润东汽车

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

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

Stock Code 股份代號：1365

2017 ANNUAL REPORT 年報

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Yang Peng *(Chairman, executive Director and Chief Executive Officer of the Group)*
Mr. Zhao Zhongjie *(executive Director, Executive President of the Group)*
Mr. Liu Jian *(executive Director, Vice President of the Group) (resigned on 28 March 2018)*
Mr. Mei Jianping *(independent non-executive Director)*
Mr. Lee Conway Kong Wai *(independent non-executive Director)*
Mr. Xiao Zhengsan *(independent non-executive Director)*
Mr. Li Xin *(independent non-executive Director)*

AUDIT COMMITTEE

Mr. Lee Conway Kong Wai *(Chairman)*
Mr. Xiao Zhengsan
Mr. Li Xin

RISK MANANGEMENT COMMITTEE

Mr. Lee Conway Kong Wai *(Chairman)*
Mr. Xiao Zhengsan
Mr. Li Xin

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Mak Tze Fan *(appointed on 28 March 2018)*
Ms. Ho Siu Pik *(resigned on 28 March 2018)*

AUTHORIZED REPRESENTATIVES

Mr. Zhao Zhongjie *(appointed on 28 March 2018)*
Ms. Mak Tze Fan *(appointed on 28 March 2018)*
Mr. Liu Jian *(resigned on 28 March 2018)*
Mr. Ho Siu Pik *(resigned on 28 March 2018)*

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITOR

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

STOCK CODE

1365

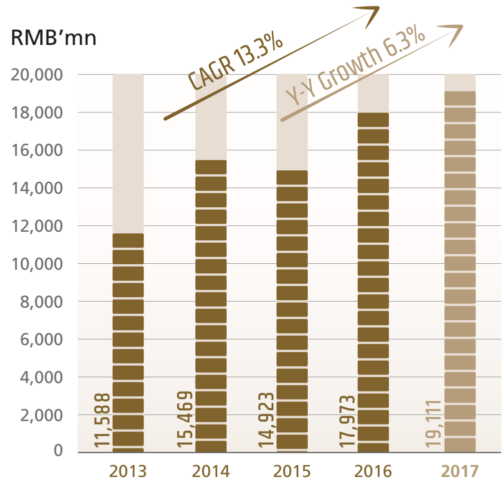
WEBSITE

www.rundong.com.cn

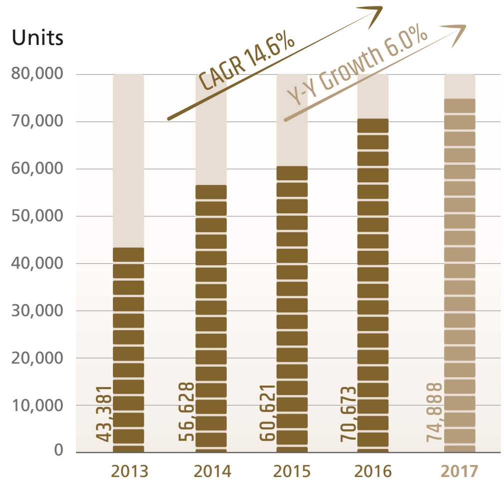
FINANCIAL HIGHLIGHTS

	Year ended December 31				
	2013	2014	2015	2016	**2017**
Results (RMB'000)					
Revenue	11,587,838	15,469,317	14,923,054	17,972,988	**19,111,084**
Net profit	248,393	312,930	203,303	281,397	**260,202**
Financial Position (RMB'000)					
Total assets	8,251,697	10,509,124	12,692,785	14,206,810	**18,406,129**
Shareholders' equity	944,437	1,739,603	3,216,730	3,416,093	**3,631,757**
Financial indicators					
Gross profit margin	8.6%	9.3%	9.3%	9.0%	**6.8%**
Return on equity	30.4%	18.5%	6.5%	8.2%	**7.2%**
Financial information per share					
Earnings per share (RMB)	0.30	0.34	0.20	0.29	**0.28**
Net assets per share (RMB)	1.11	2.06	3.13	3.61	**3.84**

