Commerce on 1 July 2017 also further drove dealers to actively improve their own management level and strive to increase customers satisfaction to create a fairer and more equitable market environment. In the long run, this will enable automobile dealers to further extend their business chains and generate more profit models for automobile dealers. During the Reporting Period, the Group paid full attention to and met the different demands of customers of all models and age segments through continuous development of products that meet the demand of different customers and provide efficient and high-quality after-sales services to enhance customer loyalty. During the Reporting Period, revenue from the Group's after-sales service was RMB3.742 billion, representing an increase of 31.9% over the same period of last year.

Based on consideration of its brand and regional strategies, the Group will further strengthen the strategic layout of local key areas. In 2017, the Group acquired a total of seven 4S stores and one showroom for brands including Porsche, BMW and Maserati. Meanwhile, the Group adjusted four underperforming dealing stores to increase its capital operation efficiency. Such acquisitions and adjustments will promote more reasonable layout of brands of the Company, thereby further expanding the market shares of the Company in advantageous regions.

Looking ahead, with upgrades in consumption, the consumption habit and experience of consumers gradually mature, and the automobile market in China has also shown attributes of an international mature market, which have brought opportunities as well as challenges to the automobile dealing industry. The Group will be brave to try and innovate and base on long-term interests to further integrate the management strengths of the CGA Group to gradually release the economy of scale after the strategic integration, and optimize and upgrade the management models to better reduce operating costs and improve profitability. Meanwhile, we will uphold the principle of "customer first" to create a brand-new and multi-faceted customer service experience to strengthen customer recognition of Grand Baoxin's brands, so as to enhance customer loyalty and customer retention.

Finally, on behalf of the Group, I would like to express my heartfelt gratitude to all our shareholders, customers and business partners for their continuous support, and to all our employees for their hard work. We will continue to work hard to provide our customers with multi-dimensional high-quality services, provide our employees with a good development platform, and create higher value and returns for shareholders.

Yours sincerely,
LI Jianping
Chairman

Hong Kong, 26 March 2018

INDUSTRY OVERVIEW

In 2017, as a result of a reduction in the preferential rate of purchase tax and the impact of high sales volume of automobiles in 2016, the growth of automobile sales in China has slowed down, but the trend of economic operations of the whole industry remained positive. According to the statistics from the China Association of Automobile Manufacturers, the production and sales volume of passenger vehicles in the PRC in 2017 were 24,807,000 units and 24,718,000 units respectively, representing a year-on-year increase of 1.6% and 1.4% respectively.

Having experienced rapid growth in the past few years, the automobile industry is going through comprehensive transformation and is gradually transiting from a sales growth market to an ownership growth market. With upgrades in consumption, the consumption habit and experience of consumers gradually mature, and the automobile market in China has also shown attributes of an international mature market, which have brought opportunities as well as challenges to the automobile dealing industry.

In 2017, the growth in the market of mainstream luxury automobile brands in China was in clear contrast with that of the overall passenger vehicle market, and maintained a remarkable year-on-year growth of over 17%. The penetration rate of luxury automobiles in passenger vehicles also gradually increased from 6.8% in 2011 to 10.1% in 2017. According to the statistics from the China Association of Automobile Manufacturers, the end-user retail sales volume of dealers of the top 12 luxury automobile brands (Note) was approximately 2.57 million units, representing a year-on-year increase of 18.4%, of which three luxury brands, namely Audi, Benz and BMW, accounted for approximately 66.6% of new automobile retail sales. In 2017, the sales volume of Audi in China was 598,000 units, representing a year-on-year increase of 1.1%, reaching a historically high level. In 2017, the sales volumes of BMW and Benz were 594,000 units and 588,000 units, respectively, ranking the second and third highest among the top 12 luxury automobile brands. The remaining market was shared by Jaguar & Land Rover, Cadillac, Lexus, amongst others.

The Group expects that under the driving force of factors such as increase in automobile consumption and the number of people wanting to change their automobiles, the rise in the consumer purchasing power of the younger generation, and the growing popularity of entry-level luxury automobiles, the luxury automobile market will be able to maintain rapid growth in the next few years and the brand structure will reach an equilibrium.

Automobile post-sales business is the future of the ownership market in China

According to the statistics from the Traffic Management Bureau of the Public Security Ministry, in 2017, the automobile ownership volume in China was 217 million units, representing a year-on-year increase of 11.85%. More than 40% of privately-owned automobiles have started to enter or have entered warranty period. With the increasing age of automobiles, the size of the automobile post-sales market will expand constantly and rapidly. Moreover, in transiting from a sales growth market to an ownership market, the sales volume of new automobiles will slow down gradually, the gross profit of new automobiles will be diluted, and the higher gross profit margin of the post-sales market will attract dealers to move the focus of their business backwards. On the basis of automobile maintenance and repairs, and with the help of other automobile services, such as insurance, secondhand automobile trading and leasing, the size of the automobile post-sales market will be over RMB1 trillion.

Rapid growth in the secondhand automobile market

In 2017, the secondhand automobile market developed a different pattern from the new automobile market, and maintained a double-digit growth rate, much higher than that of the new automobile market. According to the data released by the China Automobile Dealers Association, in 2017, the total number of secondhand automobiles traded in China was 12,400,900 units, representing a year-on-year increase of 19.33%, and the total transaction amount was RMB809.272 billion, representing a year-on-year increase of 34%.

With the gradual implementation of the supportive measures in respect of the dealing environment, transaction registration, taxation policy and financial support for the secondhand automobile market under the "Eight Measures of the State" (國八條), the rules and standards of the secondhand automobile industry gradually improved, and it is expected that the secondhand automobile industry will enter a long-term rapid development stage. Meanwhile, accompanied by the continuous growth in automobile ownership volume and the market average automobile age, the percentage of upgrading purchase and additional purchase in automobile sales will exceed 50%, and secondhand automobiles from dealers will become the most significant force in the secondhand automobile industry.

Automobile finance: a necessary segment to achieve quality service

In November 2017, the People's Bank of China and the China Banking Regulatory Commission released the newly revised Measures for the Administration of Automobile Loans (汽車貸款管理辦法) and the Notice on Adjustment to the Relevant Policies of Automobile Loans (關於調整汽車貸款有關政策的通知) to adjust the structure of the economy, release more diversified consumption potential, enhance the quality and efficiency of supply in the automobile consumer credit market, and strengthen further risk management and control.

As a key component of the automobile post-sales market and driven by the twin engines of policy and market rules, automobile finance will benefit significantly and have enormous development potential in the future. For market participants such as automobile finance companies and finance leasing companies, accelerating the development of their business layout will enable them to seize the first opportunities arising in the fast growing market.

(Note: The Top 12 luxury automobile brands are Audi, BMW, Benz, Cadillac, Jaguar & Land Rover, Lexus, Volvo, Porsche, Lincoln, Infiniti, Maserati and Acura.)

BUSINESS OVERVIEW

The Group is pleased to announce that the financial results for the year ended 31 December 2017 has achieved satisfactory growth. Facing the challenge of slower growth in the sales of new automobiles, the Group accurately captured the development of the automobile market, leveraged on the strengths of its collaboration with the China Grand Automotive Group (the "**CGA Group**"), adhered to the management concepts of "refined management" and "innovative implementation", and further improved its three-tier structure management model of "headquarter – regional platform – 4S stores", strongly supporting the business development of the Group.

During the reporting period, the Group established a comprehensive industrial chain of "new automobile – finance – insurance – post-sales – secondhand automobiles" by way of self-construction, acquisition and investment. As a result, the profitability of the Group was further enhanced, and secondhand automobiles and automobile finance would be the focus of the Group in its development of the comprehensive industrial chain.

For the year ended 31 December 2017, we recorded operational revenue of approximately RMB34,136.2 million, representing a year-on-year increase of 32.8%, gross profit of RMB2,908.3 million, representing an increase of 43.0%, profit attributable to equity holders of RMB803.7 million, representing an increase of 94.0%, and earnings per share of RMB0.30.

New automobile sales

During the reporting period, the growth in the sales of passenger vehicles slowed down under the effects of a 50% reduction in the preferential treatment of purchase tax and the decrease in demand in 2016. However, with the growth of the national economy and upgrade in consumption, the sales of luxury automobiles, being a segment of the overall automobile industry, recorded a sales volume much higher than the average level of the overall automobile industry, and the penetration rate continued to increase.

During the reporting period, the Group timely adjusted its sales strategies and measures through making use of sales policies adopted by manufacturers, promoting regional management and conducting data analysis and consolidation using the SAP system, exercised effective pricing management on key automobile models, continued to promote the sharing of regional resources, optimized its mix of inventories, enhanced its integrated sales capabilities, ensured the stable growth of new automobile sales through engaging the customer base and controlled inventories effectively.

As at 31 December 2017, the Group's total sales volume of new automobiles was 103,643 units, representing a year-on-year increase of 43.2%. Sales revenue from new automobiles amounted to RMB30,332.3 million, representing a year-on-year increase of 32.7%, of which the sales volume of luxury and ultra-luxury automobiles was 73,205 units, representing a year-on-year increase of 16,825 units. The Group's sales revenue of luxury and ultra-luxury automobiles was RMB26,673.5 million, representing a year-on-year increase of 28.1%, accounting for 87.9% of the sales revenue from new automobiles. Gross profit margin of the sales of new automobiles was 3.5%.

After-sales service

With the promulgation of the Anti-Monopoly Guidance for the Automobile Industry (Consultation Paper) (關於汽車業的反壟斷指南(徵求意見稿)) and the Measures for the Administration of Automobile Sales (汽車銷售管理辦法) by the Ministry of Commerce and the National Development and Reform Commission in 2017, which were aimed to change the maintenance system of "one dealer for a whole automobile manufacturer", a market-oriented system for maintenance and sales of components has been further introduced. Therefore, the "similar nature components" model in the industry has been implemeted, and the price of components and time cost in some 4S stores have decreased, causing impact on the after-sales maintenance business of 4S stores. However, automobile owners of luxury and ultra-luxury brands focus more on the good quality and experience of after-sales service.

During the reporting period, with the aim of reducing the cost of components and maintaining a stable gross profit margin, the Group coordinated its regional networks to enhance the sharing of resources in its after-sales business through centralized procurement and allocation for regional components. On one hand, services with reasonable price will continue to be provided to customers. On the other hand, by enhancing the good experience of customers in after-sales service and through continuous development of service products and items suitable for customers, we aim to enhance customer loyalty. Meanwhile, the Group and the CGA Group jointly launched the e-commerce platform "Hui Yang Che"(匯養車) APP for after-sales services. Through a comprehensive maintenance record, and providing business and customer interest enquiry functions, the Group provides online booking, purchases and comments for maintenance service and other various value-added services. Through providing online customer service, expert question and answer session, and service evaluation, both the online and offline servicing capabilities of the Group have been enhanced.

During the reporting period, the revenue from the Group's after-sales service was RMB3,741.8 million, representing a year-on-year increase of 31.8%, accounting for 11.0% of the total revenue of the Group. The gross profit of after-sales service was RMB1,795.2 million, representing a year-on-year increase of 37.7%, and the gross profit margin of after-sales service was 48.0%, representing an increase of 2.1 percentage points when compared with the corresponding period of the preceding year.

Significant results in the development of derivative business

During the reporting period, the Group proactively expanded its automobile derivative business by continuously improving the existing management system as well as enriching the variety of derivative service products, thereby increasing revenue generated from its derivative business. As at 31 December 2017, the revenue from the Group's automobile derivative business was RMB599.6 million, representing a year-on-year increase of 57.7%.

- **Automobile finance business**

Automobile finance has become the most trendy sub-segment the new financial segment, and is also a significant source of profit for all automobile manufacturers, dealers and even the whole automobile retail industry. According to forecast by Deloitte, the size of the automobile finance market in China may reach RMB2 trillion by 2020, and the penetration rate will increase to 50%. The Measures for the Administration of Automobile Sales (汽車銷售管理辦法) promulgated on 1 July 2017 have been changing the landscape of the automobile dealing industry, and consequently, the cooperation between traditional finance and new finance models for win-win results will become the new norm.

The major core competitiveness of the automobile finance industry is the ability to control risk. During the reporting period, the Group leveraged on the financial risk control platform built by the CGA Group to conduct more effective pre-lending risk review, risk alert in the lending process and post-lending risk control to enhance the asset quality of automobile loans, which has greatly improved the approval efficiency, optimized and enriched the Group's automobile products.

During the reporting period, all stores of the Group and Shanghai Dingxin Financial Leasing Co., Ltd (上海鼎信融資租賃有限公司), a subsidiary of the Group, continued to focus on customer experience and successively launched several innovative financial products. Regional finance cooperation channels were coordinated to ensure the smooth development of multi-channel financial products in all regions.

During the reporting period, the Group recorded revenue of RMB213.3 million from its financial service business, which increased by 130.1% as compared to RMB92.7 million in 2016. The Group cooperated with various financial institutions securing strong and solid resources and support. The penetration rate of the automobile financial business increased from 32.9% in 2016 to 48.7% during the reporting period.

- **Secondhand automobile business**

As the secondhand automobile market in China gradually becomes mature, consumer demand for pre-owned automobiles will increase gradually. Dealers with stable sources of automobiles, good after-sales protection and strong evaluation capability will be the direct beneficiaries in the secondhand automobile market.

During the reporting period, the Group has been improving the operation system for its secondhand automobile business, and has been striving to introduce an auction platform for secondhand automobiles to accelerate the building of a secondhand automobile network. Meanwhile, the official certification business for secondhand automobiles of luxury brands distributed by the Group has also been actively developed. The existing customer base has been expanding constantly as a result of the Group's efforts in promoting the exchange of secondhand automobiles with new automobiles and enhancing the quality of after-sales service, with a view to increase the exchange ratio of secondhand automobiles among existing customers for upgrading or generation change. In addition, by enhancing the combined management capabilities in the pricing and residual value of secondhand automobiles, the Group will expand its channels for sourceing secondhand automobiles.

In accordance with the trend of industrial development, the Group also attempts to adopt B2B and B2C models to further strengthen the existing online and offline link of secondhand automobiles. At the same time, by connecting with third-party internet platform companies, the Group ensured that price assessment and consultation service can be provided to end-user customers, and assessment, exchange and retail business for secondhand automobiles may also be conducted through the existing offline 4S stores.

During the reporting period, the Group's transaction volume of secondhand automobiles was 28,005 units, representing an increase of 186.1%. The penetration rate of secondhand automobiles was 27.0%, representing an increase of 13.5 percentage points as compared with the corresponding period of the preceding year. The trade in ratio of secondhand automobiles was 17.4%, representing an increase of 6.4 percentage points as compared with the corresponding period of the preceding year.

- **Insurance business**

During the reporting period, the Group re-organised its insurance cooperation resources. In addition to maintaining good collaborative relationships with the three existing major insurance company partners, the Group further enhanced the monitoring and control over its insurance resources, adopted a cooperative model of "headquarter to headquarter among groups; branch to branch for regions", opened up the insurance front-end and back-end value chain, and frequently introduced self-developed products with extended warranty for automobiles (extended warranty) from which customers may choose. In the meantime, through adopting a portfolio marketing approach combined with a full reform on insurance rate and an active attempt to provide maintenance services for glass and painted layer, the Group has not only earned profits but also raised its insurance penetration rate, thus further retained its customers.

During the reporting period, the Group's revenue from its insurance business was RMB235.5 million, representing an increase of 21.6% as compared to RMB193.7 million in 2016. During the reporting period, the Group's revenue from extended warranty business increased by 265.5%.

Continuous optimization of network layout

As a leading domestic dealer of luxury automobiles, the Group's business is mainly concentrated in the coastal regions of eastern China, and is at the same time expanding into northern China, central China, southern China and northeast and northwest regions, covering most of the luxury and ultra-luxury markets in China. High density dealing networks are being constantly built to enhance operational efficiency and service capabilities.

During the reporting period, based on its brand and regional strategies, the Group has acquired six 4S stores including Porsche, BMW and Maserati and one showroom in Zhejiang Province during the first half of the year, and acquired from the CGA Group one BMW store in Xinjiang Uygur Autonomous Region in the latter half of the year. Meanwhile, the Group adjusted four underperforming dealing stores to increase its capital operation efficiency. Moreover, the Group has also upgraded some Audi and BMW stores, and built a secondhand automobile showroom to promote its secondhand automobile business.

As at 31 December 2017, the Group owned a total of 108 automobile dealing stores, including 86 luxury and ultra-luxury brand dealing stores, 17 mid-to-high brand dealing stores and 5 independent after-sales service (maintenance and decoration and loss assessment center) stores. During the reporting period, the Group's portfolio of automobile brands included 11 luxury and ultra-luxury brands, namely, BMW (including MINI), Audi, Jaguar & Land Rover, Volvo, Cadillac, Infiniti, Alfa Romeo, Porsche, Rolls Royce, Maserati and Ferrari.

Meanwhile, in view of the intensified trend of mergers and acquisitions among dealer groups, and in order to strengthen the strategic layout in key areas, the Group acquired one Jaguar & Land Rover 4S store from the CGA Group in January 2018, and acquired three BMW 4S stores and one BMW secondhand automobile 4S store in March 2018, which will facilitate a more reasonable landscape for its brand.

For details about the Acquisition, please refer to the announcements of the Company dated 5 January 2018 and 25 March 2018.

FUTURE OUTLOOK

In 2017, upgrading of automobile consumption in China not only led to a bountiful harvest in the luxury automobile market, but also had significant changes and effects on the luxury automobile market. In the new round of competition, as young people gradually become a major driving force in automobile consumption, their liberal views on consumption, on the concept of lifestyle and their attitude to automobile consumption will reshape the way of living while affecting the landscape of the automobile post-consumption market in China represented by the automobile financial sector, enabling the rise of an emerging business model at an unprecedented pace. Only luxury brands that can capture the consumption of the younger generation will be able to gain market recognition and achieve persistent growth in the automobile market of China.

The Group will rely on its advantageous strategic layout as ever to continue to expand dealing stores of luxury brands, mainly represented by BMW and Jaguar & Land Rover, while leveraging the advanced management concepts and systems of the CGA Group. With timely seizing of the opportunities arising from the release and sales growth of various luxury branding models, in furtherance, the Group will penetrate into strategic markets based on best-selling cycles of different branding models.

The future reform in the automobile dealing industry will be in channel terminals. In future, the positioning of automobile dealers will not only be purely on automobile sales, it will also require a precise positioning and quick response to the automobile after-sales market. The Group will follow the development trend of the automobile industry as we always did, while developing existing business in a stable and sound manner, we will also consolidate the channel resources and strive to build a comprehensive automobile service platform by integrating sales of new automobiles, after-sales service and derivative business (automobile finance, secondhand automobile and insurance) under one roof. By enhancing the synergies of various business segments continuously, a more diversified business profit model will be realized in future for bringing better performance and returns.