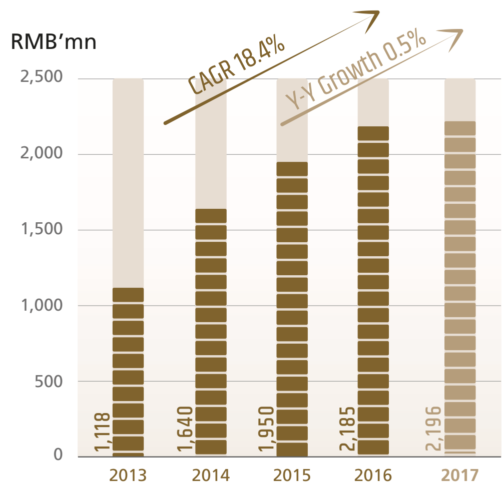
Revenue



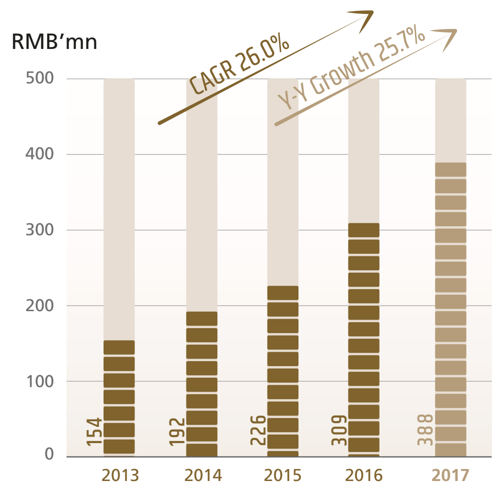
Sales volume of new automobiles



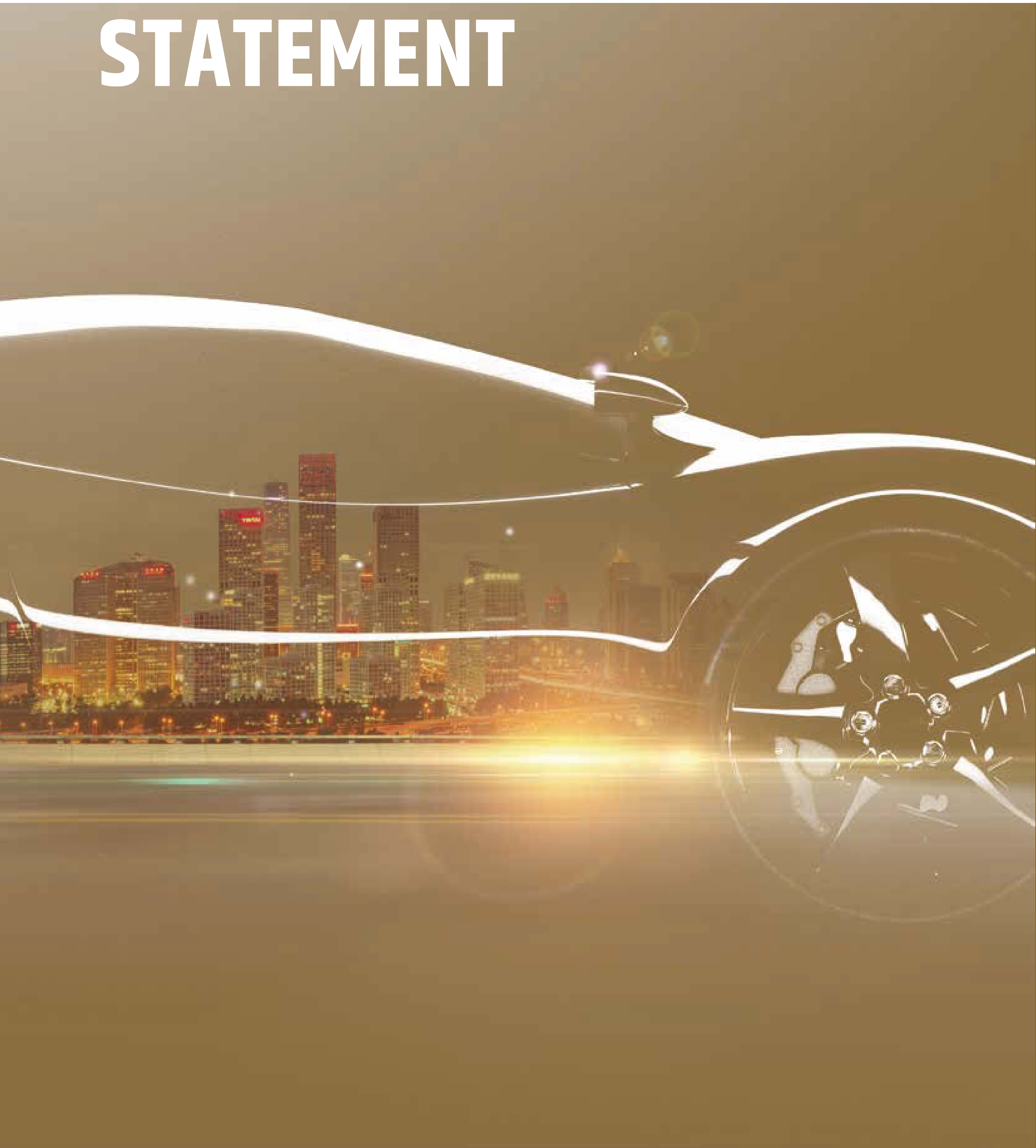
Revenue from after-sales services



Commission income



CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board (the "**Board**") of directors (the "**Directors**") and the management of China Rundong Auto Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**", the "**Company**" or "**we**"), I am pleased to present the 2017 annual report of the Group.

Jointly affected by the reduction of purchase tax preferential policy and the high automobile production and sales data in 2016, China's automobile market has grown slightly in 2017. According to figures released by the China Association of Automobile Manufacturers, total volumes of automobile sales and production in the PRC were 29.015 million units and 28.879 million units respectively, representing a year-on-year growth of 3.2% and 3.0%, with the growth rate dropping by 11.3 percentage points and 10.6 percentage points from last year. Among which, a total of 24.718 million passenger vehicles were sold, a slight increase of 1.4% year-on-year, becoming one of the major factors of low growth of the automobile market. The automotive market in 2017 has clearly shown traces of mature international market, where the contribution of second-hand car transactions to new car sales has increased significantly and the profit model has been rapidly transformed from new car sales to the aftermarket services. China's automobile market has stepped into its mature stage characterised by increasingly mature consumer's consumption habits and experience, obvious consumption upgrade and fiercer market competition. Technological innovation and consumer upgrading are promoting the all-round transformation of the automotive industry on a track of low total growth and high-end structure.

CHAIRMAN'S STATEMENT

RESULTS FOR THE YEAR

Due to the intensified market competition and the effect of the Group's brand structure, the Group's overall performance in the year ended 31 December 2017 (the "**Reporting Period**") recorded a decrease. During the Reporting Period, the Group recorded operating income of RMB19,111.1 million, representing an increase of 6.3% compared to 2016. Among which, our revenue from new automobile sales was RMB16,914.7 million, representing an increase of 7.1% compared with that of 2016, our revenue from after-sales services business was RMB2,196.4 million, representing a slight increase of 0.5% compared with that of 2016. The Group recorded gross profit of RMB1,293.2 million, representing a decrease of 20.3% compared with 2016. In 2017, the Group recorded profit attributable to owners of the parent company of RMB261.0 million, representing a decrease of 4.6% compared with 2016. We recorded an earnings per share of RMB0.28.

BUSINESS STRATEGY

In 2017, the Group, in line with industry development trends, achieved large-scale development through mergers and acquisitions, balanced the growth and profitability of traditional business, and at the same time built the core capabilities of the automotive finance and second-hand car businesses, making them the growth engines for future development.

I. STRENGTHEN NETWORK LAYOUT THROUGH MERGERS AND ACQUISITIONS

With the intensified competition in the auto dealership industry, mergers and acquisitions in the industry become the leading trend. During the Reporting Period, the Group continued to expand its distribution network in the wealthy regions along the east coast of China through prudent acquisitions. During the Reporting Period, we completed the merger and acquisition of automobile dealers such as Yangzhou Huawei Automobile Investment Management Co., Ltd. Upon completion, we newly added 22 4S stores. The aforesaid acquisition will effectively supplement the Group's network layout in East China, thus further expanding the Company's market share and influence therein.

II. BUILD THE CORE CAPABILITIES OF THE AUTOMOTIVE FINANCE AND SECOND-HAND CAR BUSINESSES

During the Reporting Period, the Group established a financial business department at its headquarters to integrate finance business resources and promote the construction of a comprehensive financial platform. During the Reporting Period, the financial business department integrated the Group's internal insurance agency resources and further strengthened cooperation with insurance companies to coordinate planning and arrangement of attempts and promotion of new insurance products and new models, initially formed a unified, compliant, professional and efficient auto insurance agency business management model. The financial business department took active measures to continuously improve the risk control system of the financial leasing business, which lays a solid foundation for the Group's future development.

During the Reporting Period, the Group continued to strengthen the second-hand car business by building a regional second-hand car center and improving the second-hand car management system. Through the introduction of second-hand car remote evaluation platform, we enhanced the evaluation efficiency and pricing accuracy and strengthened the front-end entrance management of second-hand cars. Besides, we established a standardised all-round quality control system to enhance the store sales of second-hand car, and strengthened cooperation with second-hand car e-commerce platform to ensure the efficiency of the second-hand car turnover. Via the establishment of a stable used-car inventory finance channel, the rapid development of the Group's retail business was under support.

III. STRENGTHEN RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM CONSTRUCTION

In order to better control risks and enhance the core role of the Board in risk management, during the Reporting Period, the Board established the risk management committee to assess risks that the Company is willing to take in pursuing its goals, and ensure the establishment and maintenance of effective risk management and internal control systems.

In order to better analyze and evaluate the risk management and internal control system, the Group adjusted the functions of the internal audit department by changing its name from audit department at the beginning of the year to internal control management department with its functions transformed from internal audit to full process and full spectrum comprehensive internal control system management and supervision. Targeting specific risks, internal control management department carried on the supplement, revision and improvement of internal control system, so as to ensure business compliant operations and prevent operational risks.

Prospect and strategy

We are clear-minded about the future. We are determined to become China's leading integrated service provider for luxury automobile cars. The Group will adhere to the development strategy through the opening of stores together with acquisition of stores and integration of production and finance. With automobile sales and services as the core, we will build a full-chain automotive service platform, establish an automotive service ecosystem, strengthen business management, and enhance development levels. Through capital operations, integration of industry and finance, internet innovation, and business scale expansion, the Group will build itself into a comprehensive service provider of leading integrated luxury automobile cars with continuous growth, outstanding performance and core competitiveness. Although we are still operating in a more challenging market environment, we will actively face up to it with strong confidence towards future.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to shareholders, customers and business partners for their support to the Company and all employees for their hard work and look forward to better operating results and development from the Group.

Yang Peng
Chairman

28 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2017, economic growth in China remained stable overall with a year-on-year increase of 6.9% in the gross domestic product (GDP). The contribution of the service industry to economic growth continued to increase. Consumption demand remained the main driving force for economic growth. In 2017, the contribution rate of final consumption to economic growth accounted for 58.8%. The national resident income also maintained a rapid growth, with actual growth rate greater than that of the previous year and the growth of GDP in 2017. Residents consumption level was further raised.

In 2017, automobile production and sales volume in China reached another record high with a production volume of 29.015 million units and a sales volume of 28.879 million units, an increase of 3.2% and 3.0% respectively from last year. China has become the largest automobile producer and the largest new car consumer market in the world for nine consecutive years. However, the booming automobile market in 2016 overdrew the consumption demand to some extent and led to a high comparison base for the total sales in 2017. Besides, consumption demand was further suppressed in 2017 due to phase-out of the preferential policy of vehicle purchase tax. As a result, the growth rate of total sales of passenger vehicles slowed down in 2017, recorded a slight increase compared with 2016. According to the statistics of the China Association of Automobile Manufacturers, sales volume of passenger vehicles amounted to 24.718 million units in 2017, an increase of 1.4% over last year, and sales growth rate dropped 13.5 percentage points over last year. With the improvement of residents consumption level and the increasingly younger consumer base, automobile consumption has obviously entered into the upgrade phase. In 2017, the luxury car sales market maintained a steady growth. The growth rate of the top ten luxury car brands[note] reached 16.0%, far exceeding the growth rate of passenger cars. In 2017, the share of luxury cars in China exceeded 10% for the first time in recent years.

According to the statistics of the Ministry of Public Security, as of the end of 2017, the automobile ownership in China was 217 million units. The proportion of automobiles in motor vehicles continuously increased from 54.9% to 70.2% in the past five years and has become the main sector of motor vehicles. In 2017, a total of 28.13 million vehicles were newly registered in the Traffic Control Department of Public Security Bureau, reached a record high. As automobile ownership and the number of newly registered vehicles continue to rise, the demand for vehicles after-sales services will continue to increase.

Despite the slight growth of the new vehicle market, the second-hand car market has shown persistent prosperity in China. According to the statistics released by the China Automobile Dealers Association, a total of 12.40 million second-hand cars were traded in the second-hand car market in 2017, a year-on-year increase of 19.3% over the previous year, with a transaction amount of RMB809.27 billion. Benefitting from the gradual removal of restricted relocation policy of second-hand cars and the promulgation of the policy for upward adjustment of the cap of loans of second-hand cars, vitality of second-hand car market will be further stimulated and the replacement rate of second-hand cars will continue to rise.

In 2017, with the rapid growth of the automotive consumer market, transformation of consumers and consumer attitudes, further innovation of automotive financial products and participation of more Internet financing providers, auto credit consumption showed a strong momentum of performance. The business of financial institutions has continued to increase. The credit penetration rate of various automobile brands also grew rapidly.

Note: The top 10 luxury car brands consist of Audi, BMW (including MINI), Mercedes-Benz, Jaguar & Land Rover, Lexus, Volvo, Cadillac, Porsche, Infiniti and Lincoln.

BUSINESS REVIEW

For the year ended 31 December 2017, the Group recorded an operating income of RMB19,111.1 million, representing a year-on-year increase of 6.3%, and achieved gross profit of RMB1,293.2 million, representing a year-on-year decrease of 20.3%. Profit attributable to owners of the parent company decreased by 4.6% over last year to RMB261.0 million.

Sales of New Automobiles

During the Reporting Period, sales of new automobile of the Group increased steadily, as the Group selectively expanded its distribution network and consolidated its existing distribution network. During the Reporting Period, revenue from new automobile sales amounted to RMB16,914.7 million, representing a year-on-year increase of 7.1%, among which, revenue from sales of luxury and ultra-luxury automobiles reached RMB12,720.4 million, representing a year-on-year increase of 11.0% and accounting for 75.2% of the revenue from sales of new automobiles. In terms of sales volume, the Group sold a total of 74,888 vehicles during the Reporting Period, an increase of 6.0%, of which, sales volume of luxury and ultra-luxury brand automobiles totaled 36,484 units, an increase of 17.0%.