FINANCIAL REVIEW

Revenue

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

	Year ended 31 December			
	2017		2016	
Revenue source	Revenue *(RMB'000)*	Contribution to total Revenue *(%)*	Revenue *(RMB'000)*	Contribution to total Revenue *(%)*
Automobile sales	**30,332,292**	**88.9**	22,866,070	88.9
Luxury and ultra-luxury brands	**26,673,547**	**78.1**	20,826,494	81.0
Mid-to-upper market brands	**3,658,745**	**10.8**	2,039,576	7.9
After-sales business	**3,741,822**	**11.0**	2,838,364	11.0
Luxury and ultra-luxury brands	**3,388,670**	**10.0**	2,697,913	10.5
Mid-to-upper market brands	**353,152**	**1.0**	140,451	0.5
Finance leasing services	**62,056**	**0.1**	4,366	0.1
Total revenue	**34,136,170**	**100**	25,708,800	100

Revenue from the sales of automobiles increased by 32.7% due to the increase in living standard of residents and upgrade of consumption, which stimulated the demand for luxury vehicles and in turn the revenue from the sales of luxury and ultra-luxury vehicles of the Group increased during the reporting period.

Automobile sales generated a substantial portion of our revenue, accounting for 88.9% of our total revenue for the year ended 31 December 2017. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 78.1% (2016: 81.0%) and 10.8% (2016: 7.9%), respectively, of our total revenue.

Revenue from our after-sales business increased by 31.8% from RMB2,838.4 million for the year ended 31 December 2016 to RMB3,741.8 million for the same period in 2017.

Cost of sales and services

For the year ended 31 December 2017, our cost of sales and services increased by 31.9%, from RMB23,675.3 million for the same period in 2016 to RMB31,227.9 million. This increase was basically consistent with the increase in our sales throughout the year ended 31 December 2017.

The cost of sales and services attributable to our automobile sales business amounted to RMB29,281.0 million for the year ended 31 December 2017, representing an increase of RMB7,142.1 million, or 32.3%, from the same period in 2016. The cost of sales attributable to our after-sales business amounted to RMB1,946.7 million for the year ended 31 December 2017, representing an increase of RMB412.4 million, or 26.9% from the same period in 2016.

Gross profit and gross profit margin

Gross profit for the year ended 31 December 2017 was RMB2,908.3 million, representing an increase of RMB874.8 million or 43.0% from the same period in 2016. Gross profit from automobile sales increased by 44.6% from RMB727.2 million for the year ended 31 December 2016 to RMB1,051.2 million for the same period in 2017, of which RMB951.1 million were from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 37.7% from RMB1,304.1 million for the year ended 31 December 2016 to RMB1,795.2 million for the same period in 2017. Automobile sales and after-sales business contributed to 36.1% (2016: 35.8%) and 61.7% (2016: 64.1%), respectively, to the total gross profit for the year ended 31 December 2017.

Gross profit margin for the year ended 31 December 2017 was 8.5% (2016: 7.9%), of which the gross profit margin of automobile sales was 3.5% (2016: 3.2%) and of after-sales business was 48.0% (2016: 45.9%). The increase in gross profit margin from automobile sales and after-sales service was mainly due to stable increase in sales volume of luxury vehicles and stregnthened adjustment in business structure.

Other income and gains, net

The majority of other income is commission income, which increased from RMB380.2 million for the year ended 31 December 2016 to RMB599.6 million for the same period in 2017. Other income and gains, net increased by 14.3% from RMB524.0 million for the year ended 31 December 2016 to RMB598.9 million for the same period in 2017, primarily because of strengthening in the refined management in after-sales, expanding businesses such as insurance agent and vehicle financing consultation as well as formulating the corresponding incentive policy.

Selling and distribution costs and administrative expenses

For the year ended 31 December 2017, our selling and distribution costs increased by 22.7% to RMB1,078.7 million from RMB878.8 million for the same period in 2016, mainly due to increased sales volume and the expansion of service network; and our administrative expenses decreased by 9.8% from RMB608.4 million for the same period in 2016 to RMB549.0 million, mainly due to the corresponding result achieved as we continued to optimize the organizational structure and control various costs reasonably.

Profit from operations

As a result of the foregoing, our profit from operations for the year ended 31 December 2017 increased by 75.6% to RMB1,879.5 million from RMB1,070.4 million for the same period in 2016.

Finance costs

Finance costs increased by 48.9% from RMB486.6 million for the year ended 31 December 2016 to RMB724.4 million for the same period in 2017, primarily because of further expansion of business scale resulting in the increase of bank loans.

Profit for the year

As a result of the cumulative effect of the foregoing, our profit for the year ended 31 December 2017 increased by 92.4% to RMB802.1 million from RMB416.9 million for the same period in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 31 December 2017, our cash and bank amounted to RMB3,175.1 million, representing a decrease of 14.7% from RMB3,721.7 million as at 31 December 2016.

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

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time. For the year ended 31 December 2017, our net cash generated from operating activities was RMB916.8 million (2016: RMB1,353.8 million).

Net current assets

As at 31 December 2017, we had net current assets of RMB7,067.1 million, representing an increase of RMB2,144.3 million from RMB4,922.8 million as at 31 December 2016.

Capital expenditure

Our capital expenditures primarily comprised expenditures on property, plant and equipment land use rights and intangible assets. During the year ended 31 December 2017, our total capital expenditures amounted to RMB626.6 million (2016: RMB522.2 million).

Inventories

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

Our inventories increased by 36.8% from RMB2,935.8 million as at 31 December 2016 to RMB4,017.2 million as at 31 December 2017, primarily due to the increase in the revenue from the sales of new vehicles resulting in the proportional increase in the balances of inventories as well as the Group's acquisition of Wenzhou Kaiyuan project in March 2017 resulting in the increase in inventories.

Our average inventory turnover days for the year ended 31 December 2017 decreased to 40.6 days from 41.6 days in 2016, primarily due to the fact that the Group adopted stringent inventory control policy and increase in sales volume.

Trade Receivables

Trade receivables decreased from RMB652.5 million for the year ended 31 December 2016 to RMB501.0 million for the year ended 31 December 2017, primarily due to the fact that the Group strengthened the control of receivables and improved the collection rate.

Interest-bearing bank and other borrowings

As at 31 December 2017, the Group's available and unutilised banking facilities amounted to approximately RMB8,284.9 million (31 December 2016: RMB6,259.7 million).

Our interest-bearing bank and other borrowings as at 31 December 2017 were RMB8,950.8 million, representing an increase of RMB1,398.4 million from RMB7,552.4 million as at 31 December 2016. The increase was due to the increase in requirements of working capital from expending the business scale.

Interest rate risk and foreign exchange rate risk

As at 31 December 2017, the Group had not used any derivatives to hedge interest rate risk. The Group conducts its business primarily in Renminbi. Certain bank deposits, bank borrowings and credit enhanced bonds were denominated in foreign currencies. The Group has entered into various forward currency options to manage its exchange rate risk exposure. These foreign currencies are not designated for hedging purposes and are measured at fair value through profit or loss. As at 31 December 2017, a fair value of RMB33.5 million (31 December 2016: RMB25.8 million recognised as asset) was recognised as liability by the Group on the currency options and currency forward. Although the Company entered into an ISDA (International Swaps and Derivatives Association, Inc.) 2002 Master Agreement with The Hongkong and Shanghai Banking Corporation Limited dated 30 September 2016, the Group only started to engage in USD interest rate swaps under the aforementioned agreement in January 2017.

Gearing ratio

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, trade, bills and other payables, accruals, and senior perpetual capital securities less cash and bank. Our gearing ratio for the year ended 31 December 2017 was 66.2% (2016: 71.2%).

Human resources

As at 31 December 2017, the Group had 7,586 employees (31 December 2016: 6,907). Total staff costs for the year ended 31 December 2017, excluding Directors' remuneration were approximately RMB1,057.6 million (2016: RMB647.8 million).

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

Contingent liabilities

As at 31 December 2017, the Group had no significant contingent liabilities (31 December 2016: Nil).

Pledge of the Group's assets

Our Group had pledged our group assets, shares in certain subsidiaries and letters of credit as securities against bank loans and other borrowings and bills payable which were used to finance daily business operation and acquisition. As at 31 December 2017, the pledged group assets amounted to approximately RMB5,727.4 million (31 December 2016: RMB4,507.3 million); the pledged letters of credit with an aggregated credit amount of approximated RMB197.8 million (31 December 2016: Nil).

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

Acquisition

On 27 March 2017, Suzhou Baoxin Automotive Distribution Services Co., Ltd.* (蘇州寶信汽車銷售服務有限公司), an indirect wholly-owned subsidiary of the Company (the "**Purchaser**"), entered into an acquisition agreement with Li Yuesheng (李躍勝), Li Zhirong (李志榮), Li Guoqin (李國琴), Wu Tingjie (吳挺捷), Whenzhou Kaiyuan Group Limited* (溫州開元集團有限公司), Whenzhou Zhenan Electromechanical Equipment Co., Ltd* (溫州浙南機電設備有限公司) and Wenzhou Senyuan Electrical Co., Ltd* (溫州市森源電器有限公司) (the "**Vendors**"), pursuant to which the Vendors agreed to sell and the Purchaser agreed to buy the entire equity interest of the Vendors' six subsidiaries. Please refer to the announcement of the Company dated 27 March 2017 for further details.

Disposals

On 24 May 2017, the Company and Shanghai Jida Investments Management Co., Ltd.* (上海集達投資管理有限公司) ("**Shanghai Jida**"), a wholly-owned subsidiary of the Company, entered into the following disposal agreements:

(1) the disposal agreement between the Company and China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司) ("**CGA HK**"), pursuant to which the Company has conditionally agreed to sell, and CGA HK has conditionally agreed to purchase, the entire equity interest of Baoxin Auto Finance I Limited;

(2) the disposal agreement between the Company and CGA HK, pursuant to which the Company has conditionally agreed to sell and CGA HK has conditionally agreed to purchase 25.55% equity interest of Dalian Baoxin Huiyu Automobile Investments Management Co., Ltd* (大連寶信匯譽汽車投資管理有限公司) ("**Dalian Huiyu**"); and

(3) the disposal agreement between Shanghai Jida and Shanghai Huiyong Automotive Distribution Co., Ltd.* (上海匯湧汽車銷售有限公司) ("**Shanghai Huiyong**"), pursuant to which Shanghai Jida has conditionally agreed to sell and Shanghai Huiyong has conditionally agreed to purchase 74.45% equity interest of Dalian Huiyu.

The disposals were completed on 30 June 2017. Please refer to the announcements and circular of the Company dated 24 May 2017, 12 June 2017 and 30 June 2017 for further details.

Important events since 1 January 2018

On 5 January 2018, Shanghai Tianhua Automobile Sales Services Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Xinjiang Longze Automobile Services Management Co., Ltd. (the "**Vendor**"), an indirect wholly-owned subsidiary of CGA Group, pursuant to which the Vendor agreed to sell to the Purchaser, and the Purchaser agreed to acquire from the Vendor, 100% equity interest in a company engaged in the management and operation of 4S dealership stores of auto brand of Jaguar Land Rover. For further details, please refer to the announcement of the Company dated 5 January 2018.

On 25 March 2018, Suzhou Baoxin Automotive Distribution Services Co., Ltd.* (蘇州寶信汽車銷售服務有限公司), an indirect wholly-owned subsidiary of the Company (the "**Purchaser**"), entered into an acquisition agreement with Shanghai Zhongguo Automotive Group Co., Ltd.* (上海眾國汽車集團有限公司) and Hefei Gangrong Hotel Management Co., Ltd.* (合肥港榮酒店管理有限公司) (the "**Vendors**"), pursuant to which the Vendors agreed to sell and the Purchaser agreed to buy the entire equity interest of the Vendors' four subsidiaries. Please refer to the announcement of the Company dated 25 March 2018 for further details.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company (the "**Board**") is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value, formulate its business strategies and policies and enhance its accountability.

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

In the opinion of the Directors, throughout the year ended 31 December 2017, the Company has complied with most of the code provisions as set out in the CG Code, save and except for provision A.2.1.

Under code provision A.2.1, the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Our chairman, Mr. Li Jianping is responsible for the operation and management of the Board, and no chief executive officer is appointed. The day-to-day management of the Group is delegated to other executive Directors and the management of the Company. The Board is of the view that the current management structure can effectively facilitate the Group's operation and business development.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors.

Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

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

BOARD OF DIRECTORS

Role of the Board

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

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

Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Group are delegated to the executive Directors and senior management of the Company. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective defined written terms of reference.

Composition

During the year ended 31 December 2017 and up to the date of this annual report, there have been the following changes to the Board:

- Mr. Lu Linkui resigned as a non-executive Director on 16 October 2017.
- Ms. Xu Xing was appointed as a non-executive Director on 16 October 2017.

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

The Board

Executive Directors	**Non-executive Directors**	**Independent non-executive Directors**
Mr. Li Jianping *(Chairman)*	Mr. Zhou Yu	Mr. Diao Jianshen
Mr. Wang Xinming *(President)*	Ms. Xu Xing	Mr. Wang Keyi
Mr. Lu Ao		Mr. Chan Wan Tsun Adrian Alan
Mr. Qi Junjie		

The biographical details of the Directors are set out on pages 37 to 39 of this annual report. In addition, a list of the names of the Directors and their role and function is published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

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

Insurance Coverage

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

Chairman and Chief Executive Officer

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

During the financial year ended 31 December 2017, the position of Chairman was held by Mr. Li Jianping, and Mr. Wang Xinming acted as the President of the Company. The role and responsibilities of the chief executive officer are delegated to other executive Directors and management of the Company. The Board is of the view that the current management structure can effectively facilitate the Company's operation and business development.

Independent Non-executive Directors

During the year ended 31 December 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board, with one of whom possesses appropriate professional qualification, accounting or related financial management expertise.

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

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

Appointment and Re-election of Directors

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

Save for Mr. Lu Linkui who resigned on 16 October 2017, each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company, except for Ms. Xu Xing who was appointed for a term of three years with effect from 16 October 2017, all other non-executive Directors and independent non-executive Directors shall have a term of one year with effect from their respective dates of appointment, subject to renewal.

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

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

In accordance with Article 16.18 of the Articles of Association, Mr. Qi Junjie, Mr. Diao Jianshen and Mr. Chan Wan Tsun Adrian Alan shall retire at the Annual General Meeting of the Company to be held on 8 June, 2018 (the "2018 AGM"). In addition, Ms. Xu Xing was appointed by the Board on 16 October 2017 shall hold office until the Annual General Meeting pursuant to Article 16.2 of the Company's Articles of Association. The Board will re-designate Ms. Xu Xing from a non-executive Director to an executive Director at the 2018 AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election, or re-election and re-designation, at the 2018 AGM.

The Nomination Committee has confirmed that the Company will support their respective re-election and re-designation.

Board Committees

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

The Board committees are provided with sufficient resources to discharge their duties and are able to seek independent professional advice where appropriate and upon request. Details of these Board committees, including their compositions, major responsibilities and functions, and work performed during the year ended 31 December 2017 are set out below.

Audit Committee

The Audit Committee consists of the following members during the year ended 31 December 2017:

Independent non-executive Directors

Mr. Diao Jianshen *(Chairman)*
Mr. Wang Keyi
Mr. Chan Wan Tsun Adrian Alan

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

During the year ended 31 December 2017, the Audit Committee met twice to:

- review the consolidated financial statements, annual and interim reports before submission to the Board for approval; review any significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, any connected transactions of the Group;
- make arrangements for employees to discuss any possible operational improprieties; and
- make recommendation to the Board to revise its terms of reference in compliance with and to address the new provisions in the CG Code dealing with risk management and internal control systems.

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

Remuneration Committee

The Remuneration Committee consists of the following members during the year ended 31 December 2017:

Independent non-executive Directors

Mr. Diao Jianshen *(Chairman)*
Mr. Wang Keyi

Executive Director

Mr. Li Jianping

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

During the year ended 31 December 2017, the Remuneration Committee met twice to:

- review the remuneration policy and structure of the Company and the remuneration packages of executive Directors and senior management; and
- review and make recommendations to the Board on remuneration packages of the Directors and senior management and other related matters.

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

Nomination Committee

The Nomination Committee consists of the following members during the year ended 31 December 2017:

Independent non-executive Directors

Mr. Wang Keyi *(Chairman)*
Mr. Diao Jianshen

Executive Director

Mr. Li Jianping

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

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

During the year ended 31 December 2017, the Nomination Committee met twice to:

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

Board Meetings

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

During the year ended 31 December 2017, the Board has held six board meetings to review financial and operating performance of the Company and to discuss future strategies. The Directors participated in the Board meetings in person or through electronic means.

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

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

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

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

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

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

Attendance Record of Directors and Committee Members

The attendance record of each Director at the Board and Board Committee meetings and the general meeting of the Company held during the year ended 31 December 2017 is set out in the table below:

Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Li Jianping	6/6	N/A	2/2	2/2	4/4
Mr. Wang Xinming	6/6	N/A	N/A	N/A	4/4
Mr. Lu Ao	6/6	N/A	N/A	N/A	4/4
Mr. Qi Junjie	6/6	N/A	N/A	N/A	4/4
Non-executive Directors					
Mr. Zhou Yu	6/6	N/A	N/A	N/A	4/4
Ms. Xu Xing[1]	1/1	N/A	N/A	N/A	N/A
Mr. Lu Linkui[2]	5/5	N/A	N/A	N/A	4/4
Independent non-executive Directors					
Mr. Diao Jianshen	6/6	2/2	2/2	2/2	4/4
Mr. Wang Keyi	6/6	2/2	2/2	2/2	4/4
Mr. Chan Wan Tsun Adrian Alan	6/6	2/2	N/A	N/A	4/4

Notes:

1. Ms. Xu Xing was appointed as a non-executive Director with effect from 16 October 2017. One board meeting was held after her appointment.

2. Mr. Lu Linkui resigned as an executive Director with effect from 16 October 2017. Five board meetings, three extraordinary general meetings and one annual general meeting were held before his resignation.

Apart from regular Board meetings, the Chairman of the Board also held a meeting with the non-executive Directors and independent non-executive Directors without the presence of executive Directors during the year ended 31 December 2017.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as Directors of the Company and of the conduct, business activities and development of the Company and to ensure that their contribution to the Board remains informed and relevant.

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

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

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

During the year ended 31 December 2017, all Directors have been required to provide the Company with a record of the training they received on a half-year basis, and such records have been maintained by the Company.

A summary of the current Directors' participation in internal and other external training for the year ended 31 December 2017 is as follows:

Name of Directors	Attending briefing/ seminars	Reading materials/ regulatory updates/ management monthly updates
Executive Directors		
Mr. Li Jianping	√	√
Mr. Wang Xinming	√	√
Mr. Lu Ao	√	√
Mr. Qi Junjie	√	√
Non-executive Directors		
Mr. Zhou Yu	√	√
Ms. Xu Xing (appointed on 16 October 2017)	√	√
Mr. Lu Linkui (resigned on 16 October 2017)	√	√
Independent non-executive Directors		
Mr. Diao Jianshen	√	√
Mr. Wang Keyi	√	√
Mr. Chan Wan Tsun Adrian Alan	√	√

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

BOARD DIVERSITY POLICY

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

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2017.

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

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditors' Report on pages 52 to 57 of this annual report.

AUDITORS' REMUNERATION

The remuneration paid to the Group's external auditors, Ernst & Young for the year ended 31 December 2017 is set out below:

Services provided	Fees (RMB'000)
Audit services	6,000
Non-audit services	114
Total	6,114

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

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

The Company has developed the internal risk control systems and the corresponding management code, and the audit department of internal control is in place under each region of the Group, tracking the implementation of the risk control system and the management code on a regular basis.

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

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

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

Based on the results of evaluations and representations made by the management and the internal auditor during the year ended 31 December 2017, the Board, as supported by the Audit Committee, is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business objectives; and that appropriate systems of risk management and internal control have been in place during the year ended 31 December 2017 and up to the date of approval of this annual report.

COMPANY SECRETARY

On 16 October 2017, Mr. Chen Changdong, who was a full time employee of the Company, has ceased to be the company secretary and following his cessation, Ms. Cheng Mei Chun ("Ms. Cheng"), who is a director of corporate services division of Tricor Services Limited, an external service provider company in Hong Kong, became the company secretary of the Company. Ms. Cheng's primary contact person at the Company is Ms. Xu Xing, a non-executive Director.

According to Rule 3.29 of the Listing Rules, Ms. Cheng has confirmed that she has taken no less than 15 hours of professional training to update her skills and knowledge for the year ended 31 December 2017.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on the remuneration of senior management of the Group. Details of the remuneration of each Director for the year ended 31 December 2017 are set out in note 9 to the financial statements of this annual report.

For the year ended 31 December 2017, the aggregate emolument paid to members of non-director senior management was within the following bands:

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

SHAREHOLDERS' RIGHTS

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

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

Procedure for Convening an Extraordinary General Meeting by Shareholders

Pursuant to the Company's articles of association, any two or more shareholders (or any one shareholder which is a recognised clearing house) holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings may require an extraordinary general meeting by a written requisition to the Board or the Company Secretary either via personal delivery or mail (for the attention of the Board of Directors/Company Secretary, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) or via email (info@klbaoxin.com). The Board shall, within 21 days from the date of deposit of the requisition, duly convene a general meeting to be held within another 21 days.

Procedure for Putting Forward Proposals at General Meetings

Any shareholder who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration either via personal delivery or mail (for the attention of the Board of Directors/Company Secretary, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) or via email (info@klbaoxin.com).

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

Procedure for Putting Forward Enquiries to the Board

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

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

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

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

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

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2017, the Company did not make any changes to its articles of association. An up-to-date version of the Company's article of association is available on both the websites of the Stock Exchange and the Company.

DIRECTORS

Executive Directors

Mr. LI Jianping (李建平), aged 57, has been an executive Director, the chairman of the Board and a member of the Remuneration Committee and the Nomination Committee of the Company since 21 June 2016. Mr. Li has been the chairman of the board of directors of CGA since July 2015 and has been an executive director of China Grand Automotive Services Co., Ltd. (廣匯汽車服務有限責任公司) ("CGA Limited") and its predecessor since September 2013. Mr. Li was a president of CGA Limited and its predecessor from August 2013 to July 2015 and a vice president of CGA Limited and its predecessor from May 2012 to August 2013. Mr. Li was the chairman and general manager of Xinjiang Military Imported Auto Parts Co., Ltd. (新疆軍工進口汽車配件有限公司), currently a subsidiary of CGA, from August 1988 to April 2008. Mr. Li has been serving as the general manager and chairman of Urumqi Huatong Toyota Sales and Services Co., Ltd. (烏魯木齊華通豐田汽車銷售服務有限公司), currently a subsidiary of CGA, since October 2002. Mr. Li was the chairman and general manager of a subsidiary of CGA, Xinjiang Tianhui Automobile Services Co., Ltd. (新疆天匯汽車服務有限公司) from April 2008 to August 2013. Mr. Li obtained a university diploma in economics and management by taking correspondence courses from Urumqi Army Institute (烏魯木齊陸軍學院) in June 2006.

Mr. WANG Xinming (王新明), aged 45, has been an executive Director and the President of the Company since 21 June 2016. Mr. Wang has been a director of CGA since June 2016, and a president of CGA since May 2016. Mr. Wang served as a vice president of CGA from July 2015 to May 2016. From December 2013 to July 2015, Mr. Wang was the assistant to the president of CGA Limited and its predecessor. Mr. Wang served successively as a deputy store manager, vice general manager of operations, executive vice general manager of operations and general manager of Hebei region, general manager of the north China region and general manager of the greater north China region of CGA from November 2008 to November 2013. Mr. Wang served successively as the store manager and general manager for store operations of Shijiazhuang Tianhe Automobile Dealership Co., Ltd. (石家莊天河汽車貿易有限公司) from January 2002 to November 2008. Mr. Wang obtained a bachelor's degree in administrative management from Hebei University of Economics and Business (河北經貿大學) in July 1994.

Mr. LU Ao (盧翱), aged 45, has been an executive Director of the Company since 21 June 2016. Mr. Lu has been the vice president and chief financial officer of CGA since July 2015. Mr. Lu served as the chief business development officer, vice president and chief financial officer of CGA Limited and its predecessor from January 2007 until July 2015. Mr. Lu served as a manager of the corporate development department of the Asia Pacific region of Danone from August 2005 to September 2006, and a manager of the corporate investment and M&A strategic consulting department of PricewaterhouseCoopers from January 2004 to August 2005. Mr. Lu obtained a bachelor's degree in economics from Southwest University of Finance & Economics (西南財經大學) in July 1995, and obtained an MBA degree from Fordham University in the Beijing International MBA program at Peking University in February 2004. Mr. Lu was admitted as a certified public accountant of PRC by Chinese Institute of Certified Public Accountants in August 1998.

Mr. QI Junjie (戚俊傑), aged 45, has been an executive Director of the Company since 29 July 2016. Mr. Qi has been the secretary of the party committee of CGA since May 2016 and was the chairman of the board of directors of Xinjiang Guanghui Liquefied Natural Gas Development Co., Ltd. (新疆廣匯液化天然氣發展有限責任公司) from September 2015 to July 2016. Mr. Qi has been a director of Xinjiang Guanghui Energy Company Limited (新疆廣匯能源股份有限公司) since October 2015. Mr. Qi served as the deputy county chief and deputy secretary of Xinjiang Jimunai County (新疆吉木乃縣) and the director of the National Border Co-operative District (國家邊境合作區) from July 2008 to September 2014. Mr. Qi was an official of the Forest Bureau of Xinjiang Aletai District (新疆阿勒泰地區林業局) from July 1994 to July 2008. Mr. Qi obtained a master degree in botanical architecture specialty from Xinjiang Agricultural University (新疆農業大學) in July 1997 and obtained a bachelor's degree in plant protection specialty from Xinjiang Agricultural University (新疆農業大學) in July 1994.

Non-executive Directors

Mr. ZHOU Yu (周育), aged 49, has been a non-executive Director since 21 June 2016. Mr. Zhou has been a vice president of CGA since July 2015. From May 2012 to July 2015, Mr. Zhou was a vice president of CGA Limited and its predecessor. Mr. Zhou worked at Anhui Fengzhixing Investment Holding Co., Ltd. (安徽風之星投資控股有限責任公司), currently a subsidiary of CGA, as the general manager from September 2006 to March 2011, and at CGA as the general manager of the central China region from September 2006 to April 2012. Mr. Zhou served as the general manager at Anhui Fengzhixing Automobile Company Limited (安徽風之星汽車股份有限公司) from March 2004 to September 2006. Mr. Zhou served successively as the vice-general manager and general manager of corporate banking department of China Everbright Bank Hefei branch from February 2000 to February 2004. Mr. Zhou obtained a bachelor's degree in planned economics from Renmin University of China in July 1990.

Ms. XU Xing (許星), aged 40, has been a non-executive Director since 16 October 2017. Ms Xu was appointed as the Vice President of the Company in May 2017. Ms. Xu has been the secretary of the board and assistant to the president of CGA since October 2016. Prior to joining CGA, Ms. Xu was the executive president of Shanghai Yanhua Smartech Group Co., Ltd (上海延華智慧科技(集團) 股份有限公司) ("**SYSG**"), a company listed on Shenzhen Stock Exchange (SHE:002178) from January 2014 to October 2016. Ms. Xu was also the deputy general manager and secretary of the board of SYSG from December 2009 to August 2014. From November 2007 to May 2009, Ms. Xu was a senior consultant in Han Consulting (China) Ltd. (漢普管理諮詢 (中國) 有限公司). Ms. Xu obtained a master's degree from University of Portsmouth, United Kingdom in 2006 and an MBA from Shanghai University of Finance and Economics (上海財經大學) in 2007. Ms. Xu also obtained a EMBA from China Europe International Business School (中歐國際工商學院) and the Certificate of Secretary of the Board (董事會秘書資格證書) issued by the Shenzhen Stock Exchange in 2009.

Independent non-executive Directors

Mr. DIAO Jianshen (刁建申), aged 64, is an independent non-executive Director, the Chairman of each of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee of the Company. Mr. Diao has been a vice president of the China Automobile Dealers Association since 2008. He was a director and executive deputy general manager of 華星新世界汽車服務有限公司 (Huaxing New World Auto Service Company Limited) from 2002 to 2008. From 1998 to 2002, he was a general manager of 中國汽車貿易華北公司 (China Automobile Trading (North China) Corporation). He graduated from 中共北京市委黨校 (CPC Beijing Municipal Party School) with a major in economic management in 1988 and from the Chinese Academy of Social Sciences with a major in business economics in 1998. Mr. Diao was appointed as an independent non-executive Director on 22 November 2011.

Mr. WANG Keyi (汪克夷), aged 73, is an independent non-executive Director, the Chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee of the Company. Since 1982, Mr. Wang has been a lecturer and professor at Dalian University of Technology. From 1992 to 1996, Mr. Wang was an assistant to the principal of Dalian University of Technology and was responsible for business management affairs. Mr. Wang was an independent director of 瓦房店軸承股份有限公司 (Wa Fang Dian Zhou Cheng Stock Company Limited) (stock code: 200706), a company whose shares are listed on the Shenzhen Stock Exchange, from 2009 to 2013. He was also an independent director of 遼寧紅陽能源投資股份有限公司 (Liaoning Hongyang Energy Resource Invest Co., Ltd.) (stock code: 600758), a company whose shares are listed on the Shanghai Stock Exchange, from 2005 to 2011. Mr. Wang graduated with an undergraduate degree in automotive control from the Dalian University of Technology in 1966. He obtained a master's degree in systems engineering from Dalian University of Technology in 1982 and then a PhD degree in systems engineering from the same university in 1988. Mr. Wang was appointed as an independent non-executive Director on 22 November 2011.

Mr. CHAN Wan Tsun Adrian Alan (陳弘俊), aged 39, is an independent non-executive Director and a member of the Audit Committee of the Company. Mr. Chan has been the chief financial officer of Sun Ray Capital Investment Corporation since July 2015, From 2009 to June 2015, he was the chief financial officer of Enviro Energy International Holdings Limited (stock code: 1102), a company whose shares are listed on the Stock Exchange. He has over 14 years of experience in corporate finance. He was an associate director of UOB Asia (Hong Kong) Limited from 2005 to 2009, mainly responsible for the execution of financial advisory, initial public offering, merger and acquisitions, privatisation and other equity capital market transactions in the Greater China Region and Southeast Asia. He has also previously worked for the equity capital markets department of DBS Asia Capital Limited from 2002 to 2005, the corporate finance department of DBS Vickers Securities (formerly known as Vickers Ballas Holdings Limited) from 2000 to 2001, and as auditor for a top-tier international accounting firm. Mr. Chan graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree in Accounting and Finance in 2000. He is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants, respectively. Mr. Chan was appointed as an independent non- executive Director on 22 November 2011.

SENIOR MANAGEMENT

Our senior management team are as follows:

Mr. WANG Xinming (王新明) is the president of the Company. Please refer to "Directors and Senior Management — Directors" for a description of his biography.

Ms. XU Xing (許星) is the vice president of the Company. Please refer to "Directors and Senior Management — Directors" for a description of her biography.

COMPANY SECRETARY

Ms. CHENG Mei Chun (鄭美珍) has been appointed as the company secretary of the Company with effect from 16 October 2017. Ms. Cheng is a Director of Corporate Services of Tricor Services Limited, a global professional corporate services provider. Ms. Cheng has over 25 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Cheng is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom since August 1994 and August 1992, respectively.

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated in the Cayman Islands. Its principal place of business in Hong Kong is situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and have been registered as a non-Hong Kong company under the Companies Ordinance on 16 November 2011.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The business review of the Group as at 31 December 2017 is set out in the section headed "Management Discussion and Analysis" from pages 7 to 20 of this annual report.

RESULTS

The Group's results for the year ended 31 December 2017 are set out in the consolidated statement of comprehensive income on page 59 of this annual report.

FINANCIAL STATEMENTS

The profits of the Group for the year ended 31 December 2017 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 58 to 177 of this annual report.

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2017 and for the last five financial years are set out on page 178 of this annual report.

RESERVES

As at 31 December 2017, distributable reserves of the Company amounted to RMB2,611.6 million (2016: RMB1,767.1 million). Details of movements in reserves of the Company during the year are set out in note 51 to the financial statements.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.1 per ordinary share for the year ended 31 December 2017 (the "**2017 Final Dividend**") (2016: Nil). The proposed dividend payment is subject to shareholder approval. If approved by shareholders, the 2017 Final Dividend is expected to be paid on or about Friday, 29 June 2018 to shareholders whose names shall appear on the register of members of the Company on 14 June 2018.

There is no agreement whereby any shareholder of the Company has waived or agreed to waive any dividend.

ANNUAL GENERAL MEETING

The 2018 AGM will be held on 8 June 2018. Notice of the 2018 AGM will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders of the Company who are eligible to attend and vote at the 2018 AGM, the register of members of the Company will be closed from 5 June 2018 to 8 June 2018, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2018 AGM, all duly stamped share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 4 June 2018.

Furthermore, for the purpose of determining shareholders who are entitled to the 2017 Final Dividend, the register of members of the Company will be closed on 14 June 2018, during which no transfer of shares of the Company will be registered. In order to qualify for the 2017 Final Dividend, all duly stamped share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 13 June 2018.

PROPERTY AND EQUIPMENT

Details of movements in property and equipment during the year ended 31 December 2017 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

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

PLACING

On 6 June 2017, the Company, Morgan Stanley & Co. International plc and UBS AG Hong Kong Branch (the "**Placing Agents**") entered into legally binding placing arrangements, pursuant to which each of the Placing Agents conditionally agreed to act as agent for the Company to procure the placee to subscribe for, and failing which, to subscribe for itself, up to 280,000,000 new shares of the Company. The placing was successfully completed on 14 June 2017. The Company intended to use the net proceeds from the placing of new shares for expansion and development of the Group's business and general working capital purpose. For further details, please refer to the announcements of the Company dated 6 June 2017 and 14 June 2017.

Except as disclosed in this annual report, during the year ended 31 December 2017, the Company had no material investment held, had not carried out any material acquisition or disposal of subsidiaries and associates, and had no definite plan for material investment or acquisition of capital assets.

For the year ended 31 December 2017, the net proceeds from the placing (after deduction of commissions payable to the placing agents and other costs, expenses and fees incurred in the placing) of approximately HK$972,160,000 was fully utilised for the intended purposes as set out in the announcement of the Company dated 6 June 2017.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Sale and Leaseback Framework Agreement

On 24 January 2017, Shanghai Dingxin Financial Leasing Co., Ltd (上海鼎信融資租賃有限公司) ("**Dingxin Leasing**"), a direct wholly-owned subsidiary of the Company, and All Trust Leasing Company Limited (匯通信誠租賃有限公司) ("**All Trust Leasing**"), an indirect wholly-owned subsidiary of CGA, entered into a sale and leaseback framework agreement (the "**Sale and Leaseback Framework Agreement**"), pursuant to which All Trust Leasing shall sell to Dingxin Leasing vehicles owned by All Trust Leasing, which shall then be leased back for use by All Trust Leasing; and upon the expiry of the lease term, All Trust Leasing shall repurchase the leased assets in accordance with the agreed terms. The Sale and Leaseback Framework Agreement expires on 31 December 2019 and is subject to annual caps of RMB1,500,000,000, RMB2,500,000,000 and RMB3,000,000,000 for 2017, 2018 and 2019, respectively. The Sale and Leaseback Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company and are subject to the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Please refer to the announcements and circular of the Company dated 24 January 2017, 24 February 2017 and 15 March 2017 for further details.

Procurement Framework Agreement

On 31 March 2017, the Company and CGA entered into a procurement framework agreement (the "**Procurement Framework Agreement**"), pursuant to which the parties have agreed that CGA and its subsidiaries and the Group will purchase from and sell to each other certain passenger vehicles, automotive parts and accessories in accordance with the terms of the Procurement Framework Agreement. The Procurement Framework Agreement has a term of one year commencing from 1 January 2017, and is subject to the annual cap of RMB50,000,000. The Procurement Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company and are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 31 March 2017 for further details.

Save as disclosed above and the disposals as disclosed in the section headed "Management Discussion and Analysis – Significant Acquisition, Disposal or Investment - Disposals" of this annual report, which is subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules, all related-party transactions set out in note 46 to the financial statements did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Confirmation by auditor

The external auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the conclusions in respect of the above-mentioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and submitted a copy of the auditor's letter to the Stock Exchange.

Confirmation by independent non-executive Directors

The independent non-executive Directors reviewed the nature, the implementation of the annual caps, pricing policy and internal control procedure of the above-mentioned continuing connected transactions, and confirmed that the transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") POLICY

As a public listed company, the Group complies with all relevant national and local environmental laws and regulations, establish internal environmental policies accordingly. By implementing energy saving and recycling measures, we strive to minimize emission and reduce waste. In addition, we encourage our employees to actively play a role in achieving the sustainable development of the Group through engaging in environmentally friendly practices.

The Group will release the Environmental, Social and Governance report required by the Listing Rules separately on the website of the Stock Exchange within three months from the date of publication of this annual report, The ESG report will detail the environmental and social performance of the Group during the year.

DIRECTORS

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

Executive Directors
Mr. LI Jianping (Chairman)
Mr. WANG Xinming (President)
Mr. LU Ao
Mr. QI Junjie

Non-Executive Directors
Mr. ZHOU Yu
Mr. LU Linkui (resigned on 16 Octcber 2017)
Ms. XU Xing (appointed on 16 Octcber 2017)

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

Pursuant to article 16.18 of the Company's articles of association, Mr. Qi Junjie, Mr. Diao Jianshen and Mr. Wan Tsun Adrian Alan will retire at the 2018 AGM, and being eligible, offer themselves to be re-elected and re-appointed at the 2018 AGM.