After-sales Service

In recent years, due to the gradual marketization of vehicle parts and accessories distribution channel, and publicity of automotive maintenance technologies used to be held by 4S stores, the market attractiveness and profitability of maintenance business in 4S stores have declined accordingly. Meanwhile, the vehicle accident frequency reduced due to the reform of commercial auto insurance policy. The above factors caused increasing pressures on the business of after-sales service. During the Reporting Period, to enhance after-sales business, the Group concentrated on four key aspects, namely customer retention management, increase of 4S stores maintenance business from original customers, securing of customer referrals from insurance companies and expansion of car beauty business. Specifically, to ensure the effect in customer retention management and increase of 4S stores maintenance business from original customers, we carried out measures and standards for implementation targeting various brands and stores. In terms of securing customer referrals from insurance companies, we integrated and controlled insurance premium expenditures in exchange of more accident repairs. In terms of car beauty business, we selected competitive products and endeavored to reduce the cost of certain brands products and parts and accessories as well as to improve the gross profit margin via centralized procurement.

During the Reporting Period, after-sales service revenue slightly increased by 0.5% from last year to RMB2,196.4 million, and accounted for 11.5% of the total revenue of the Group. The gross profit of our after-sales service decreased by 9.9% from last year to RMB869.6 million, and the gross profit margin of after-sales service was 39.6%.

Value-added Business

During the Reporting Period, the Group made full use of transactions scenarios provided by 4S stores to focus on, excavate and satisfy customer needs in order to provide diversified and personalized products and services, and to enhance profitability and value of channels and platforms.

The Group established a financial business department in its headquarters to integrate business resources and to promote the construction of a comprehensive financial platform. During the Reporting Period, the Group actively expanded financial channels and strengthened financial cooperation with manufacturers. As a result, income from financial agency business was further improved. During the Reporting Period, income from financial agency service of the Group amounted to RMB170.9 million, an increase of 50.0% over 2016.

During the Reporting Period, the Group continued to strengthen cooperation with insurance companies, and actively launched new insurance products and new business models to enhance differentiated competitiveness. While continuing to increase the penetration rate of products such as scratch insurance, paint work insurance and key insurance, we also introduced new insurance products to target customers in order to ensure a continuous and stable income growth of insurance agency service. During the Reporting Period, income from insurance agency service was RMB200.9 million, an increase of 12.5% over 2016.

During the Reporting Period, the Group continued to strengthen its second-hand car business, built a regional second-hand car center, and improved the second-hand car management system. By setting up our own second-hand car remote evaluation platform, the evaluation efficiency and pricing accuracy of second-hand car were improved, and the front-end entrance management of second-hand car was strengthened. Besides, we established a standardized all-round quality control system to increase our store sales of second-hand car. We also strengthened the cooperation with the second-hand car e-commerce platforms to boost trading volume of second-hand car. Moreover, we established a stable inventory finance channel for second-hand car to further support the rapid development of retail business. During the Reporting Period, income from the second-hand car agency services of the Group amounted to RMB16.0 million.

Brand and Network Layout

During the Reporting Period, the Group constantly optimized its brand portfolio by establishing more luxury brand stores and optimizing the medium-and high-end stores based on prudent evaluation. During the Reporting Period, the Group opened new Alfa Romeo brand stores within 4 Maserati stores, sold 1 Dongfeng Honda 4S store and closed down 1 Dongfeng Nissan exhibition hall, 1 BJEV 4S store and 1 BJEV exhibition hall.

The Group's business focuses on the coastal area of East China. In order to strengthen our dominance of above area, the Group selectively acquired automobile dealerships whose main market is located in Jiangsu Province. During the Reporting Period, the Group completed the equity acquisition of automobile dealers such as Huawei Automobile. The Group increased 6 Audi 4S stores, 12 FAW-Volkswagen 4S stores and 4 mid-to-high end brand 4S stores through acquisition.

As at 31 December 2017, the Group's brand portfolio includes nine luxury brands, namely BMW, MINI, Jaguar, Land Rover, Audi, Alfa Romeo, Lexus, Cadillac and Chrysler; two ultra-luxury brands, namely Maserati and Ferrari; 14 mid- to high-end brands, namely Buick, Hyundai, Ford, Chevrolet, Shanghai-Volkswagen, Kia, Dongfeng Honda, GAC-Honda, FAW-Toyota, GAC-Toyota, Toyota, Dongfeng Nissan, Zhengzhou Nissan and FAW-Volkswagen.

As at 31 December 2017, the Group operated 88 stores in total, of which 64 were located in Jiangsu Province, 14 in Shandong Province, 6 in Shanghai, 2 in Zhejiang Province, 1 in Anhui Province and 1 in Liaoning Province.

As at 31 December 2017, the distribution of the Group's network of dealership stores was as follows:

	Brand	Number of stores
Luxury and ultra-luxury brands	Maserati and Ferrari	1
	Maserati and Alfa Romeo	4
	BMW and MINI	23
	Jaguar & Land Rover	7
	Audi	10
	Cadillac	2
	Lexus	1
	Chrysler	1
Mid- to high-end brands	Buick, Hyundai, Ford, Chevrolet, Shanghai-Volkswagen, Kia, Dongfeng Honda, GAC-Honda, FAW-Toyota, GAC-Toyota, Toyota, Dongfeng Nissan, Zhengzhou Nissan and FAW-Volkswagen	39
Total		88

PROSPECTS AND STRATEGY

In 2018, it is expected that the automobile dealer industry will still face consumption upgrade and intensifying market competition. At the same time, with the impact of emerging technologies and business models such as the online platforms, the focus of the industry expansion will accelerate its shift to after-sales and value-added market. In terms of business segments, the second-hand car market will maintain a stable development trend, and the automobile financing business will show a great potential for development and will become a huge impetus for adjustment and transformation of the industry.

According to the analysis and judgment on the industry's overall trends and development potential, and based on our existing resources and operating conditions, the Group will strive to continuously optimize business operations, adjust brand structure, enhance profitability, and focus on organic growth, so as to become an integrated service provider of luxury car with high efficiency, outstanding advantages and strong core competitiveness.

In terms of operations, the Group will continue to optimize brand portfolio and dealership network so as to boost sales of new automobiles. Besides, the Group will further promote delicacy management to improve profitability. The Group will emphasize on after-sales service and value-added business to optimize business structures. Specifically, the Group will concentrate on the expansion of three strategic businesses namely automobile accessories, second-hand car and automobile financing. Furthermore, the Group will seek new growth points for profit through an extended value chain so as to build up new business expertise and strengthen core competitiveness.