Pursuant to article 16.2 of the Company's articles of association, to better meet the needs of business operations and based on the recommendation of the Nomination Committee, Ms. Xu Xing has been proposed to be re-designated from a non-executive Director to an executive Director of the Company at the 2018 AGM.

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

Mr. Lu Lin Kui resigned as Director with effect from 16 October 2017 due to other personal commitments.

DIRECTORS' INTERESTS IN CONTRACTS

Other than the "Procurement Framework Agreement" mentioned on page 44, no contract of significance to which the Company or its subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year ended 31 December 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

PERMITTED INDEMNITY PROVISION

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

EQUITY-LINK ARRANGEMENTS

Apart from the Share Option Scheme (as defined below) of the Company set forth in note 37 to the financial statements, the Company did not enter into any equity-linked agreement during the year ended 31 December 2017, nor was there any subsisting equity-linked agreement entered into by the Company at the end of the reporting year.

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

As at 31 December 2017, none of the Directors or the chief executives and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register of the Company required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

The Share Option Scheme became effective on 14 December 2011 and will remain valid and effective for a period of 10 years from that date. A summary of the terms of the Share Option Scheme is set out in appendix VI to the Company's prospectus dated 2 December 2011.

During the year ended 31 December 2017 and as at 31 December 2017, no share option was granted or outstanding. Particulars to the Company's share option scheme are set out in note 37 to the financial statements.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefits plans of our Group are set out in note 33 to the financial statements.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2017, the interests or short positions of substantial shareholders, other than the Directors or the chief executives of the Company whose interests or short positions in the shares and underlying shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, who had 5% or more interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Name	Capacity/Nature of interest	Number of shares[4]	Approximate percentage of shareholding interest
China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司)[1][3]	Beneficial interest	1,917,983,571 (L) 1,917,983,571 (S)	67.60% 67.60%
China Grand Automotive Services Co., Ltd. (廣匯汽車服務有限責任公司)[1][3]	Interest in controlled corporation	1,917,983,571 (L) 1,917,983,571 (S)	67.60% 67.60%
Shanghai Huiyong Automotive Distribution Co., Ltd. (上海匯湧汽車銷售有限公司)[1][3]	Interest in controlled corporation	1,917,983,571 (L) 1,917,983,571 (S)	67.60% 67.60%
China Grand Automotive Services Co., Ltd. (廣匯汽車服務股份公司)[1][3]	Interest in controlled corporation	1,917,983,571 (L) 1,917,983,571 (S)	67.60% 67.60%
Xinjiang Guanghui Industry Investment Group Co., Ltd. (新疆廣匯實業投資(集團)有限責任公司)[1][3]	Interest in controlled corporation	1,917,983,571 (L) 1,917,983,571 (S)	67.60% 67.60%
Mr. Sun Guangxin[1][3]	Interest in controlled corporation	1,917,983,571 (L) 1,917,983,571 (S)	67.60% 67.60%
Baoxin Investment Management Ltd. [2]	Beneficial interest	252,754,130 (L)	8.91%
Mr. Yang Aihua[2]	Interest in controlled corporation	252,754,130 (L)	8.91%
China Merchants Bank Co., Ltd. (Shanghai Songjiang Branch) (招商銀行有限公司上海松江支行)[3]	Person having a security interest in shares	1,917,983,571 (L)	67.60%

(L) — long position; (S) — short position

Notes:

(1) China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司) is wholly owned by Shanghai Huiyong Automotive Distribution Co., Ltd. (上海匯湧汽車銷售有限公司) (which is in turn owned as to approximately 44.23% by CGA Limited and approximately 55.77% by CGA). CGA Limited is wholly owned by CGA which is owned as to approximately 37.26% by Xinjiang Guanghui Industry Investment Group Co., Ltd. (新疆廣匯實業投資(集團)有限責任公司). Mr. Sun Guangxin holds approximately 63.60% of the shares in Xinjiang Guanghui Industry Investment Group Co., Ltd. (新疆廣匯實業投資(集團)有限責任公司). Each of CGA Limited, Shanghai Huiyong Automotive Distribution Co., Ltd. (上海匯湧汽車銷售有限公司), CGA, Xinjiang Guanghui Industry Investment Group Co., Ltd. (新疆廣匯實業投資(集團)有限責任公司) and Mr. Sun Guangxin are deemed to be interested in the shares held by China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司).

(2) Baoxin Investment Management Ltd. is wholly owned by Mr. Yang Aihua. Mr. Yang Aihua is deemed to be interested in the shares held by Baoxin Investment Management Ltd.

(3) On 1 September 2016, China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司) executed a share charge over the 1,917,983,571 shares held by it (in favour of China Merchants Bank Co., Ltd. (Shanghai Songjiang Branch) (招商銀行有限公司上海松江支行) as the security agent) under a syndicated loan facility granted to CGA.

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

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares or underlying shares representing 5% or more of the issued share capital of the Company as at 31 December 2017.

MAJOR CUSTOMERS AND SUPPLIERS

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

The aggregate purchase attributable to the Group's five largest suppliers accounted for approximately 83.8% (2016: 92.0%) and the largest supplier accounted for approximately 30.2% (2016: 31.5%) of the Group's total purchases for the year ended 31 December 2017.

At no time during the year ended 31 December 2017 have the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report (the "**Latest Practicable Date**"), the Company maintained the prescribed public float as required by the Listing Rules as at the Latest Practicable Date.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF FOR HOLDERS OF LISTED SECURITIES

As at 31 December 2017, holders of listed securities of the Company were not entitled to obtain any relief from taxation by reason of their holding of such securities pursuant to the laws of the Cayman Islands.

ASSESSMENT OF PROPERTY INTERESTS OR TANGIBLE ASSETS

During the year ended 31 December 2017, the Company has not valued its property interests or other tangible assets in accordance with Chapter 5 of the Listing Rules.

CONTINUING OBLIGATIONS UNDER CHAPTER 13 OF THE LISTING RULES

In accordance with the requirements under Rule 13.21 of the Listing Rules, the Directors report that, on 12 May 2017, the Company (as the borrower) entered into a facility agreement (the "**Facility Agreement**") with, among others, a syndicate of banks (collectively, the "**Lenders**") with Standard Chartered Bank (Hong Kong) Limited acting as the facility agent (the "**Facility Agent**") for a term loan facility in the principal amount of up to US$763,400,000 (which may be increased pursuant to the exercise by the Company of a green shoe option in an amount of not more than US$86,600,000) (the "**Facility**"). The Facility is available for drawdown for a period of six (6) months from the date of the Facility Agreement and the loans made under the Facility Agreement shall be fully repaid within 36 months from the first utilisation date of such loans. The purpose of the Facility is primarily to refinance the existing indebtedness of the Company and for the corporate funding requirement of the Company.

Pursuant to the Facility Agreement, upon the occurrence of a "Change of Control", any of the Lenders may cancel any or all of its commitments under the Facility and declare its participation in the loans together with accrued interest, and all other amounts accrued or outstanding thereunder, to be immediately due and payable.

A "Change of Control" is defined under the Facility Agreement to include, among others:

(i) CGA (the shares of which are listed on the Shanghai Stock Exchange (SSE Stock Code: 600297), directly or indirectly, ceases to be the single largest shareholder of the Company or ceases to have control over the Company; or

(ii) CGA ceases to beneficially own, directly or indirectly, 100% of the issued share capital of China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司) ("**CGA HK**") or ceases to control CGA HK.

AUDITORS

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

On behalf of the Board

LI Jianping
Chairman

Hong Kong, 26 March 2018

EY 安永

To the shareholders of Grand Baoxin Auto Group Limited

(Incorporated in the Cayman Islands as an exempted company with limited liability)

OPINION

We have audited the consolidated financial statements of Grand Baoxin Auto Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 177, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS

Key audit matters	How our audit addressed the key audit matter
Acquisitions	
During the year ended 31 December 2017, the Group completed acquisitions of certain car dealerships at a total consideration of approximately RMB859,000,000. The accounting for these acquisitions involved significant judgement of the management for the purchase price allocation mainly in relation to the valuation of property, plant and equipment, prepaid land lease payment, intangible assets which include dealership agreements and the remaining goodwill balance. The Group engaged an external independent appraiser to perform the valuation. Specific disclosures about the acquisitions are included in note 2.4 "Summary of significant accounting policies" and note 39 "Business combination" to the financial statements.	We evaluated the competency, capabilities and objectivity of the external independent appraiser engaged by the Group to perform the valuation and involved our internal valuation specialists to review the valuation methodologies adopted by the appraiser, and the assumptions used in valuation of the assets acquired and liabilities by reference to the historical experience and the market practices. We have reviewed the identification of the acquired assets and liabilities, and tested the prospective financial information assumptions used in the calculation of the fair value allocated to the acquired assets. We also checked the related disclosures.

Key audit matters	How our audit addressed the key audit matter
Impairment assessment of goodwill	
The carrying value and impairment provision of goodwill amounted to RMB892,788,000 and RMB25,051,000 as at 31 December 2017, respectively. The Group is required to perform an impairment test for goodwill at least annually. The impairment test is based on the recoverable values of the respective cash-generating units ("CGUs") to which the goodwill were assigned. We focused on this area because management's impairment assessment processes were complex and involved significant judgements, including the degree of subjectivity of expected future cash flow forecasts, associated growth rates and the discount rates applied.	We evaluated the forecasts used in the determination of the recoverable values with respect to future revenues and operating results by comparing the forecasts with the historic performance of the respective CGUs and the business development plan. We involved our valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular, the discount rates and long term growth rates. We also checked the related disclosures.
Specific disclosures about goodwill are included in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates" and note 18 "goodwill" to the financial statements.	
Vender rebates	
The Group recognised volume-related vendor rebates on an accrual basis based on the terms of the suppliers' contracts. As at 31 December 2017, the rebate recognised in the consolidated statement of financial position amounted to approximately RMB4,794,475,000. We focused on this area because the balance of rebate was significant and the process of calculating the accrual was complex.	We understood and tested management's key internal controls in relation to the recognition of vendor rebates. We checked the rebate policies adopted against the terms of the relevant supplier contracts and checked the calculation of the rebate based on the rebates policies. We also checked subsequent settlement of the rebates against the accrued balances.
Specific disclosures about vender rebates are included in note 2.4 "Summary of significant accounting policies" and note 24 "Prepayments, deposits and other receivables" to the financial statements.	

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

26 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000* *(Restated)*
REVENUE	5(a)	**34,136,170**	25,708,800
Cost of sales and services provided	6(b)	**(31,227,868)**	(23,675,264)
Gross profit		**2,908,302**	2,033,536
Other income and gains, net	5(b)	**598,945**	524,034
Selling and distribution expenses		**(1,078,665)**	(878,775)
Administrative expenses		**(549,047)**	(608,355)
Profit from operations		**1,879,535**	1,070,440
Finance costs	7	**(724,353)**	(486,616)
Share of profits and losses of:			
A joint venture	19	**542**	5,795
Associates	20	**4,919**	(137)
Profit before tax	6	**1,160,643**	589,482
Income tax expense	8	**(358,542)**	(172,583)
Profit for the year		**802,101**	416,899
Incl: Net profit/(loss) of the party being absorbed before business combinations involving an entity under common control		**2,156**	(2,963)
Attributable to:			
Owners of the parent		**803,688**	414,226
Non-controlling interests		**(1,587)**	2,673
		802,101	416,899
Earnings per share attributable to ordinary equity holders of the parent	12		
Basic and diluted			
- For profit for the year (RMB)		**0.30**	0.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 *RMB'000*	2016 *RMB'000* *(Restated)*
PROFIT FOR THE YEAR	**802,101**	416,899
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**191,865**	(332,406)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**191,865**	(332,406)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**191,865**	(332,406)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**993,966**	84,493
Attributable to:		
Owners of the parent	**995,553**	81,820
Non-controlling interests	**(1,587)**	2,673
	993,966	84,493

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,961,200**	3,750,398
Prepaid land lease payment	14	**489,796**	498,706
Intangible assets	15	**1,140,544**	989,736
Prepayments and deposits	16	**260,150**	258,534
Finance lease receivables	17	**148,418**	4,589
Goodwill	18	**892,798**	224,786
Derivative financial instruments	32	**6,573**	1,421
Investment in a joint venture	19	**57,183**	56,641
Investments in associates	20	**43,542**	38,623
Available-for-sale investment	21	**16,584**	17,747
Deferred tax assets	34(a)	**87,595**	121,858
Total non-current assets		**7,104,383**	5,963,039
CURRENT ASSETS			
Inventories	22	**4,017,188**	2,935,811
Trade receivables	23	**501,001**	652,469
Finance lease receivables	17	**139,179**	18,757
Prepayments, deposits and other receivables	24	**7,419,471**	6,119,992
Amounts due from related parties	46(d)	**46,340**	103,802
Equity investments at fair value through profit or loss	25	**—**	12,050
Derivative financial instruments	32	**—**	24,424
Pledged bank deposits	26	**3,002,078**	2,142,862
Cash in transit	27	**35,876**	108,602
Cash and bank	28	**3,175,133**	3,721,744
Total current assets		**18,336,266**	15,840,513

	Notes	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**3,249,187**	4,800,609
Trade and bills payables	30	**6,178,908**	4,624,673
Other payables and accruals	31	**1,342,194**	1,203,265
Derivative financial instruments	32	**19,786**	—
Amounts due to related parties	46(d)	**55,265**	11,872
Income tax payable		**423,812**	277,260
Total current liabilities		**11,269,152**	10,917,679
NET CURRENT ASSETS		**7,067,114**	4,922,834
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,171,497**	10,885,873
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**5,701,590**	2,751,757
Derivative financial instruments	32	**13,739**	—
Senior perpetual capital securities	35	**—**	2,708,415
Other payables		**33,022**	25,510
Deferred tax liabilities	34(b)	**404,815**	357,871
Amounts due to related parties	46(d)	**1,158,819**	—
Total non-current liabilities		**7,311,985**	5,843,553
Net assets		**6,859,512**	5,042,320

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
EQUITY			
Equity attributable to owners of the parent			
Share capital	36	23,275	20,836
Reserves	38	6,796,875	4,981,753
		6,820,150	5,002,589
Non-controlling interests		39,362	39,731
Total equity		6,859,512	5,042,320

LI Jianping
Director

LU Ao
Director

	Share capital	Share premium*	Share option reserve*	Statutory reserve*	Meger reserve*	Other reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
	Note 36	*Note 36*	*Note 37*	*Note 38(i)*	*Note 38(ii)*	*Note 38(iii)*	*Note 38(iv)*				
At 1 January 2016	20,836	1,767,128	31,670	383,276	(58,327)	(3,744)	(261,160)	3,055,251	4,934,930	37,526	4,972,456
Profit for the year (Restated)	—	—	—	—	—	—	—	414,226	414,226	2,673	416,899
Other comprehensive income for the year:											
Exchange differences related to foreign operations	—	—	—	—	—	—	(332,406)	—	(332,406)	—	(332,406)
Total comprehensive income for the year (Restated)	—	—	—	—	—	—	(332,406)	414,226	81,820	2,673	84,493
Business combination under common control	—	—	—	1,785	9,010	—	—	(6,983)	3,812	—	3,812
Equity-settled share-based transactions	—	—	(2,651)	—	—	2,651	—	—	—	—	—
Acquisition of non-controlling interests	—	—	—	—	—	(17,973)	—	—	(17,973)	(18,027)	(36,000)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	17,559	17,559
Transfer from retained profits	—	—	—	67,124	—	—	—	(67,124)	—	—	—
At 31 December 2016 (Restated)	20,836	1,767,128	29,019	452,185	(49,317)	(19,066)	(593,566)	3,395,370	5,002,589	39,731	5,042,320
At 31 December 2016 and 1 January 2017	20,836	1,767,128	29,019	450,400	(58,327)	(19,066)	(593,566)	3,405,316	5,001,740	39,731	5,041,471
Add: Business combination involving an entity under common control	—	—	—	1,785	9,010	—	—	(9,946)	849	—	849
At beginning of the year (Restated)	20,836	1,767,128	29,019	452,185	(49,317)	(19,066)	(593,566)	3,395,370	5,002,589	39,731	5,042,320
Profit for the year	—	—	—	—	—	—	—	803,688	803,688	(1,587)	802,101
Other comprehensive income for the year:											
Exchange differences on related to foreign operations	—	—	—	—	—	—	191,865	—	191,865	—	191,865
Total comprehensive income for the year	—	—	—	—	—	—	191,865	803,688	995,553	(1,587)	993,966
Business combination under common control	—	—	—	—	(10,000)	—	—	—	(10,000)	—	(10,000)
Acquisition of non-controlling interests	—	—	—	(4,519)	—	(10,409)	—	—	(14,928)	(10,782)	(25,710)
Capital injection from non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	12,000	12,000
Transfer from retained profits	—	—	—	118,089	—	—	—	(118,089)	—	—	—
Issue of shares (Note 36)	2,439	844,497	—	—	—	—	—	—	846,936	—	846,936
At 31 December 2017	23,275	2,611,625	29,019	565,755	(59,317)	(29,475)	(401,701)	4,080,969	6,820,150	39,362	6,859,512

* These reserve accounts comprise the consolidated reserves of RMB6,796,875,000 (2016 (Restated): RMB4,981,753,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Operating activities			
Profit before tax		1,160,643	589,482
Adjustments for:			
Share of profit of a joint venture	19(b)	(542)	(5,795)
Share of (profits)/losses of associates	20	(4,919)	137
Depreciation of property, plant and equipment	13	359,945	330,112
Amortisation of prepaid land lease payment	14	13,928	10,236
Amortisation of intangible assets	15	50,854	38,998
Loss/(gain) on disposal of subsidiaries	6	15,093	(51,174)
Fair value loss/(gain), net:			
Derivative instruments	6	204,242	(29,203)
Equity investments at fair value through profit or loss	6	891	12,904
Interest income	5	(41,347)	(20,828)
Net loss on disposal of items of property, plant and equipment	5	20,027	3,525
Net gain on disposal of items of intangible assets	5	—	(488)
(Reversal of provision)/write-down of inventories to net realisable value	6	(112,015)	78,566
Dividend income from an available-for-sale investment	6	(5,443)	(1,442)
Finance costs	7	724,353	486,616
Net gain on disposal of a held-for-sale asset	5	—	(16,098)
Impairment of goodwill	6	—	25,051
		2,385,710	1,450,599
(Increase)/decrease in pledged bank deposits		(725,034)	505,001
Decrease/(increase) in cash in transit		74,813	(30,378)
Decrease/(increase) in trade receivables		195,190	(249,283)
Increase in prepayments, deposits and other receivables		(949,820)	(401,981)
Increase in inventories		(711,610)	(109,811)
(Increase)/decrease in finance lease receivables		(264,251)	22,491
Increase in trade and bills payables		1,222,245	28,342
(Decrease)/increase in other payables and accruals		(238,901)	244,003
Decrease in amounts due from related parties – trade related		57,462	7,637
Increase/(decrease) in amounts due to related parties – trade related		41,309	(473)
Cash generated from operations		1,087,113	1,466,147
Income tax paid		(170,350)	(112,391)
Net cash flows generated from operating activities		916,763	1,353,756

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Investing activities			
Purchase of items of property, plant and equipment		(641,685)	(482,654)
Proceeds from disposal of items of property, plant and equipment		291,251	253,550
Proceeds from disposal of intangible assets		198	1,168
Purchase of land use rights		—	(34,949)
Purchase of intangible assets		(1,660)	(7,313)
Acquisition of subsidiaries, net of cash paid		(652,657)	(47,531)
Proceeds from disposal of a held-for-sale asset		—	100,000
Proceeds from disposal of equity investments at fair value through profit or loss		11,159	12,994
Purchase of equity investments at fair value through profit or loss		—	(100)
Disposal of subsidiaries, net of cash	40	(842,616)	31,315
Interest received		41,347	20,828
Settlement of derivative financial instruments		(151,357)	—
Proceeds from available-for-sale investment		6,885	—
Business combination under common control		(10,000)	—
Increase of term deposits of maturity over three months		(6,200)	—
Net cash flows used in investing activities		(1,955,335)	(152,692)
Financing activities			
Acquisition of non-controlling interests		(25,710)	(36,000)
Proceeds from interest-bearing bank and other borrowings		19,738,048	12,766,070
Repayment of interest-bearing bank and other borrowings		(18,629,078)	(14,214,738)
Interest paid		(722,218)	(479,455)
Repayment of the bonds		—	(448,547)
Proceeds from senior perpetual capital securities		—	2,697,146
Proceeds from issue of new shares	36	846,936	—
Proceeds from capital injection from non-controlling shareholders of a subsidiary		12,000	—
Repayment of advances to related parties	46(a)	(685,359)	—
Net cash flows generated from financing activities		534,619	284,476

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000* *(Restated)*
Net (decrease)/increase in cash and cash equivalents		**(503,953)**	1,485,540
Cash and cash equivalents at the beginning of year		**3,721,744**	2,161,950
Effect of foreign exchange rate changes, net		**(48,858)**	74,254
Cash and cash equivalents at the end of year	28	**3,168,933**	3,721,744
Analysis of balances of cash and cash equivalents			
Cash and cash in bank		**3,148,933**	3,721,744
Short-term deposits		**20,000**	—
		3,168,933	3,721,744

1. CORPORATE AND GROUP INFORMATION

Grand Baoxin Auto Group Limited (the "Company") was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 14 December 2011. On 21 June 2016, China Grand Automotive Services Co. Limited ("CGA") officially completed the pre-conditional voluntary cash partial offer to acquire a maximum of 75% of the issued share capital of the Company.