In terms of management, the Group will emphasize on target-oriented and result-oriented philosophy, and promote the reform of operational and incentive mechanisms so as to maximize the vitality of the Group and enthusiasm of the staff. The Group will further strengthen the building of organization and workforce to effectively improve efficiency, execution and productivity.

In terms of internal supervision, the Group will make more efforts to carry out regular audit activities, to enhance establishment and implementation of risk management and internal control systems. Through effective efforts, the Group has confidence in ensuring business operations in compliance with laws and regulations, risks and personnel are under control and effective operation of internal control system.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, our revenue was RMB19,111.1 million, representing an increase of 6.3% compared with 2016, primarily attributable to the increases in revenue from our key operations of luxury and ultra-luxury automobiles sales and after-sales service.

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

	For the year ended 31 December				
Source of turnover	2017 Turnover *(RMB'000)*	Contribution *(%)*	2016 Turnover *(RMB'000)*	Contribution *(%)*	Change *(%)*
New automobile sales					
Luxury and ultra-luxury brands	**12,720,425**	**66.6**	11,464,740	63.7	11.0
Mid- to high-end brands	**4,194,267**	**21.9**	4,322,909	24.1	-3.0
Subtotal	**16,914,692**	**88.5**	15,787,649	87.8	7.1
After-sales business					
Luxury and ultra-luxury brands	**1,726,958**	**9.0**	1,669,152	9.3	3.5
Mid- to high-end brands	**469,434**	**2.5**	516,187	2.9	-9.1
Subtotal	**2,196,392**	**11.5**	2,185,339	12.2	0.5
Total	**19,111,084**	**100**	17,972,988	100	6.3

During the Reporting Period, revenue from the sales of automobiles increased by RMB1,127.0 million, or 7.1% from 2016, mainly attributable to an increase in the Group's sales of luxury and ultra-luxury automobiles. Revenue generated from automobile sales accounted for 88.5% of our revenue for the Reporting Period. Revenue generated from sales of luxury and ultra-luxury brands and mid- to high-end brands accounted for 75.2% and 24.8% of our revenue from automobile sales, respectively.

Revenue from our after-sales business slightly increased by 0.5%, from RMB2,185.3 million in 2016 to RMB2,196.4 million in 2017.

Cost of sales and services

Cost of sales and services increased by 9.0% from RMB16,350.5 million in 2016 to RMB17,817.9 million for the year ended 31 December 2017.

The cost of sales and services of the automobile sales business amounted to RMB16,491.1 million for the Reporting Period, representing an increase of RMB1,360.7 million, or 9.0%, from 2016. The sales cost of the after-sales business amounted to RMB1,326.8 million for the year ended 31 December 2017, representing an increase of RMB106.7 million, or 8.7%, from 2016.

Gross profit and gross profit margin

Gross profit for the year ended 31 December 2017 was RMB1,293.2 million, representing a decrease of RMB329.3 million, or 20.3%, from 2016. Gross profit from automobile sales decreased by 35.5% from RMB657.3 million for the year ended 31 December 2016 to RMB423.6 million in 2017. Gross profit from after-sales business decreased by 9.9% from RMB965.2 million for the year ended 31 December 2016 to RMB869.6 million in 2017. Automobile sales and after-sales business contributed 32.8% and 67.2% respectively to our total gross profit in 2017.

Comprehensive gross profit margin for the year ended 31 December 2017 was 6.8%, lower than the gross margin in 2016, of which the gross profit margin of new automobile sales was 2.5% (2016: 4.2%) due to intensified market competition and the product cycle of the main agency car brands of the Group. Gross profit margin of after-sales business was 39.6% (2016: 44.2%), due to the shrinking after-sales market of mid- to high-end brand car and falling prices of components and parts.

Other income and net gains

Other income and net gains increased by 35.7% from RMB347.2 million for the year ended 31 December 2016 to RMB471.1 million in 2017, of which commission income increased by 25.7% from RMB308.5 million for the year ended 31 December 2016 to RMB387.8 million in 2017.

Selling and distribution expenses

Selling and distribution expenses of the Group amounted to RMB474.0 million for the year ended 31 December 2017, representing a decrease of 1.4% over RMB480.8 million in 2016, mainly due to the decrease of advertisement and business promotion expenses of the Group.

Administrative expenses

Administrative expenses of the Group amounted to RMB511.7 million for the year ended 31 December 2017, representing an increase of 4.2% over the administrative expenses of RMB491.1 million in 2016, mainly due to the increase of employee benefit expense.

Finance costs

Finance costs of the Group amounted to RMB393.4 million for the year ended 31 December 2017, representing a decrease of 18.1% over the finance costs of RMB480.7 million in 2016, primarily attributable to repayment of the syndicated loan in 2016.

Profit from operations

Profit from operations of the Group amounted to RMB376.7 million for the year ended 31 December 2017, representing a decrease of 11.8% over RMB427.2 million in 2016. Operating profit margin for the Reporting Period was 2.0%, representing a decrease of 0.4 percentage point over 2.4% in 2016.

Income tax expenses

Income tax expenses of the Group amounted to RMB116.5 million for the year ended 31 December 2017 and the effective tax rate was 30.9%.

Profit for the year

Profit for the year of the Group amounted to RMB260.2 million for the year ended 31 December 2017, representing a decrease of 7.5% over RMB281.4 million in 2016. Net profit margin during the Reporting Period was 1.4%, representing a decrease of 0.2 percentage point over 1.6% in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 31 December 2017, cash and cash equivalents amounted to RMB1,218.1 million, representing a decrease of 1.7% from RMB1,239.0 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, to acquire dealership stores and to fund our working capital and daily operating costs. We financed our liquidity requirements through short-term bank loans and other borrowings and cash flows generated from our operating activities.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from the capital market from time to time.

For the year ended 31 December 2017, we had a net cash inflow from operating activities of RMB431.2 million (2016: RMB796.1 million), a net cash outflow from investing activities of RMB203.4 million (2016: RMB396.5 million) and a net cash outflow of RMB252.6 million (2016: RMB662.7 million) generated from financing activities.

Net current liabilities

As at 31 December 2017, we had net current liabilities of RMB2,405.5 million, representing an increase of RMB1,272.8 million over the net current liabilities of RMB1,132.7 million as at 31 December 2016, as a result of the increase of interest-bearing bank and other borrowings.

Capital expenditure

Our capital expenditures primarily comprise expenditures on property, plant and equipment, and intangible assets. For the year ended 31 December 2017, our total capital expenditure was RMB237.6 million (2016: RMB300.7 million).