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

In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is CGA, the shares of which are listed on the Shanghai Stock Exchange.

Information about subsidiaries

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

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
開隆投資管理有限公司 (Kailong Investments Management Limited)	Hong Kong, the PRC 2010	Authorised capital of HK$10,000, issued capital of HK$1 and paid-in capital of nil	—	100%	Investment holding
Mclarty Consulting Hong Kong Limited	Hong Kong, the PRC 2010	Registered and paid-in capital of HK$100	—	100%	Consulting services
金花企業集團(香港)有限公司 (Gin Wi Enterprises Group (HK) Limited)	Hong Kong, the PRC 1999	Registered and paid-in capital of HK$10,000	—	100%	Investment holding
上海寶信汽車銷售服務有限公司 (Shanghai Baoxin Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2004	Registered and paid-in capital of RMB214,650,000	—	100%	Sale and service of motor vehicles
上海開隆汽車貿易有限公司 (Shanghai Kailong Automobile Trading Co., Ltd.)	Shanghai, the PRC 1999	Registered and paid-in capital of RMB87,000,000	—	100%	Sale and service of motor vehicles
蘇州寶信汽車銷售服務有限公司 (Suzhou Baoxin Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2004	Registered and paid-in capital of RMB1,100,000,000	—	100%	Sale and service of motor vehicles
青島信寶行汽車銷售服務有限公司 (Qingdao Xinbaohang Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2008	Registered and paid-in capital of RMB56,000,000	—	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
天津寶信汽車銷售服務有限公司 (Tianjin Baoxin Automobile Sales & Services Co., Ltd.)	Tianjin, the PRC 2008	Registered and paid-in capital of RMB60,000,000	—	100%	Sale and service of motor vehicles
寧波寶信汽車銷售服務有限公司 (Ningbo Baoxin Automobile Sales & Services Co., Ltd.)	Ningbo, the PRC 2008	Registered and paid-in capital of RMB40,000,000	—	100%	Sale and service of motor vehicles
常熟寶信汽車銷售服務有限公司 (Changshu Baoxin Automobile Sales & Services Co., Ltd.)	Changshu, the PRC 2006	Registered and paid-in capital of RMB90,000,000	—	100%	Sale and service of motor vehicles
上海天華汽車銷售有限公司 (Shanghai Tianhua Automobile Sales Co., Ltd.)	Shanghai, the PRC 2002	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
杭州寶信汽車銷售服務有限公司 (Hangzhou Baoxin Automobile Sales & Services Co., Ltd.)	Hangzhou, the PRC 2008	Registered and paid-in capital of RMB110,000,000	—	100%	Sale and service of motor vehicles
揚州信寶行汽車銷售服務有限公司 (Yangzhou Xinbaohang Automobile Sales & Services Co., Ltd.)	Yangzhou, the PRC 2010	Registered and paid-in capital of RMB33,000,000	—	100%	Sale and service of motor vehicles
泰州信寶行汽車銷售服務有限公司 (Taizhou Xinbaohang Automobile Sales & Services Co., Ltd.)	Taizhou, the PRC 2010	Registered and paid-in capital of RMB20,000,000	—	100%	Sale and service of motor vehicles
蘇州信寶行汽車銷售服務有限公司 (Suzhou Xinbaohang Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2010	Registered and paid-in capital of RMB85,000,000	—	100%	Sale and service of motor vehicles
嘉興天華汽車銷售服務有限公司 (Jiaxing Tianhua Automobile Sales & Services Co., Ltd.)	Jiaxing, the PRC 2011	Registered and paid-in capital of RMB43,000,000	—	100%	Sale and service of motor vehicles
瑞安市寶隆汽車銷售服務有限公司 (Rui'an Baolong Auto Sales and Services Co., Ltd.)	Rui'an, the PRC 2012	Registered and paid-in capital of RMB43,800,000	—	90%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
上海寶信行汽車銷售服務有限公司 (Shanghai Baoxinhang Auto Sales and Services Co., Ltd.)	Shanghai, the PRC 2012	Registered and paid-in capital of RMB50,000,000	—	100%	Sale and service of motor vehicles
陝西天華汽車銷售服務有限公司 (Shaanxi Tianhua Auto Sales and Services Co., Ltd.)	Shaanxi, the PRC 2012	Registered and paid-in capital of RMB40,000,000	—	100%	Sale and service of motor vehicles
燕駿汽車有限公司 (Yan Jun Auto Co., Limited)	Hong Kong, the PRC 1993	Registered and paid-in capital of HK$59,900,000	—	100%	Investment holding
北京燕寶汽車服務有限公司 (Beijing Yanbao Auto Services Co., Ltd.)	Beijing, the PRC 1995	Registered and paid-in capital of RMB89,350,000	—	100%	Rendering of car repair and maintenance services
陝西金花汽車貿易有限責任公司 (Shaanxi Ginwa Auto Trade Co., Ltd.)	Xi'an, the PRC 2001	Registered and paid-in capital of RMB52,000,000	—	100%	Sale of motor vehicles
大連燕寶汽車有限公司 (Dalian Yanbao Auto Co., Ltd.)	Dalian, the PRC 1995	Registered and paid-in capital of US$7,920,000	—	100%	Rendering of motor vehicle maintenance services
北京燕德寶汽車銷售有限公司 (Beijing Yandebao Auto Sales Co., Ltd.)	Beijing, the PRC 2002	Registered and paid-in capital of RMB120,030,000	—	100%	Sale of motor vehicles
烏魯木齊燕寶汽車銷售服務有限公司 (Urumqi Yanbao Auto Sales & Services Co., Ltd.)	Urumqi, the PRC 2005	Registered and paid-in capital of RMB35,600,000	—	100%	Rendering of motor vehicle repair and maintenance services
北京燕英捷汽車銷售服務有限公司 (Beijing Yanyingjie Auto Sales & Services Co., Ltd.)	Beijing, the PRC 2010	Registered and paid-in capital of US$10,000,000	—	100%	Sale of motor vehicles
北京燕英捷燕順捷汽車銷售服務有限公司 (Beijing Yanyingjie & Yanshunjie Auto Sales & Services Co., Ltd.)	Beijing, the PRC 1998	Registered and paid-in capital of RMB45,000,000	—	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
北京燕豪汽車銷售服務有限公司 (Beijing Yanhao Auto Sales & Services Co., Ltd.)	Beijing, the PRC 2009	Registered capital of RMB169,130,000 and paid-in capital of RMB137,133,507	—	100%	Sale of motor vehicles
大連燕德寶汽車銷售有限公司 (Dalian Yandebao Auto Sales Co., Ltd.)	Dalian, the PRC 2002	Registered and paid-in capital of RMB176,000,000	—	100%	Sale and service of motor vehicles
西安金花寶鼎汽車銷售服務有限公司 (Xi'an Ginwa Baoding Auto Services Co., Ltd.)	Xi'an, the PRC 2001	Registered and paid-in capital of RMB26,000,000	—	100%	Sale and service of motor vehicles
北京晨德寶汽車銷售服務有限公司 (Beijing Chendebao Auto Sales and Services Co., Ltd.)	Beijing, the PRC 2003	Registered and paid-in capital of RMB94,500,000	—	100%	Sale of motor vehicles
廊坊燕寶汽車銷售服務有限公司 (Langfang Yanbao Auto Sales & Services Co., Ltd.)	Langfang, the PRC 2011	Registered and paid-in capital of RMB25,000,000	—	100%	Sale and service of motor vehicles
上海太平洋虹橋汽車貿易有限公司 (Shanghai Pacific Hongqiao Automobile Trading Co., Ltd.)	Shanghai, the PRC 2003	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
上海太平洋申隆汽車貿易有限公司 (Shanghai Pacific Shenlong Automobile Trading Co., Ltd.)	Shanghai, the PRC 2005	Registered and paid-in capital of RMB5,000,000	—	100%	Sale and service of motor vehicles
無錫天華汽車銷售服務有限公司 (Wuxi Tianhua Automobile Sales & Services Co., Ltd.)	Wuxi, the PRC 2011	Registered and paid-in capital of RMB65,000,000	—	100%	Sale and service of motor vehicles
寧波天華汽車銷售服務有限公司 (Ningbo Tianhua Automobile Sales & Services Co., Ltd.)	Ningbo, the PRC 2011	Registered and paid-in capital of RMB15,000,000	—	100%	Sale and service of motor vehicles
天津申隆汽車銷售服務有限公司 (Tianjin Shenlong Automobile Sales & Services Co., Ltd.)	Tianjin, the PRC 2011	Registered and paid-in capital of RMB10,000,000	—	90%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of operation/ date of incorporation	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
天津燕鵬捷汽車銷售服務有限公司 (Tianjin Yanpengjie Auto Sales & Services Co., Ltd.)	Tianjin, the PRC 2011	Registered and paid-in capital of RMB18,000,000	—	100%	Sale and service of motor vehicles
天津燕英捷汽車銷售服務有限公司 (Tianjin Yanyingjie Auto Sales & Services Co., Ltd.)	Tianjin, the PRC 2010	Registered and paid-in capital of US$5,000,000	—	100%	Sale of motor vehicles
NCGA Holdings Limited	Hong Kong, the PRC 2006	Registered and paid-in capital of US$161,986,237	100%	—	Investment holding
四川港宏汽車銷售有限責任公司 (Sichuan Ganghong Auto Sales Co., Ltd.)	Sichuan, the PRC 1996	Registered and paid-in capital of RMB35,000,000	—	100%	Sale and service of motor vehicles
四川港宏西物時代汽車銷售有限公司 (Sichuan Ganghong XiWu Shidai Automobile Sales Co., Ltd.)	Sichuan, the PRC 2003	Registered and paid-in capital of RMB13,000,000	—	100%	Sale and service of motor vehicles
溫州捷順汽車技術服務有限公司 (Wenzhou Jieshun Auto technique & Services Co., Ltd.)	Wenzhou, the PRC 2006	Registered and paid-in capital of RMB120,000,000	—	100%	Sale and service of motor vehicles
溫州好德寶汽車服務有限公司 (Wenzhou Haodebao Auto Services Co., Ltd.)	Sichuan, the PRC 2006	Registered and paid-in capital of RMB55,000,000	—	100%	Sale and service of motor vehicles
烏魯木齊燕德寶汽車銷售服務有限公司 (Urumqi Yandebao Auto Sales Services Co., Ltd.)	Shanghai, the PRC 2017	Registered and paid-in capital of RMB12,000,000	—	100%	Sale and service of motor vehicles

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain derivative financial instruments, and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 41 to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKFRS 3, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

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

(a) Classification and measurement

Upon adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. The Group's available-for-sale investment of RMB16,584,000 was an unlisted equity investment as at 31 December 2017, which would not pass the contractual cash flow characteristics test in HKFRS 9 and will be reclassified as financial assets at fair value through profit or loss. Management is in the process of assessing the impact of HKFRS 9 and a reasonable estimate of that impact will be available once a detailed review has been completed.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. Based on the assessments undertaken to date, the Group does not expect that the adoption of HKFRS 9 will have a significant impact on the impairment of its financial assets.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group has assessed the impact of this standard and expects that the standard will not have any significant impact, when applied, on the consolidated financial statements of the Group.

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 44(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB2,077,746,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii)the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates;and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint venture

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

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

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

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the absorbing party, while that other entity participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

Assets and liabilities that are obtained by the absorbing party in a business combination involving entities under common control, including goodwill arising from the acquisition of the party being absorbed by the ultimate controller, shall be accounted for on the basis of the carrying amounts on the financial statements of the ultimate controller at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not involving entities under common control, business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Business combinations not involving entities under common control (Continued)

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

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

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

Fair value measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

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

Non-current assets held for sale

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

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

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

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

Category	Estimated useful life
Software	5 years
Dealership agreements	20 - 40 years
Customer relationship	15 years
Club membership	29 years
Car licence	Indefinite useful life

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases.

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

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

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, and are depreciated over their estimated useful lives.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid land lease payment

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Loans, borrowings and bonds

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments (Continued)

Initial recognition and subsequent measurement

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

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

Current versus non-current classification

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

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Cash and cash equivalents

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

Revenue recognition

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vendor rebates

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

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

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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

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

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

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

Other employee benefits

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, 5.17% (2016) of capitalisation has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets as at 31 December 2017 was RMB89,276,000 (2016: RMB124,391,000). More details are given in Note 34(a).

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimation of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount as at 31 December 2017 of goodwill was RMB892,798,000 (2016 (Restated): RMB224,786,000). Further details are given in Note 18.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Useful lives of property, plant and equipment

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

Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgements. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Where the actual outcome or expectation in the future is different from the original estimate, such difference will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed. There was no impairment provision for receivables during the two years ended 31 December 2017 and 2016.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Write-down of inventories to net realisable value

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

Impairment of non-financial assets (other than goodwill)

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

4. OPERATING SEGMENT INFORMATION

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

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

Information about geographical areas

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Revenue from the sale of motor vehicles	**30,332,292**	22,866,070
Revenue from after-sales services	**3,741,822**	2,838,364
Finance leasing services	**62,056**	4,366
	34,136,170	25,708,800

5. REVENUE, OTHER INCOME AND GAINS, NET (Continued)

(b) Other income and gains, net:

	2017 *RMB'000*	2016 *RMB'000* *(Restated)*
Commission income	599,606	380,165
Advertisement support received from motor vehicle manufacturers	9,717	4,379
Rental income	4,001	3,076
Government grants	8,654	20,693
Interest income	41,347	20,828
Net loss on disposal of items of property, plant and equipment	(20,027)	(3,525)
Net gain on disposal of items of intangible assets	—	488
Fair value (loss)/gain, net:		
Derivative instruments	(204,242)	29,203
Equity investments at fair value through profit or loss	(891)	(12,904)
Net gain on disposal of a held-for-sale asset	—	16,098
Net (loss)/gain on disposal of subsidiaries	(15,093)	51,174
Foreign exchange difference, net	162,671	—
Others	13,202	14,359
Total	598,945	524,034

6. PROFIT BEFORE TAX

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

(a) **Employee benefit expense (including Directors' and chief executive's remuneration (Note 9)):**

	2017 *RMB'000*	2016 *RMB'000* *(Restated)*
Wages and salaries	829,640	481,563
Other welfare	233,253	172,089
	1,062,893	653,652

(b) **Cost of sales and services:**

	2017 *RMB'000*	2016 *RMB'000* *(Restated)*
Cost of sales of motor vehicles	29,281,046	22,138,915
Others	1,946,822	1,536,349
	31,227,868	23,675,264

6. PROFIT BEFORE TAX (Continued)

(c) Other items:

	Notes	2017 *RMB'000*	2016 *RMB'000* *(Restated)*
Depreciation of items of property, plant and equipment	13	**359,945**	330,112
Amortisation of prepaid land lease payment	14	**13,928**	10,236
Amortisation of intangible assets	15	**50,854**	38,998
Advertisement and business promotion expenses		**235,063**	113,184
Auditor's remuneration		**6,000**	6,800
Bank charges		**32,756**	49,608
Foreign exchange differences, net		**(162,671)**	20,822
Lease expenses		**196,095**	208,110
Logistics and petroleum expenses		**58,325**	44,853
Office expenses		**25,299**	27,389
(Reversal of provision)/write-down of inventories to net realisable value		**(112,015)**	78,566
Net loss on disposal of items of property, plant and equipment		**20,027**	3,525
Net gain on disposal of items of intangible assets		**—**	(488)
Fair value loss/(gain), net:			
Derivative instruments		**204,242**	(29,203)
Equity investments at fair value through profit or loss		**891**	12,904
Net gain on disposal of a held-for-sale asset		**—**	(16,098)
Net loss/(gain) on disposal of subsidiaries		**15,093**	(51,174)
Impairment of goodwill		**—**	25,051
Dividend income from an available-for-sale investment		**(5,443)**	(1,442)
Interest income		**(41,347)**	(20,828)

7. FINANCE COSTS

	2017 RMB'000	2016 RMB'000 (Restated)
Interest on bank loans and other loans	592,909	470,945
Interest expense on bonds	—	20,688
Interest expense on the senior perpetual capital securities	131,444	9,852
Total interest expense on financial liabilities not at fair value through profit or loss	724,353	501,485
Less: Interest capitalised	—	(14,869)
	724,353	486,616

8. INCOME TAX

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

	2017 RMB'000	2016 RMB'000 (Restated)
Current:		
Mainland China corporate income tax	304,695	213,881
Deferred tax (Note 34)	53,847	(41,298)
Total tax charge for the year	358,542	172,583

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

The subsidiaries incorporated in the BVI are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

8. INCOME TAX (Continued)

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

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (2016: 16.5%) during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rate is 25% (2016: 25%). According to the CIT Law and the Taxation Policies on In-depth Implementation of Western Region Development Strategy, Urumqi Yandebao Auto Sales & Services Co., Ltd., ("Urumqi Yandebao") Urumqi Yanbao Auto Sales & Services Co., Ltd. and Urumqi Yanjun Auto Sales & Services Co., Ltd. have been approved by the authority to pay income tax at the reduced tax rate of 15%.

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

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

	2017 *RMB'000*	2016 *RMB'000* *(Restated)*
Profit before tax	**1,160,643**	589,482
Tax at the applicable tax rate (25%)	**290,161**	147,371
Lower tax rates enacted by local authority	**(3,113)**	(1,225)
Tax losses not recognised	**18,120**	14,321
Tax effect of non-deductible expenses	**64,175**	14,117
Profit attributable to a joint venture and associates	**(1,365)**	(1,415)
Tax losses utilised from previous periods	**(9,436)**	(586)
Tax charge	**358,542**	172,583

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

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Year ended 31 December 2017			
	Directors' fees	Salaries, allowances and other benefits	Contributions to defined contributions retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Independent non-executive directors				
– Diao Jianshen	250	—	—	250
– Wang Keyi	250	—	—	250
– Chan Wan Tsun Adrian Alan	250	—	—	250
Executive directors				
– Li Jianping (Chairman)	—	1,000	—	1,000
– Wang Xinming (President)	—	800	—	800
– Lu Ao	—	800	—	800
– Qi Junjie	—	800	—	800
Non-executive directors				
– Lu Linkui [1)]	201	—	—	201
– Zhou Yu	600	—	—	600
– Xu Xing [2)]	333	—	—	333
	1,884	3,400	—	5,284

1) Mr. Lu Linkui resigned on 16 October 2017.

2) Mrs. Xu Xing was appointed on 16 October 2017.

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

	Year ended 31 December 2016			
	Directors' fees	Salaries, allowances and other benefits	Contributions to defined contributions retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Independent non-executive directors				
– Diao Jianshen	268	—	—	268
– Wang Keyi	268	—	—	268
– Chan Wan Tsun Adrian Alan	268	—	—	268
Executive directors				
– Yang Aihua[3)]	—	900	43	943
– Yang Hansong[3)]	—	480	43	523
– Zhao Hongliang[4)]	—	420	43	463
– Hua Xiuzhen[3)]	—	420	—	420
– Yang Zehua[3)]	—	420	43	463
– Li Jianping[5)] (Chairman)	—	528	—	528
– Wang Xinming[5)]	—	422	—	422
– Lu Ao[5)]	—	422	—	422
– Qi Junjie[6)]	—	333	—	333
Non-executive directors				
– Lu Linkui	268	—	—	268
– Zhou Yu[5)]	317	—	—	317
	1,389	4,345	172	5,906

3) Mr. Yang Aihua, Mr. Yang Hansong, Mr. Yang Zehua and Ms. Hua Xiuzhen resigned on 21 June 2016.

4) Mr. Zhao Hongliang resigned on 29 July 2016.

5) Mr. Li Jianping, Mr. Wang Xinming, Mr. Zhou Yu and Mr. Lu Ao were appointed on 21 June 2016.

6) Mr. Qi Junjie was appointed on 29 July 2016.

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

No emoluments were paid to the non-executive directors of the Company during the year (2016: Nil).

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included four Directors (2016: Nil), details of whose remuneration are detailed in Note 9 above. Details of the remuneration for the year of the one (2016: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 *RMB'000*	2016 *RMB'000*
Salaries, allowances and benefits in kind	600	7,982
Pension scheme contributions	—	413
	600	8,395

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

	Number of employees	
	2017 *RMB'000*	2016 *RMB'000*
HK$500,001 to HK$1,000,000	1	—
HK$1,500,001 to HK$2,000,000	—	4
HK$2,500,001 to HK$3,000,000	—	1

In prior years, share options were granted to the two non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in Note 37 to the financial statements.

11. DIVIDENDS

	2017 *RMB'000*	2016 *RMB'000*
Proposed final – HK$0.1 (2016: Nil) (Approximately RMB0.08) per ordinary share	228,747	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,710,736,087 (2016: 2,557,311,429) in issue during the year.

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during 2017 and 2016.

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

Earnings	2017 *RMB'000*	2016 *RMB'000* *(Restated)*
Profit attributable to ordinary equity holders of the parent	**803,688**	414,226

Shares	2017	2016
Weighted average number of ordinary shares in issue during the year	**2,710,736,087**	2,557,311,429

Earnings per share	2017 *RMB*	2016 *RMB* *(Restated)*
Basic and diluted	**0.30**	0.16

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017							
At 31 December 2016 (Restated) and at 1 January 2017:							
Cost	2,826,185	544,801	290,743	258,863	534,592	526,933	4,982,117
Accumulated depreciation	(485,676)	(249,689)	(158,963)	(177,755)	(159,636)	—	(1,231,719)
Net carrying amount	2,340,509	295,112	131,780	81,108	374,956	526,933	3,750,398
At 1 January 2017, net of (Restated) accumulated depreciation	2,340,509	295,112	131,780	81,108	374,956	526,933	3,750,398
Additions	—	—	39,340	19,724	502,371	63,456	624,891
Acquisition of subsidiaries (Note 39(a))	143,694	36,913	25,910	5,810	44,807	—	257,134
Disposals	(4,020)	(21,084)	(10,795)	(1,784)	(273,595)	—	(311,278)
Depreciation provided during the year (Note 6)	(53,732)	(143,231)	(40,949)	(32,499)	(89,534)	—	(359,945)
Transfers	414,412	88,187	—	—	—	(502,599)	—
At 31 December 2017,net of accumulated depreciation	2,840,863	255,897	145,286	72,359	559,005	87,790	3,961,200
At 31 December 2017:							
Cost	3,363,891	689,570	358,239	273,218	695,135	87,790	5,467,843
Accumulated depreciation	(523,028)	(433,673)	(212,953)	(200,859)	(136,130)	—	(1,506,643)
Net carrying amount	2,840,863	255,897	145,286	72,359	559,005	87,790	3,961,200

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings *RMB'000 (Restated)*	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000 (Restated)*	Furniture and fixtures *RMB'000 (Restated)*	Motor vehicles *RMB'000 (Restated)*	Construction in progress *RMB'000*	Total *RMB'000 (Restated)*
31 December 2016							
At 31 December 2015 and at 1 January 2016:							
Cost	2,387,746	420,030	249,226	236,568	644,477	759,304	4,697,351
Accumulated depreciation	(377,644)	(138,531)	(130,043)	(137,841)	(216,217)	—	(1,000,276)
Net carrying amount	2,010,102	281,499	119,183	98,727	428,260	759,304	3,697,075
At 1 January 2016, net of accumulated depreciation	2,010,102	281,499	119,183	98,727	428,260	759,304	3,697,075
Additions	16,162	14,240	24,406	9,544	—	450,508	514,860
Acquisition of subsidiaries	50,680	29,002	8,911	4,331	15,887	7,168	115,979
Business combination under common control	9,211	—	170	48	243	—	9,672
Disposals	(947)	—	(3,650)	(8,722)	(243,757)	—	(257,076)
Depreciation provided during the year	(80,434)	(83,142)	(29,873)	(39,315)	(97,348)	—	(330,112)
Transfers	335,735	53,513	12,633	16,495	271,671	(690,047)	—
At 31 December 2016, net of (Restated) accumulated depreciation	2,340,509	295,112	131,780	81,108	374,956	526,933	3,750,398
At 31 December 2016: (Restated)							
Cost	2,826,185	544,801	290,743	258,863	534,592	526,933	4,982,117
Accumulated depreciation	(485,676)	(249,689)	(158,963)	(177,755)	(159,636)	—	(1,231,719)
Net carrying amount	2,340,509	295,112	131,780	81,108	374,956	526,933	3,750,398

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2017, the application for the property ownership certificates for certain buildings with a net book value of approximately RMB299,486,000 (2016 (Restated): RMB314,033,000) was still in progress.

As at 31 December 2017, certains of the Group's buildings with an aggregate net book value of appropriately RMB90,959,000 were pledged as security for the Group interest-bearing bank and other borrowings (Note 29(d)).

14. PREPAID LAND LEASE PAYMENT

	2017 *RMB'000*	2016 *RMB'000*
Cost:		
At the beginning of the year	**558,703**	698,419
Additions	**—**	—
Acquisition of subsidiaries (Note 39(a))	**20,150**	15,814
Disposals	**(21,453)**	—
Disposal of a subsidiary	**—**	(155,530)
At the end of the year	**557,400**	558,703
Accumulated amortisation:		
At the beginning of the year	**59,997**	51,809
Charge for the year	**13,928**	10,236
Amortisation capitalised	**—**	3,507
Disposals	**(6,321)**	—
Disposal of a subsidiary	**—**	(5,555)
At the end of the year	**67,604**	59,997
Net book value:		
At the end of the year	**489,796**	498,706

As at 31 December 2017, the application for the land use rights certificates for certain land with a net book value of approximately RMB2,966,000 (2016: RMB3,059,000) was still in progress.

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

As at 31 December 2017, none of the Group's land use right (2016: with an aggregate net book value of RMB14,492,000) was pledged as security for the Group's banking facilities.

15. INTANGIBLE ASSETS

	Software	Dealership agreements	Customer relationship	Car licence	Club membership	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 31 December 2016 (Restated) and at 1 January 2017	32,129	814,528	299,894	5,960	2,454	1,154,965
Additions	—	—	—	1,660	—	1,660
Acquisition of subsidiaries (Note 39(a))	1,211	198,989	—	—	—	200,200
Disposal	(92)	—	—	(145)	—	(237)
At 31 December 2017	33,248	1,013,517	299,894	7,475	2,454	1,356,588
Accumulated amortisation:						
At 31 December 2016 (Restated) and at 1 January 2017	13,939	68,311	82,625	—	354	165,229
Charge for the year	1,048	29,728	19,993	—	85	50,854
Disposals	(39)	—	—	—	—	(39)
At 31 December 2017	14,948	98,039	102,618	—	439	216,044
Net book value:						
At 31 December 2017	18,300	915,478	197,276	7,475	2,015	1,140,544

15. INTANGIBLE ASSETS (Continued)

	Software	Dealership agreements	Customer relationship	Car licence	Club membership	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Restated)					*(Restated)*
Cost:						
At 1 January 2016	17,953	682,688	299,894	6,080	2,454	1,009,069
Additions	6,753	—	—	560	—	7,313
Acquisition of subsidiaries	7,406	131,840	—	—	—	139,246
Business combination under common control	17	—	—	—	—	17
Disposal	—	—	—	(680)	—	(680)
At 31 December 2016 (Restated)	32,129	814,528	299,894	5,960	2,454	1,154,965
Accumulated amortisation:						
At 1 January 2016	12,122	51,191	62,632	—	269	126,214
Charge for the year	1,800	17,120	19,993	—	85	38,998
Business combination under common control	17	—	—	—	—	17
At 31 December 2016 (Restated)	13,939	68,311	82,625	—	354	165,229
Net book value:						
At 31 December 2016 (Restated)	18,190	746,217	217,269	5,960	2,100	989,736

The Group's principal identifiable intangible assets represent dealership agreements in Mainland China with various vehicle manufacturers and customer relationship acquired from third parties. The dealership agreements do not include a specified contract period or termination arrangement. The customer relationship is amortised over 15 years and the dealership agreements are amortised from 20 to 40 years, which is management's best estimation of their useful lives.

16. PREPAYMENTS AND DEPOSITS

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Prepayments for purchase of items of property, plant and equipment	**216,000**	216,000
Long term deposits	**44,150**	42,534
	260,150	258,534

17. FINANCE LEASE RECEIVABLES

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Analysed as:		
Current	**139,179**	18,757
Non-current	**148,418**	4,589
	287,597	23,346

17. FINANCE LEASE RECEIVABLES

At 31 December 2017, the future minimum lease receivables under finance leases and their present values were as follows:

Third Party:

	Minimum lease receivables 31 December 2017 *RMB'000*	Present value of minimum lease receivables 31 December 2017 RMB'000
Finance lease receivables:		
Within one year	7,416	7,005
Later than one year and not later than five years	2,541	2,440
	9,957	9,445
Less: Unearned finance income	512	
Present value of minimum lease payment receivables	9,445	

	Minimum lease receivables 31 December 2016 *RMB'000*	Present value of minimum lease receivables 31 December 2016 *RMB'000*
Finance lease receivables:		
Within one year	19,829	18,757
Later than one year and not later than five years	4,821	4,589
	24,650	23,346
Less: Unearned finance income	1,304	
Present value of minimum lease payment receivables	23,346	

17. FINANCE LEASE RECEIVABLES (Continued)

Related party:

	Minimum lease receivables 31 December 2017 *RMB'000*	Present value of minimum lease receivables 31 December 2017 RMB'000
Finance lease receivables:		
Within one year	153,215	132,174
Later than one year and not later than five years	153,985	145,978
	307,200	278,152
Less: Unearned finance income	29,048	
Present value of minimum lease payment receivables	278,152	

On 24 January 2017, Shanghai Dingxin Financial Leasing Co., Ltd. ("Dingxin Leasing"), a wholly-owned subsidiary of the Company, and All Trust Leasing Company Limited ("All Trust Leasing"), a wholly-owned subsidiary of CGA, entered into the Sale and Leaseback Framework Agreement. Pursuant to the Sale and Leaseback Framework Agreement, All Trust Leasing shall sell to Dingxin Leasing vehicles owned by All Trust Leasing, which shall then be leased back for use by All Trust Leasing. Upon expiry of the lease term, All Trust Leasing shall repurchase the leased assets in accordance with the agreed terms and with a consideration of a nominal amount of RMB100.

Balances of finance lease receivables from related parties are interest-bearing at annual interest rate of 10.44% with the terms of 2-3 years. The repayments will be made by installments on arrears on a monthly basis.

18. GOODWILL

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Cost:		
At the beginning of the year	224,786	100,725
Acquisition of subsidiaries(Note 39(a))	668,012	149,102
Business combination under common control(Note 39(b))	—	10
Impairment	—	(25,051)
	892,798	224,786

Impairment testing of goodwill

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

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

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period from the end of the reporting period is 3% (2016: 3%) for all years. The pre-tax discount rate applied to the cash flow projections beyond the one-year period is 13.5% (2016: 13.5%).

The carrying amount of goodwill allocated to each cash-generating unit (or group of cash-generating units) of the operation of 4S dealership business that are not individually material to the Group:

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
4S dealership business	892,798	224,786

18. GOODWILL (Continued)

Key assumptions used in the value in use calculation

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

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

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

Sensitivity to changes in assumptions

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

19. INVESTMENT IN A JOINT VENTURE

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Share of net assets	57,183	56,641

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

(a) Particulars of a joint venture

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

19. INVESTMENT IN A JOINT VENTURE (Continued)

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Share of the joint venture's profit for the year	542	5,795
Share of the joint venture's total comprehensive income for the year	542	5,795
Aggregate carrying amount of the Group's investment in the joint venture	57,183	56,641

The Group's amount due from the joint venture is disclosed in Note 46 in the financial statements.

20. INVESTMENTS IN ASSOCIATES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Share of net assets	43,542	38,623

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

(a) Particulars of associates

Associates	Place of registration and business	Registered and paid-in capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Wuxi Kailong Real Estate Co., Ltd..	Jiangsu, the PRC	RMB12,000,000	30%	30%	30%	Investment services
Deyang Nan Ling Gang Hong Automobile Sales & Services Co., Ltd.	Sichuan, the PRC	RMB25,000,000	49%	49%	49%	Sale and service of motor vehicles
Sichuan Gang Hong Vehicle Trade Co., Ltd..	Sichuan, the PRC	RMB31,000,000	40%	40%	40%	Sale and service of motor vehicles

20. INVESTMENTS IN ASSOCIATES (Continued)

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Share of the associates' profit/(loss) for the year	4,919	(137)
Share of the associates' total comprehensive income/(loss) for the year	4,919	(137)
Aggregate carrying amount of the Group's investments in associates	43,542	38,623

21. AVAILABLE-FOR-SALE INVESTMENT

	31 December 2017 RMB'000	31 December 2016 RMB'000
Unlisted equity investment, at cost	16,584	17,747

The Company acquired NCGA Holdings Limited (the "NCGA Group") on 1 December 2012. The NCGA Group held a 26% ownership interest in Qingdao Motors (H.K.) Limited and didn't have voting power. The investment was classified as an available-for-sale investment accordingly.

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

22. INVENTORIES

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Motor vehicles	**3,806,846**	2,804,262
Spare parts and accessories	**210,342**	243,564
	4,017,188	3,047,826
Less: provision for inventories	**—**	(112,015)
	4,017,188	2,935,811

As at 31 December 2017, vehicle certificates ("車輛合格證") for certain of the Group's inventories with an aggregate carrying amount of RMB395,293,000 (2016: RMB188,393,000) were pledged as security for the Group's interest-bearing bank and other borrowings (Note 29).

As at 31 December 2017, vehicle certificates for certain of the Group's inventories with an aggregate carrying amount of RMB2,239,057,000 (2016: RMB2,149,384,000) were pledged as security for the Group's bills payable.

During the year ended 31 December 2017, no provision was recognized or reversed.

As at 31 December 2016, the carrying amount of inventories with provision carried at net realisable value was RMB919,355,000.

23. TRADE RECEIVABLES

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
Trade receivables	501,001	652,469

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

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
Within 3 months	452,747	611,148
More than 3 months but less than 1 year	48,254	41,321
	501,001	652,469

23. TRADE RECEIVABLES (Continued)

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
Neither past due nor impaired	**501,001**	652,469
Over 1 year past due	**—**	—
	501,001	652,469

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

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
Prepayments to suppliers	**1,885,044**	1,769,507
Rebates	**4,794,475**	3,779,354
VAT recoverable (i)	**253,630**	194,727
Prepaid lease for buildings and land use rights	**129,326**	103,897
Prepayments of purchase of items of property, plant and equipment	**35,037**	23,540
Prepaid interest expense	**33,706**	23,013
Loans to empolyee	**12,004**	11,353
Others	**276,249**	214,601
	7,419,471	6,119,992

Note:

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

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

25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Listed equity investments, at market value	—	12,050

26. PLEDGED BANK DEPOSITS

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
Deposits pledged with banks as collateral against		
– letters of credit granted by the banks	239,452	91,095
– bill facilities granted by the banks	2,704,056	1,890,631
– short term bank loans granted by the banks (Note 29)	58,570	161,136
	3,002,078	2,142,862

Pledged bank deposits amounting to RMB3,002,078,000 (31 December 2016: RMB2,142,842,000) were denominated in RMB at the end of the reporting period, and earned interest at interest rates stipulated by respective finance institutions.