Inventory

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

Our inventory increased by 21.6% from RMB2,175.2 million as at 31 December 2016 to RMB2,644.7 million as at 31 December 2017, primarily due to the increase in new automobile procurement in response to expansion in scale and preparation for peak season during the Chinese New Year.

Our average inventory turnover days for the year ended 31 December 2017 increased to 49 days from 44 days in 2016.

Trade receivables

Trade and bills receivables increased from RMB337.6 million for the year ended 31 December 2016 to RMB413.9 million for the year ended 31 December 2017, primarily due to the increase of receivables in relation to automobile financing lending as a result of the increase in automobile sales.

Bank loans and other borrowings

As at 31 December 2017, the Group's available but unused banking facilities were RMB5,813.1 million (31 December 2016: RMB5,296.5 million).

Our bank loans and other borrowings as at 31 December 2017 were RMB7,489.8 million, an increase of RMB2,155.8 million from RMB5,334.0 million as at 31 December 2016. The increase was to meet the working capital requirements.

Interest rate risk and foreign exchange risk

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

Gearing ratio

Our gearing ratio (defined as the sum of interest-bearing bank loans and other borrowings divided by shareholders' equity as at the end of the Reporting Period and then multiplied by 100%) as at 31 December 2017 was 206.2% (31 December 2016: 156.1%).

Human resources

As at 31 December 2017, the Group had 6,145 employees (31 December 2016: 4,854). Total staff costs for the year ended 31 December 2017, excluding directors' remuneration, were RMB369.7 million (2016: RMB317.7 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, we did not have any material contingent liabilities or guarantees.

Pledge of the Group's assets

The Group pledged its assets as securities for bank loans, other borrowings and banking facilities which were used to finance daily business operation. As at 31 December 2017, the pledged assets of the Group amounted to RMB6,135 million.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report of the Group's annual report for the year ended 31 December 2017.

1. CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to achieving high corporate governance standards.

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

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

The Board is of the view that the Company has fully complied with the code provisions set out in the CG Code during the year ended 31 December 2017, except for the deviation from code provision A.2.1:

Code Provisions A.2.1

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

2. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code during the year ended 31 December 2017.

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

3. THE BOARD

(1) Responsibilities

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

(2) Authorization

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

(3) Board composition

The Board currently comprises six Directors, including two executive Directors and four independent non-executive Directors. As at the date of this report, the members of the Board are set out below:

Executive Directors	Yang Peng *(Chairman and Chief Executive Officer)* Zhao Zhongjie *(Executive President)* Liu Jian *(Vice President)* *(Resigned on 28 March 2018)*
Independent Non-executive Directors	Mei Jianping Lee Conway Kong Wai Xiao Zhengsan Li Xin

The biographical information of the Directors is set out in the section headed "Directors and Senior Management Profiles" on pages 35 to 37 of this annual report.

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

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

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

(4) Independent non-executive Directors

During the year ended 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 at least one third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Mr. Li Xin, an independent non-executive Director, has confirmed in writing his independence when he was appointed during the Reporting Period.

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

(5) Appointment and re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing on 8 June 2017 unless terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of the independent non-executive Directors has entered into his appointment letter with the Company for a term of one year. It could be renewed automatically for one year, provided that it may be not approved at the shareholders' meeting in case he shall be subject to retirement from office and re-election under the Listing Rules.

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

Pursuant to article 16.18 of the Articles, Mr. Mei Jianping, Mr. Lee Conway Kong Wai and Mr. Xiao Zhengsan will retire at the annual general meeting of the Company to be held on 7 June 2018 (the "**AGM**") and are eligible for re-election.

In addition, pursuant to article 16.3 of the Articles, Mr. Li Xin, who was appointed as an independent non-executive Director by ordinary resolution at the Company's annual general meeting held on 8 June 2017, shall hold office until the AGM and is eligible for re-election.

(6) Continuous professional development of Directors

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

Two newly appointed Directors were provided by the Company with formal, comprehensive and tailored induction on their appointments in 2017, to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

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

During the year ended 31 December 2017, all Directors received regular briefings, seminars, conferences and/or updates on the Group's business, operations, risk management, corporate governance, responsibilities and obligations of Directors and other relevant matters. Materials on new or changes to salient laws and regulations applicable to the Group were provided to the Directors. All Directors have provided the Company with their respective training records pursuant to the CG Code.

(7) Attendance of Directors and committee members

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

	Attendance/Number of Meetings				
Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	General Meeting
Executive Directors					
Yang Peng	4/4	1/1	1/1		1/2
Liu Dongli Note 1	3/3				1/2
Zhao Zhongjie	4/4				0/2
Liu Jian	3/4				0/2
Shen Mingming Note 2	1/2				0/0
Non-executive Director					
Yan Sujian Note 3	1/1			1/1	0/2
Independent Non-executive Directors					
Peng Zhenhuai Note 4	1/1	1/1	1/1	1/1	0/2
Mei Jianping	3/4	1/1	1/1		0/2
Lee Conway Kong Wai	3/4			2/2	1/2
Xiao Zhengsan Note 5	4/4	1/1	1/1	1/1	0/2
Li Xin Note 6	3/3	0/0	0/0	1/1	0/0

Notes:

1. Mr. Liu Dongli resigned as an executive Director on 4 December 2017. Three Board meetings and two general meetings were held before his resignation.

2. Mr. Shen Mingming was appointed as an executive Director on 8 June 2017, and he resigned on 4 December 2017. Two Board meetings were held during his tenure as a Director.

3. Mr. Yan Sujian retired as a non-executive Director on 8 June 2017. One Board meeting, one Audit Committee meeting and two general meetings were held before his retirement.

4. Mr. Peng Zhenhuai retired as an independent non-executive Director and a member of the Nomination Committee, the Remuneration Committee and the Audit Committee on 8 June 2017. One Board meeting, one Nomination Committee meeting, one Remuneration Committee meeting, one Audit Committee meeting and two general meetings were held before his retirement.

5. Mr. Xiao Zhengsan was appointed as a member of the Audit Committee on 8 June 2017. One Audit Committee meeting was held upon his appointment.

6. Mr. Li Xin was appointed as an independent non-executive Director and a member of the Nomination Committee, the Remuneration Committee and the Audit Committee on 8 June 2017. Three Board meetings and one Audit Committee meeting were held upon his appointment.

7. The Risk Management Committee was formed by the Board on 20 December 2017. No Risk Management Committee meeting was held in 2017.

Except for regular Board meetings, the Chairman also held a meeting with non-executive Directors (including independent non-executive Directors) on 30 March 2017 with executive Directors being absent. All relevant Directors attended the meeting.