27. CASH IN TRANSIT

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Cash in transit	35,876	108,602

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

28. CASH AND BANK

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
Cash and cash in bank	3,148,933	3,721,744
Short term deposits	26,200	—
	3,175,133	3,721,744
Term deposits with maturity over three months	6,200	—
Cash and cash equivalents	3,168,933	3,721,744

At the end of the reporting period, the cash and bank balances and short term deposits of the Group denominated in Renminbi ("RMB") amounted to RMB2,485,769,000 (2016: RMB1,954,393,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2017		
	Effective interest rate (%)	Original maturity	*RMB'000*
Current			
Bank borrowings			
– guaranteed (b)	4.0-8.5	2018	677,122
– secured (a)	4.4-9.1	2018	234,794
– secured (a)	6.6	On demand	29,000
– unsecured	4.3-8.5	2018	1,524,622
– secured and guaranteed (c)	4.8-8.9	2018	157,373
			2,622,911
Other borrowings			
– guaranteed (b)	6.4-8.5	2018	57,521
– secured (a)	4.4-9.1	2018	247,731
– unsecured	4.4-8.5	2018	241,008
– secured and guaranteed (c)	7.9-8.9	2018	80,016
			626,276
			3,249,187
Non-current			
Bank borrowings			
– secured (d)	7.2	2024	28,979
– guaranteed (e)	Libor*+3.2	2020	5,324,669
– guaranteed (e)	4.9	2021-2024	347,942
			5,701,590
			8,950,777

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

	31 December 2016		
	Effective interest rate (%)	Original maturity	*RMB'000*
Current			
Bank borrowings			
– guaranteed	4.8	2017	19,997
– secured	4.8-9.0	2017	17,764
– secured	6.6	On demand	29,000
– secured	Libor*+2.25	2017	2,364,886
– unsecured	2.7-6.5	2017	1,890,812
– secured and guaranteed	5.0-7.1	2017	115,000
			4,437,459
Other borrowings			
– guaranteed	6.7	2017	7,627
– secured	5.2-8.6	2017	154,513
– unsecured	6.7	2017	60,645
– secured and guaranteed	6.7	2017	140,365
			363,150
			4,800,609
Non-current			
Bank borrowings			
– secured	Libor*+3.3	2018-2019	2,751,757
			7,552,366

* London Inter-Bank Offered Rate

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

(a) The Group's certain bank and other borrowings were secured by:

(i) mortgages over the vehicle certificates for certain of the Group's inventories, which had an aggregate carrying value of approximately RMB199,615,000 (2016: RMB188,393,000) as at 31 December 2017;

(ii) the pledge of certain of the Group's time deposits amounting to RMB48,690,000 (2016: RMB147,465,000) as at 31 December 2017.

(iii) Letters of credit were issued by banks in Mainland China with a total amount of approximately RMB197,788,000 (2016: Nil) as at 31 December 2017. The letters of credit were secured by the pledged bank deposits, which amounted to RMB230,000,000 (2016: Nil).

(b) The Group's certain bank borrowings and other borrowings are guaranteed by:

(i) Certain of the Group's bank and other borrowings which amounted to RMB695,041,000 (2016: RMB27,623,000) were guaranteed by CGA as at 31 December 2017;

(ii) Certain of the Group's bank and other borrowings which amounted to RMB39,602,000 were guaranteed by certain third parties as at 31 December 2017.

(c) The Group's certain bank and other borrowings are secured and guaranteed by:

(i) Certain of the Group's bank borrowings which amounted to RMB107,030,000 were secured by mortgages over the vehicle certificates for certain of the Group's inventories, which had an aggregate carrying value of approximately RMB102,085,000, and the pledge of certain of the Group's time deposits amounting to RMB4,085,000, and guaranteed by CGA as at 31 December 2017; and

(ii) Certain of the Group's bank and other borrowings which amounted to RMB130,359,000 were secured by mortgages over the vehicle certificates for certain of the Group's inventories, which had an aggregate carrying value of approximately RMB93,593,000, and the pledge of certain of the Group's time deposits amounting to RMB 5,795,000, and guaranteed by certain third parties as at 31 December 2017.

(d) The Group's certain bank borrowings amounting to RMB28,979,000 were secured by the property, plant and equipment amounting to RMB90,959,000.

(e) The Group's certain bank borrowings amounting to RMB5,672,611,000 were guaranteed by CGA and its wholly-owned subsidiary, Shanghai Dexin Automobile Service Co., Ltd.

(f) As at 31 December 2017, the Group had unutilised banking facilities of RMB8,284,931,000 (2016: RMB6,259,660,000).

30. TRADE AND BILLS PAYABLES

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
Trade payables	439,785	287,822
Bills payable	5,739,123	4,336,851
Trade and bills payables	6,178,908	4,624,673

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
Within 3 months	5,912,378	4,185,242
3 to 6 months	254,163	426,994
6 to 12 months	1,260	2,804
Over 12 months	11,107	9,633
	6,178,908	4,624,673

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

31. OTHER PAYABLES AND ACCRUALS

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
Advances from customers	**799,171**	699,927
Advances and deposits from distributors	**21,865**	18,459
Taxes payable (other than income tax)	**70,316**	78,413
Payables for purchase of items of property, plant and equipment	**21,483**	23,071
Payables for purchase of items of land use rights	**18,240**	18,240
Payables for currency options	—	4,214
Lease payables	**25,984**	18,344
Interest payables	**28,329**	28,922
Staff payroll and welfare payables	**84,120**	87,594
Payables for purchase of equity interests from third parties	**221,230**	176,172
Others	**51,455**	49,909
	1,342,193	1,203,265

32. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2017 Assets RMB'000	31 December 2017 Liabilities *RMB'000*
Interest rate swaps	**6,573**	—
Forward currency contracts	—	33,525
	6,573	33,525
Portion classified as non-current:		
Interest rate swaps	**6,573**	—
Forward currency contracts	—	13,739
	6,573	13,739
Current portion:		
Forward currency contracts	—	19,786

32. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	31 December 2016 Assets *RMB'000*	31 December 2016 Liabilities *RMB'000*
Currency options	24,424	—
Forward currency contracts	1,421	—
	25,845	—
Portion classified as non-current:		
Forward currency contracts	1,421	—
	24,424	—
Current portion:		
Current options	24,424	—

The Group has entered into various currency contracts and interest rate swaps. These forward currency contracts and interest rate swaps are not designated for hedging purposes and are measured at fair value through profit or loss. Loss of changes in the fair value of non-hedging currency derivatives amounting to RMB204,242,000 was charged to the statement of profit or loss during the year (2016: Gain of RMB29,203,000).

33. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the People's Republic of China (the "PRC") state regulations, the subsidiaries of Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 13% to 20% (2016: 11% to 21%) of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries. The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 5% to 12% (2016: 5% to 15%) of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

As at 31 December 2017, the Group had no significant obligation apart from the contributions stated above.

34. DEFERRED TAX

(a) Deferred tax assets

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

	Losses available for offsetting Against future taxable profits	Fair value Derivative instruments	Equity investments at fair value Through profit or loss	Deferred Rental expenses	Inventory impairment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	74,171	—	—	5,880	—	3,897	83,948
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	13,136	—	2,078	1,080	10,624	9,428	36,346
Acquisition of subsidiaries	3,159	—	—	—	—	938	4,097
At 31 December 2016	90,466	—	2,078	6,960	10,624	14,263	124,391
At 31 December 2016 and 1 January 2017	**90,466**	**—**	**2,078**	**6,960**	**10,624**	**14,263**	**124,391**
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	**(38,793)**	**—**	**(2,078)**	**(2,026)**	**(25,943)**	**2,882**	**(65,958)**
Acquisition of subsidiaries (Note 39(a))	**14,761**	**—**	**—**	**—**	**15,319**	**763**	**30,843**
At 31 December 2017	**66,434**	**—**	**—**	**4,934**	**—**	**17,908**	**89,276**

34. DEFERRED TAX (Continued)

(b) Deferred tax liabilities

	Depreciation allowances in excess of related depreciation RMB'000	Capitalisation of costs in relation to construction in progress RMB'000	Adjustment arising from acquisition of subsidiaries RMB'000	Gain on exchange of assets RMB'000	Total RMB'000
At 1 January 2016	7,162	40,252	229,697	54,000	331,111
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	2,581	2,703	(10,236)	—	(4,952)
Acquisition of subsidiaries	—	—	34,245	—	34,245
At 31 December 2016	9,743	42,955	253,706	54,000	360,404
At 31 December 2016 and 1 January 2017	**9,743**	**42,955**	**253,706**	**54,000**	**360,404**
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	**3,126**	**(1,481)**	**(13,756)**	**—**	**(12,111)**
Acquisition of subsidiaries (Note 39(a))	**—**	**—**	**58,202**	**—**	**58,202**
At 31 December 2017	**12,869**	**41,474**	**298,152**	**54,000**	**406,495**

34. DEFERRED TAX (Continued)

(b) Deferred tax liabilities (Continued)

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	87,595	121,858
Net deferred tax liabilities recognised in the consolidated statement of financial position	(404,815)	(357,871)
	(317,220)	(236,013)

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

At 31 December 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and a joint venture established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries and the joint venture will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and the joint venture in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB6,126,140,894 at 31 December 2017 (2016: RMB5,019,941,150).

Deferred tax assets have not been recognised in respect of tax losses arising in Mainland China of RMB241,402,000 (2016: RMB205,334,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. These tax losses will expire in one to five years.

35. SENIOR PERPETUAL CAPITAL SECURITIES

On 15 December 2016 and 23 December 2016, Baoxin Auto Finance I Limited ("the Issuer"), a wholly-owned subsidiary of the Group, issued senior perpetual capital securities with principal amounts of US$300 million and US$100 million, respectively, at initial interest rate of 8.75% ("Senior Perpetual Capital Securities"). Distribution payments of 8.75% per annum on the Senior Perpetual Capital Securities are payable semi-annually in arrears from June 2017. The Senior Perpetual Capital Securities have no fixed maturity and can be redeemed at the Issuer's option on or after 15 December 2019 at their principal amounts redeemed together with any accrued, unpaid distribution payments. After 15 December 2019, the coupon rate will be reset to a percentage per annum equal to the sum of (a) the initial spread of 7.616%, (b) the Adjusted Treasury Rate and, (c) a margin of 5.00% per annum. The Senior Perpetual Securities are unconditionally and irrevocably guaranteed by CGA and its direct wholly-owned subsidiary, China Grand Automotive Service (Hong Kong) Limited (the "Guarantors"), who guarantee on a joint and several basis the due payment in full of all sums expressed to be payable by the Issuer.

Pursuant to the terms of the Senior Perpetual hanghai Capital Securities, the Issuer has contractual obligation to repay its principal and to pay the distribution, which meet the definition of financial liabilities according to IAS 32 *Financial Instruments: Presentation*, and is classified as financial liabilities recorded in non-current liabilities. The Issuer incurred issuance costs amounting to approximately RMB76,154,000 for the Senior Perpetual Capital Securities, which was netted off against the balance of non-current liabilities of these senior perpetual securities.

On 30 June 2017, the Company and Shanghai Jida Investing Management Co., Ltd. ("Shanghai Jida") sold 100% of equity interests in Auto Fin and Dalian Baoxin Huiyu Automobile Investments Management Co., Ltd. ("Dalian Huiyu") to China Grand Automotive Services (Hong Kong) Limited and Shanghai Huiyong Automobile Sales & Services Co., Ltd. ("Shanghai Huiyong"), indirectly wholly-owned subsidiaries of CGA, at a total consideration of RMB5,250,000,000, which shall be satisfied by (i) Shanghai Huiyong paying RMB1,000,000 to Shanghai Jida in cash and (ii) Shanghai Jida transferring all of its rights and obligations in connection with the remaining consideration receivable and an amount owed to Dalian Huiyu, amounting to RMB5,249,000,000 each, to Shanghai Huiyong. Further details are given in Note 40.

35. SENIOR PERPETUAL CAPITAL SECURITIES (Continued)

	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current	—	2,708,415

The movements in the carrying amount of the senior perpetual capital securities during the years are as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Nominal value of senior perpetual capital securities issued during year 2017	2,773,300	2,773,300
Direct transaction costs attributable to the securities	(76,154)	(76,154)
At the issuance date	2,697,146	2,697,146
Interest expense	141,296	9,852
Exchange realignment	(62,070)	1,417
Interest paid	(120,107)	—
Disposal of the Issuer	(2,656,265)	—
At the end of the year	—	2,708,415

36. SHARE CAPITAL

Shares	31 December *2017*	31 December *2016*
Authorised:		
Ordinary shares	**5,000,000,000 shares of HK$0.01 each**	5,000,000,000 shares of HK$0.01 each
Issued and fully paid:		
Ordinary shares	**2,837,311,429 shares of HK$0.01 each**	2,557,311,429 shares of HK$0.01 each
Equivalent to RMB'000	**23,275**	20,836

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

	Number of shares in issue	Share Capital *RMB'000*	Share Premium *RMB'000*	Total *RMB'000*
At 1 January 2016	2,557,311,429	20,836	1,767,128	1,787,964
At 31 December 2016	2,557,311,429	20,836	1,767,128	1,787,964
Issue of shares	280,000,000	2,439	844,497	846,936
At 31 December 2017	2,837,311,429	23,275	2,611,625	2,634,900

36. SHARE CAPITAL (Continued)

On 6 June 2017, the Company entered into a placing agreement with Morgan Stanley & Co. International plc and UBS AG Hong Kong Branch (the "Placing Agents"), according to which, the Company agrees to issue 280,000,000 shares ("Placing Shares") at the placing price of HK$3.5 (the "Placing"), and the Placing Agents agree to subscribe (or procure their nominee to subscribe) for the Placing Shares.

The completion of the Placing took place on 14 June 2017 in accordance with the terms and conditions of the placing agreement. A total of 280,000,000 Placing Shares have been placed and issued to not less than six placees at the price of HK$3.5 per Placing Share. Upon the completion of the Placing, the total ordinary shares of the Company have been increased to 2,837,311,429 shares, with the par value of HK$0.01 each.

37. SHARE OPTION SCHEME

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

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

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

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

37. SHARE OPTION SCHEME (Continued)

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

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

As at the year ended 31 December 2017 and 2016, no share option was outstanding.

38. RESERVES

(i) Statutory reserve

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

(ii) Merger reserve

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

(iii) Other reserve

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

(iv) Exchange fluctuation reserve

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

39. BUSINESS COMBINATION

(a) As part of the Group's plan to expand its sale of motor vehicle and service business in Mainland China, the Group acquired the equity interests in the following companies, which are engaged in the sale of motor vehicles and service business in Mainland China, from three third parties on 27 March 2017, at a total consideration of RMB859,000,000.

Company Name	Acquired equity interest %
Wenzhou Jieshun Auto Technology Services Co., Ltd.	100%
Shaoxing Jieshun Auto Distribution Services Co., Ltd.	100%
Wenzhou Jiejun Auto Co., Ltd.	100%
Taizhou Jieshun Auto Co., Ltd.	100%
Wenzhou Haodebao Auto Services Co., Ltd	100%
Wenzhou Haoda Electromechanical Co., Ltd.	100%
Wenzhou Dingshang Investment Management Co., Ltd.	100%

39. BUSINESS COMBINATION (Continued)

(a) (Continued)

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

	Notes	Fair values recognised on acquisition date *RMB'000*
Property, plant and equipment	13	**257,134**
Prepaid land lease payment	14	**20,150**
Intangible assets	15	**200,200**
Deferred tax assets	34(a)	**30,843**
Inventories		**257,752**
Trade receivables		**43,722**
Prepayments, deposits and other receivables		**322,788**
Cash in transit		**2,087**
Pledged bank deposits		**134,182**
Cash and bank		**168,285**
Trade and bills payables		**(331,990)**
Other payables and accruals		**(376,003)**
Interest-bearing bank and other borrowings		**(467,752)**
Income tax payable		**(12,208)**
Deferred tax liability	34(b)	**(58,202)**
Total identifiable net assets at fair value		**190,988**
Goodwill on acquisition	18	**668,012**
Total purchase consideration		**859,000**

The fair values of the trade receivables and other receivables at the date of acquisition amounted to RMB43,722,000 and RMB274,348,000, respectively, which is equal to the gross contractual amounts.

39. BUSINESS COMBINATION (Continued)

(a) (Continued)

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

	RMB'000
Cash consideration paid	(760,970)
Cash and cash equivalents acquired	168,285
Net cash outflow	(592,685)

Since the acquisition, the acquired businesses contributed RMB2,765,128,000 to the Group's revenue and RMB194,209,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB34,688,310,000 and RMB838,019,000 respectively.

(b) On 22 September 2017, the Company entered into an agreement with Xinjiang Tianshu Auto Sales & Service Co., Ltd. to acquire 100% equity interests in Urumqi Yandebao which is subsidiary of CGA at a cash consideration of RMB10,000,000. As both parties were under control of CGA before and after the combination and such control was not a provisional one, hence these combination were the business combinations involving entities under common control. The consideration of this transaction amounting to RMB10,000,000 was paid on 29 September 2017, and the right of control was transferred to the Company. Therefore from 22 September 2017 onwards, the Company included Urumqi Yandebao in the consolidated statements, and they are been accounted for as if they had been consolidated as at the beginning of the period in accordance with the requirements regarding the business combinations involving entities under common control in the HKAS18.

	From 1 January to 22 September 2017 *RMB'000*	From 21 June to 31 December 2016 *RMB'000*
Revenue	**8,087**	5,113
Net profit	**2,156**	(2,963)
Net cash flows	**326**	(511)

39. BUSINESS COMBINATION (Continued)

The carrying amount of Urumqi Yandebao's assets and liabilities at the combination date and the balance sheet date of the previous accounting period are as follows:

	22 September 2017 *RMB'000*	31 December 2016 *RMB'000*
Cash and bank	785	459
Trade receivables	1,203	1,639
Prepayments, deposits and other receivables	58	1,766
Due from related parties	408	5
Pledged bank deposits	20	20
Inventories	203	290
Property, plant and equipment	9,031	9,415
Goodwill	10	10
Trade and bills payables	(165)	(78)
Other payables and accruals	(747)	(805)
Due to related parties	(11,857)	(11,872)
Total	(1,051)	849
Combination difference (through equity interest)	11,051	
Combination consideration	10,000	

40. DISPOSAL OF SUBSIDIARIES

On 30 June 2017, the Company and Shanghai Jida sold 100% equity interests in Auto Fin and Dalian Huiyu to China Grand Automotive Services (Hong Kong) Limited and Shanghai Huiyong, indirectly wholly-owned subsidiaries of CGA, for a total consideration of RMB5,250,000,000, which shall be satisfied by (i) Shanghai Huiyong paying RMB1,000,000 to Shanghai Jida in cash and (ii) Shanghai Jida transferring all of its rights and obligations in connection with the remaining consideration receivable and an amount owed to Dalian Huiyu, amounting to RMB5,249,000,000 each, respectively, to Shanghai Huiyong.