During the year ended 31 December 2017, the Board held four meetings to review the 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.

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

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

4. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

5. BOARD COMMITTEES

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

(1) Nomination Committee

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

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

For the year ended 31 December 2017, the Nomination Committee held one meeting for discussing the structure and composition of the Board, and considering and approving the resolutions in relation to the measurable objectives set for implementing the Board Diversity Policy and the proposals on newly appointed Directors. Details of each committee member's attendance at the Nomination Committee meeting are set out in "Attendance of Directors and Committee members" above.

Board Diversity Policy

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

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

(2) Remuneration Committee

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

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

For the year ended 31 December 2017, the Remuneration Committee held one meeting for review of the policy and structure of the remuneration of the Directors and senior management, assessment of the performance of the senior management and the remuneration proposals for newly appointed Directors, as well as review and approval of the management's remuneration proposals with the reference to the Board's corporate goals and objectives. Details of each committee member's attendance at the Remuneration Committee meeting are set out in "Attendance of Directors and committee members" above.

Details of the amount of Directors' remuneration are set out in note 9 to the financial statements.

For the year ended 31 December 2017, the aggregate emoluments payable to members of senior management fell within the following band:

Emolument Range	Individual
HK$ Nil to HK$1,000,000	3

(3) Audit Committee

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely, Mr. Lee Conway Kong Wai (chairman of the Committee), Mr. Xiao Zhengsan and Mr. Li Xin.

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

During the year ended 31 December 2017, the Audit Committee held two meetings to conduct the following works:

(a) reviewed:

- (i) the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016;
- (ii) the announcement of annual results; and
- (iii) the annual report of the Company for the year ended 31 December 2016;

(b) reviewed:

- (i) the unaudited consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2017;
- (ii) the interim result announcement; and
- (iii) the interim report of the Company for the six months ended 30 June 2017;

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

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

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

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

The Company's annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee.

Details of each committee member's attendance at the Audit Committee meetings are set out under "Attendance of Directors and committee members" above.

The Audit Committee also held two meetings with external auditor with executive Directors being absent.

(4) Risk Management Committee

In order to strengthen the risk management of the Company and ensure effective supervision on the internal control system and risk management by the Board, the Board established the Risk Management Committee on 20 December 2017.

The Risk Management Committee is authorized by the Board to oversee the Group's overall risk management framework and advise the Board on risk management matters of the Company. The Risk Management Committee is also responsible for regularly assessing the effectiveness of risk management and internal controls and reviewing environmental, social and governance issues.

The Risk Management Committee comprises three independent non-executive Directors, namely, Mr. Lee Conway Kong Wai (chairman of the Committee), Mr. Xiao Zhengsan and Mr. Li Xin. No meeting was held by the Risk Management Committee during the Reporting Period since it was established at the end of the year.

As at the date of this report, the Risk Management Committee has completed the review of the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2017. The Board confirmed that the Company maintained a sound and effective risk management and internal control system.

6. CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

7. DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL REPORT

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

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

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

8. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 53 to 59 of this annual report.

During the year, the remuneration paid or payable to the Company's external auditor in respect of audit services for the year ended 31 December 2017 is RMB6.05 million. There were no non-audit services provided during the year ended 31 December 2017.

9. RISK MANAGEMENT

The Company has set up an organizational structure with clarified responsibilities and reporting procedures to strengthen risk management. In 2017, the Board established the Risk Management Committee to assist the Board in monitoring risk exposure and to design and enhance the effectiveness of risk management.

Board	• Take overall responsibility for risk management of the Company • Assess and determine the nature and extent of risks that the Company could bear for achieving business objectives • Oversee the design, implementation and monitoring of risk management by the management
Risk management committee	• Assist the Board of Directors in monitoring risk management performance and major risks • Consider the Company's risk management strategies • Consider, review and approve risk management policies and guidelines • Monitor the effectiveness of risk management • Monitor environmental, social and governance matters
Internal audit department	• Independent assessment of risk management systems utilizing audit procedures
Management	• Design, implement and monitor risk management systems • Notify the Risk Management Committee of major risks and report on actions to be taken to manage those risks • Confirm the effectiveness of risk management of the Company
Business department	• Identify risks, evaluate and execute risk control and rectify measures under respective responsible department

Risk Management Procedures

As for the Company's risk management procedures, the Plan-Do-Check-Act (PDCA) recurring model was adopted to identify issues during the course of business and daily operation of the Group, to advise responsive measures against major risks and to monitor their implementation, so as to fully implement risk management in the operation of the Group. The Company's risk management procedures are shown as follows:

Phase P Information Collection and Risk Identification

- Collect primary information on risk management of various departments and business lines of the Group
- Conduct a comprehensive risk assessment to identify potential risks

Phase D Risk Assessment and Risk Management

- Assess and score the impact of identified risks on the business and the likelihood of occurrence
- Set up risk management strategies and specific implementation plans for the assessment results

Phase C Risk Reporting and Risk Monitoring

- Periodically report on the results of implementation of risk management for respective business lines
- The management regularly monitors the execution of risk management plans for each departments and makes rectification recommendation

Phase A Enhancement and improvement of risk management

- Standardise the measures which were proved to be effective during the implementation of risk management, so as to continue to implement those measures in the subsequent works
- Summarise the issues existed during the implementation of risk management and devise rectification plans, so as to improve the quality of risk management

Major Risks

Description of major risks	Risk control measures
Business risk The slowing down of sales of new automobile and increasing brand competition in the automobile industry in the PRC put pressure on the profitability of automobile dealerships. With the implementation of Measures for the Administration of Automobile Sales (汽車銷售管理辦法), various forms of automobile sales have been developed, and industry competition has further intensified. The agency automobile brands and prices of the Group are facing fierce competition from competitors.	• The Company will continuously monitor the market competition; • The Company will implement a definite strategy to maintain the development of new car sales, meanwhile deploy the development of the second-hand car and financial business so as to accelerate the business transformation to the automotive post-market; • The Company maintains its competitive position through improving service quality, innovating service products and brand promotion to gain market recognition.
Financial risk Changes in financial market may have adverse impact on the financial condition of the Company. The Group is exposed to various financial risks, such as interest rate risk, foreign currency risk and liquidity risk.	Please refer to note 41 to the financial statements for details.
Investment and financing risk • The automobile industry was not optimistic as expected in general with declining growth rate of sales volume; • Turnover rate of inventory of new automobiles was slowing and realising capability was weakening; • The expansion of the Group and increasing of inventory resulted in increasing costs; • The financing channel was single and the financing cost was high. These internal and external factors may result in the decline of the Company's solvency and debt crisis; the increase in financing cost may lead to the decrease in profitability of the Company.	• According to the development strategies of the Company and based on our own actual condition, the Company will formulate scientific financing plans; • Actively expand financing channels; • Optimise capital usage structure and reasonably allocate funds.