	Notes	2017 *RMB'000*
Net assets disposed of:		
Cash and bank		843,616
Prepayments, deposits and other receivables		7,107,456*
Other payables and accruals		(29,714)
Senior perpetual capital securities	35	(2,656,265)
Net assets disposed of		5,265,093
Consideration		5,250,000
Loss on disposal of subsidiaries	5(b)	(15,093)

An analysis of the cash flows of cash and cash equivalents in respect of the disposal of subsidiaries are as follows:

	2017 *RMB'000*
Cash consideration received	1,000
Cash and cash equivalents disposed of	(843,616)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(842,616)

* The Group's advances from Dalian Baoxin Huiyu Automobile as at 30 June 2017 amounting to RMB1,844,178,000 is included in the above prepayments, deposits and other receivables.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year, Shanghai Jida transferring all of its rights and obligations in connection with the consideration receivable and amount owed to Dalian Huiyu, amounting to RMB5,249,000,000 each, respectively, to Shanghai Huiyong. For the details, please refer to Note 40.

(b) Changes in liabilities arising from financing activities

	Senior perpetural capital securities	Amount due to related parties	Interest-bearing bank and other borrowings
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	2,708,415	—	7,552,366
Changes from financing cash flows	—	—	887,198
Foreign exchange movement	(63,487)	—	43,461
Interest expense	131,444	2,084	—
Interest paid	(120,107)	—	—
Repayment of advances to related parties	—	(685,359)	—
Acquisition of subsidiaries	—	—	467,752
Disposal of subsidiaries	(2,656,265)	1,844,178	—
At 31 December 2017	—	1,160,903	8,950,777

42. FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial assets were categorised into three groups (1) financial assets at fair value through profit or loss - held for trading, including equity investments at fair value through profit or loss and derivative financial instruments; (2) loans and receivables, including trade receivables, finance lease receivables, financial assets included in prepayments, deposits and other receivables, amounts due from related parties, pledged bank deposits, cash in transit and cash and cash equivalents; and (3) an available-for-sale investment.

The carrying amounts of financial assets at fair value through profit or loss - held for trading, loans and receivables and an available-for-sale financial asset as at 31 December 2017 were approximately RMB6.6 million, RMB11,257.9 million and RMB16.6 million, respectively (2016 (Restated): RMB37.9 million, RMB10,964.5 million and RMB17.7 million, respectively).

The Group's financial liabilities were categorised as financial liabilities at amortised cost, including trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank loans and other borrowings, senior perpetual capital securities and bonds. The carrying amount of financial liabilities at amortised cost as at 31 December 2017 was RMB16,271.2 million (2016 (restated): RMB15,934.2 million).

43. CONTINGENT LIABILITIES

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

44. COMMITMENTS

(a) Capital commitments

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Contracted, but not provided for:		
Land use rights and buildings	29,290	80,446
Authorised, but not contracted for:		
Land use rights and buildings	69,953	74,398
	99,243	154,844

(b) Operating lease commitments

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

	At 31 December 2017			At 31 December 2016 (Restated)		
	Properties *RMB'000*	Land *RMB'000*	Vehicles *RMB'000*	Properties *RMB'000*	Land *RMB'000*	Vehicles *RMB'000*
Within 1 year	120,848	93,228	9,462	110,028	39,717	10,731
After 1 year but within 5 years	422,432	268,063	37,850	339,394	130,580	37,994
After 5 years	703,091	414,098	8,674	511,539	233,673	18,136
	1,246,371	775,389	55,986	960,961	403,970	66,861

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

45. PLEDGE OF ASSETS

Details of the Group's assets pledged for its bank loans and other borrowings and bills payable are disclosed in Note 13, Note 14, Note 22 and Note 26 to the consolidated financial statements.

46. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

The following transactions were carried out with related parties during the year:

		31 December 2017 RMB'000	31 December 2016 RMB'000
Purchases of goods:	(i)		
Hebei Remit Investment Co., Ltd.		4,923	2,103
Chenzhou Peng Feng Auto Co., Ltd.		2,210	—
Sichuan Shen Rong Hong Zheng Auto Sales & Service Co., Ltd.		1,211	444
Sichuan Shen Rong Jiu Xing Auto Sales & Service Co., Ltd.		378	9,698
Other subsidiaries controlled by CGA		1,534	687
		10,256	12,932
Sales of goods:	(ii)		
Chengdu Shen Ke Rong Auto Sales & Service Co., Ltd.		5,771	9,474
Yili Hua Guo Auto Sales Co., Ltd.		5,163	—
Ziyang He Xin Auto Sales Co., Ltd.		2,285	2,451
Shenzhen Chen Feng Investment co., Ltd.		1,854	—
Rizhao Hong Fa Auto Sales & Service Co., Ltd.		1,428	—
Linyi Yue Xiang Auto Sales & Service Co., Ltd.		1,398	—
Shandong Hong Fa Seng Quan Auto Sales & Service Co., Ltd.		1,185	—
Cangzhou De Lian Hui Yuan Auto Trading Co., Ltd.		1,017	1,400
Other subsidiaries controlled by CGA		7,240	4,060
		27,341	17,385
Rental income:	(iii)		
China Grand Auto Services Co., Ltd.		3,800	1,536

46. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Transactions with related parties (Continued)

		31 December 2017 RMB'000	31 December 2016 RMB'000
Lease expenses:	(iv)		
Xinjiang Tian Hui Auto Service Co., Ltd.		1,048	—
Shaanxi Tang Xing Auto Sales & Service Co., Ltd.		—	370
		1,048	370
Commission income:	(v)		
All Trust Leasing		106	—
China Grand Auto Services Co., Ltd.		98	5,315
Other subsidiaries controlled by CGA		157	399
		361	5,714
Revenue from financial leasing services:	(vi)		
All Trust Leasing		61,004	—
Service income:	(vii)		
Shanghai Grand Insurance Agency Co., Ltd. Xinjiang branch		1,137	—
All Trust Leasing		30	—
		1,167	—
Other operating income:	(viii)		
Ziyang He Xin Auto Sales Co., Ltd.		64	—
Service expenses:	(ix)		
China Grand Auto Services Co., Ltd. Dui Long Branch		42	—
China Grand Auto Services Co., Ltd. Tianjing Wuqing Branch		35	—
		77	—
Interest expenses:	(x)		
Dalian Baoxin Huiyu Automobile		2,084	—
Repayment of advances to related parties:	(x)		
Dalian Baoxin Huiyu Automobile		685,359	—

46. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Transactions with related parties (Continued)

(i) The purchases of goods were made according to the published prices and conditions offered by related parties to their major customers.

(ii) The sales of goods were made according to the published prices and conditions offered to the major customers of the Group.

(iii) The charge of lease fee arose from rental of the Group's office building amounting to RMB3,800,000.

(iv) The lease expenses were charged by Xinjiang Tian Hui Auto Service Co., Ltd.

(v) The commission income was made according to the published prices and conditions offered to the major customers of the Group.

(vi) Details of revenue from financial leasing services are given in Note 17.

(vii) Service income were made according to the published prices and conditions offered to the major customers of the Group.

(viii) Other operating income` were made according to the published prices and conditions offered to the major customers of the Group.

(ix) Service expenses were made according to the published prices and conditions offered to the major customers of the Group.

(x) Interest expenses were made with reference to the benchmark interest rate prescribed by the PBOC.

(xi) Advances from Dalian Baoxin Huiyu Automobile, amounting to RMB685,359,000, has been repaid in 2017.

In the opinion of the directors, the transactions listed above between the Group and the aforementioned related parties were conducted in the ordinary and usual course of business and on terms and conditions

(b) Other transaction with related parties:

The Company's ultimate holding company has guaranteed certain bank loans made to the Group of up to RMB 6,474,682,307 as at the end of the reporting period, as further detailed in Note 29 to the financial statements.

(c) Disposal of subsidiaries:

For details of the disposal of subsidiaries, please refer to Note 40.

The related party transactions in respect of items (i), (ii) and (iii) included in (a) mentioned above also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

46. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(d) Balances with related parties

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

Amounts due from related parties:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
Shenyang Xinbaohang	40,835	40,835
All Trust Leasing	3,007	—
China Grand Auto Services Co., Ltd.	1,536	6,810
Shenzhen Chen Feng investment Co., Ltd.	962	—
Xinjiang Grand Real Estate Development Co., Ltd.	—	56,115
Shenzhen Xinao Auto Trading Co., Ltd.	—	34
Xinjiang China Grand Auto Heating Co., Ltd. Miquan Branch	—	5
Shaanxi Tang Xing Auto Sales & Service Co., Ltd.	—	3
	46,340	103,802

46. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(d) Balances with related parties (Continued)

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

Finance lease receivables:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
All Trust Leasing	**278,152**	—

For details of finance lease receivables, please refer to Note 17.

Amounts due to related parties:

		31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
All Trust Leasing	(i)	**50,001**	—
Baoxin Auto Finance I Limited		**3,171**	—
Dalian Baoxin Huiyu Automobile		**1,160,903**	—
Guangxi Electronic and Mechanical Equipment Co., Ltd.		**9**	—
China Grand Auto Services Co., Ltd.		**—**	255
Xinjiang Tian Shu Auto Service Co., Ltd.		**—**	799
Xinjiang Tian Hui Auto Service Co., Ltd.		**—**	10,818
		1,214,084	11,872

(i) As at 31 December 2017, balance with All Trust Leasing was the deposit received in relation to financial lease arrangement in note 17.

As at 31 December 2017, except for finance lease receivables from All Trust Leasing, balances with related parties were unsecured and non-interest bearing, and had fixed repayment terms.

46. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Short term employee benefits	9,736	9,176
Post-employee benefits	—	340
Total compensation paid to key management personnel	9,736	9,516

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

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Financial liabilities				
Senior perpetual capital securities	—	2,708,415	—	2,792,170

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

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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

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

The fair values of the non-current portion of pledged deposits, finance lease receivables, senior perpetual capital securities and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease receivables, and interest-bearing bank and other borrowings as at 31 December 2017 was assessed to be insignificant. Management has assessed that the fair values of the non-current portion of bank loans and other borrowings with floating interest rates approximate to their carrying amounts because the interest rates are adjusted periodically by reference to the fair market interest rates.

The fair values of listed equity investments and derivative instruments are based on quoted prices in active markets (Level 1).

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

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

Liabilities for which fair values are disclosed:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Senior perpetual capital securities	—	—	—	—

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Senior perpetual capital securities	2,792,170	—	—	2,792,170

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

The Group has no significant interest-bearing assets other than pledged bank deposits (Note 26) and cash and bank (Note 28).

The Group's interest rate risk arises from its interest-bearing bank and other borrowings and senior perpetual capitial securities, details of which are set out in Note 29 and Note 35. Borrowings at variable rates expose the Group to the risk of changes in market interest rates.

The Group has entered into interest swap contract to manage its interest rate exposures. The interest swap contract is not designated for hedge purposes and is measured at fair value through profit or loss. As at 31 December 2017, a fair value of RMB6,573,000 was recognised by the Group on interest rate swap.

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

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000* *(Restated)*
2017		
US$	50	(15,811)
US$	(50)	15,811
HK$	50	(788)
HK$	(50)	788
2016		
US$	50	(10,795)
US$	(50)	10,795
HK$	50	—
HK$	(50)	—

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

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

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

As at 31 December 2017, all pledged bank deposits and cash and cash equivalents were deposited with high quality financial institutions without significant credit risk.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 23 to the financial statements.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

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

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

As at 31 December 2017

	On demand	Less than *3 months*	3 to 12 *months*	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	29,000	1,515,235	2,003,049	255,861	5,575,893	9,379,038
Trade and bills payables	439,785	5,472,593	255,423	11,107	—	6,178,908
Financial liabilities in other payables and accruals	1,141,552	—	—	—	—	1,141,552
	1,610,337	6,987,828	2,258,472	266,968	5,575,893	16,699,498

As at 31 December 2016 (Restated)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	29,000	1,065,930	3,864,792	2,897,132	—	7,856,854
Trade and bills payables	287,744	3,956,654	380,275	—	—	4,624,673
Financial liabilities in other payables and accruals	1,036,869	—	—	—	—	1,036,869
Senoir perpetual capital securities	—	60,666	181,998	3,258,628	—	3,501,292
	1,353,613	5,083,250	4,427,065	6,155,760	—	17,019,688

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group conducts its business primarily in Renminbi. Certain bank deposits and bank loans were denominated in foreign currencies. However, the Group's operating cash flow and liquidity has not been subject to significant influence from fluctuations in exchange rate. The Group has entered into forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. As at 31 December 2017, a fair value of RMB33,525,000 (31 December 2016: RMB25,845,000 recognised as asset) was recognised as liability by the Group on forward currency contracts.

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
Interest-bearing bank and other borrowings	8,950,777	7,552,366
Trade and bills payables	6,178,908	4,624,673
Other payables and accruals	1,375,215	1,228,775
Senior perpetual capital securities	—	2,708,415
Less: Cash and bank	3,175,133	3,721,744
Net debt	13,329,767	12,392,485
Equity attributable to owners of the parent	6,820,150	5,002,589
Gearing ratio	66%	71%

49. COMPARATIVE FIGURE

As further explained in Note 39(b), on 22 September 2017, the Group obtained 100% equity interests in Urumqi Yandebao from CGA. Since Urumqi Yandebao and the Group are subsidiaries of CGA, the acquisition was a business combination under common control. The comparative information which includes the consolidated statement of financial position, the consolidated statements of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, and notes to the consolidated financial statements for the comparative period are re-presented as if Urumqi Yandebao had been combined at the beginning of the comparative period.

50. EVENT AFTER THE REPORTING PERIOD

On 5 January 2018, the Group entered into an acquisition agreement with Xin Jiang Long Ze Automotive Services & Management Co., Ltd., an indirectly wholly-owned subsidiary by the Group's ultimate controlling company, China Grand Automative Services, Co., Ltd. The Group agreed to acquire the entire equity interest in Shanghai Xinjie Automobile Sales Service Co., Ltd., which is principally engaged in the distribution of luxury and ultra-luxury automobiles, automobile repair and maintenance services, automobile leasing services and automobile insurance in Shanghai in the People's Republic of China at a total cash consideration of RMB85 million. For details of the acquisition agreement, please refer to the Company's announcement dated 5 January 2018.

On 25 March 2018, the Group entered into an acquisition agreement with Shanghai Zhongguo Automotive Group Co., Ltd. and Hefei Gangrong Hotel Management Co., Ltd. (the "Vendors"). The Group agreed to acquire the entire equity interest of the Vendors' four subsidiaries, which are principally engaged in the distribution of BMW vehicles and maintenance services in Shanghai and Anhui Province in the People's Republic of China with total cash consideration of no more than RMB619 million. For details of the Acquisition Agreement, please refer to the Company's announcement dated 25 March 2018.

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	1,602,133	1,708,451
Derivative financial instruments-non current	6,573	—
Total non-current assets	1,608,706	1,708,451
CURRENT ASSETS		
Prepayments, deposits and other receivables	1,123	5,865
Amounts due from subsidiaries	5,297,892	5,082,308
Derivative financial instruments	—	24,424
Cash and cash equivalents	412,095	227,347
Total current assets	5,711,110	5,339,944
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	490,357	2,886,897
Trade and bills payables	543	581
Other payables and accruals	98,268	120,270
Amounts due to subsidiaries	3,169	122,578
Derivative financial instruments	13,739	—
Total current liabilities	606,076	3,130,326

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	31 December 2017 RMB'000	31 December 2016 RMB'000
NET CURRENT ASSETS	**5,105,034**	2,209,618
TOTAL ASSETS LESS CURRENT LIABILITIES	**6,713,740**	3,918,069
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**5,324,669**	2,751,757
Derivative financial instruments	**19,786**	—
Total non-current liabilities	**5,344,455**	2,751,757
NET ASSETS	**1,369,285**	1,166,312
EQUITY		
Share capital	**23,275**	20,836
Reserves	**1,346,010**	1,145,476
Total equity	**1,369,285**	1,166,312

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

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

The statement of changes in equity

	Share premium *RMB'000*	Share option reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
As at 1 January 2016	1,761,128	31,670	8,305	—	(408,929)	1,398,174
Total comprehensive income for the year	—	—	(148,978)	—	(103,720)	(252,698)
Equity settled share-based transactions	—	(2,651)	—	2,651	—	—
As at 31 December 2016 and 1 January 2017	1,767,128	29,019	(140,673)	2,651	(512,649)	1,145,476
Total comprehensive income for the year	—	—	(60,079)	—	(583,884)	(643,963)
Issue of shares	844,497	—	—	—	—	844,497
As at 31 December 2017	2,611,625	29,019	(200,752)	2,651	(1,096,533)	1,346,010

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

52. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of Directors.

FIVE-YEAR FINANCIAL SUMMARY

Year ended 31 December 2017

	Year ended December 31,				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)			
REVENUE	**34,136,170**	25,708,800	23,776,461	30,723,432	30,081,687
Cost of sales and services provided	**(31,227,868)**	(23,675,264)	(21,587,955)	(27,935,772)	(27,161,294)
Gross profit	**2,908,302**	2,033,536	2,188,506	2,787,660	2,920,393
Other income and gains, net	**598,945**	524,034	357,311	454,574	468,872
Selling and distribution expenses	**(1,078,665)**	(878,775)	(977,024)	(983,221)	(946,815)
Administrative expenses	**(549,047)**	(608,355)	(643,434)	(608,813)	(538,713)
Profit from operations	**1,879,535**	1,070,440	925,359	1,650,200	1,903,737
Finance costs	**(724,353)**	(486,616)	(540,111)	(617,234)	(544,601)
Share of profit of a joint venture	**542**	5,795	5,830	6,783	10,544
Share of profit/(loss) of associates	**4,919**	(137)	(16,151)	–	–
Profit before tax	**1,160,643**	589,482	374,927	1,039,749	1,369,680
Income tax expense	**(358,542)**	(172,583)	(150,656)	(326,115)	(355,345)
Profit for the year	**802,101**	416,899	224,271	713,634	1,014,335
Attributable to:					
Owners of the parent	**803,688**	414,226	220,094	706,644	1,006,805
Non-controlling interests	**(1,587)**	2,673	4,177	6,990	7,530
	802,101	416,899	224,271	713,634	1,014,335
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**25,440,649**	21,803,552	18,811,426	19,776,287	17,871,726
TOTAL LIABILITIES	**(18,581,137)**	(16,761,232)	(13,838,970)	(14,627,487)	(13,148,461)
NON-CONTROLLING INTEREST	**(39,362)**	(39,731)	(37,526)	(60,139)	(53,149)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**6,820,150**	5,002,589	4,934,930	5,088,661	4,670,116

GRAND BAOXIN AUTO GROUP LIMITED
廣匯寶信汽車集團有限公司

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

Stock Code 股份代號：1293

GRAND BAOXIN AUTO GROUP LIMITED
廣匯寶信汽車集團有限公司

2017
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