Description of major risks	Risk control measures
Legal and compliance risk The risk is caused by loss arising from violation or non-compliance with applicable laws, regulations or contracts.	• Seek for internal and external legal advice for business activities or new business; • Designate specific legal personnel to review the contracts; • The internal control department conducts specific review of compliance.
Merger, acquisition and integrating risk The Group will carry out selective acquisition when appropriate opportunities arise in the market, and expand the business scale and coverage of districts. After obtaining the control of the acquiree, uncertainties in respect of management, financial and human recourses will be exposed during the course of take-over, planning and integration, which may have adverse impact on the financial performance, operating results and prospect.	• The management will listen to the progress and periodic report on the consolidation, closely follow up the significant consolidation matters and make adjustment in a timely manner, to provide guidelines to identified issues in time; • Formulate and implement management and control measures based on local situations; • Develop a stable operation team; • Set up a reasonable and effective financial consolidation mechanism.

Since the Group is operating under keen competition environment, persistent and effective risk management is the key factor for achieving outstanding performance and business objectives. Facing with the continuously severe market environment, the Group will continue to perfect the model and framework of risk management, and speed up the implementation of risk management responsibilities and obligations of each department.

10. INTERNAL CONTROL

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

The Board conducts review at least once a year on the effectiveness of the internal control systems of the Group, including the adequacy of resources, staff qualifications and experience of the Company's accounting and financial staffs, as well as their training programmes and budget.

The Internal Control Management Department of the Company is responsible for the Company's internal audit function, analyzing and making an independent assessment of the effectiveness of the Company's internal control system. The Internal Control Management Department will formulate the annual internal audit plan on the basis of risk assessment every year. The audit plan will focus on the operation of principal business segment and functional department and high risk business activities. The annual internal audit plan will be subject to the consideration and approval by the Audit Committee at the beginning of every year.

In 2017, the Internal Control Management Department has consistently made an overall audit on the stores and specific audit on internal control and other audit specifics, as well as made assessment on operation and management status of stores and regions. As to various risk and management issues identified during the audit, the Internal Control Management Department will periodically follow and promote the remedies of the units being audited, and effectively propel the continuous improvement of risk management and internal control system. The Internal Control Management Department will report to the Audit Committee regularly.

The Board, through the Audit Committee and the Risk Management Committee, has conducted a review on the risk management and internal control system of the Company and its subsidiaries for the year ended 31 December 2017. Such review covered the areas of finance, operation, compliance and risk management of the Group. The Board confirmed that these systems are effective and sufficiency.

11. WHISTLE BLOWING POLICY

A whistle blowing policy was adopted by the Company to ensure inappropriate business practices and behaviors are reported and properly handled. The policy includes the set up of a reporting hotline and an electronic mailbox. Acceptance and follow-up processing will be performed by the Internal Control Management Department at the direction of the Audit Committee. Procedures and controls are in place to ensure the informant's identity is kept confidential.

12. INSIDE INFORMATION POLICY

An inside information policy was adopted by the Company. The policy covers the scope, procedures and steps of handling and dissemination of inside information for the purpose of compliance with the obligation of processing and publication of inside information.

13. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and extraordinary general meetings. The chairman of the Board, independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at general meetings to meet shareholders and answer their enquiries. In addition, to promote effective communication, the Company maintains a website at www.rundongauto.com, where up-to-date information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

14. COMPANY SECRETARIES

Mr. Zhou Jian and Ms. Ho Siu Pik resigned as company secretaries of the Company on 6 July 2017 and 28 March 2018, respectively, and Ms. Mak Tze Fan of Tricor Services Limited, an external service provider, was engaged as the company secretary of the Company on 28 March 2018. The chief responsibilities of the Company Secretary include supporting the Board in business transactions, ensuring good communication and flow of information within the Board and the compliance of the policies and procedures of the Board, and advising the Board on governance matters, assisting Directors to their new positions and overseeing their training and continuous professional development. Ms. Mak's primary contact person at the Company is Ms. Xu Xiaojun, the Board secretary of the Company. The biographical details of Ms. Mak Tze Fan are set out on page 37 of this annual report.

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

15. GOING CONCERN CAPABILITY

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

16. SHAREHOLDERS' RIGHTS

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

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

Procedure for convening an extraordinary general meeting by shareholders

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

Procedure for putting forward proposals at general meetings

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

Procedure for putting forward enquiries to the Board

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

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

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

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

17. CONSTITUTIONAL DOCUMENTS

The Company has adopted its Amended and Restated Memorandum and Articles of Association on 23 July 2014, which have already come into effect on 12 August 2014 and have been amended by the special resolutions passed on 5 August 2015 and on 20 January 2017.

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

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

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS

The Board currently consists of six Directors, comprising two executive Directors and four independent non-executive Directors.

Executive Directors

Mr. Yang Peng (楊鵬), aged 48, is our Chairman, executive Director and Chief Executive Officer of our Group as well as the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Yang has substantial experience in the automobile dealership industry. He is the founder of our Group and has been the president of our Group since March 1998. Mr. Yang is responsible for our Group's overall business development and strategic planning. Mr. Yang also serves as a director/corporate representative of various subsidiaries of the Company. From October 1999 to October 2001, he served as the deputy general manager of Jiangsu Hangao Information Industry Co., Ltd. (江蘇漢高信息產業股份有限公司). The Hangao Food website of this company (www.hangaofood.com) is the first "Pilot Urban E-Commerce Project" in the PRC and a significant technological breakthrough project under the "Ninth Five-Year Plan". Mr. Yang Peng also worked at the finance department of Xuzhou Transportation Bureau (徐州市交通局財務科) from September 1990 to September 1992. Mr. Yang obtained an EMBA degree from Cheung Kong Graduate School of Business in October 2009.

Mr. Zhao Zhongjie (趙忠階), aged 48, is an executive Director and Executive President responsible for management of investment development and partnership with major manufacturers. Mr. Zhao also serves as a director and supervisor of various subsidiaries of the Company. Mr. Zhao joined our Group in July 2004 and has held various positions within our Group including secretary of the Board of our Group from July 2004 to December 2007, the vice general manager of our Group from January 2007 to October 2010, deputy general manager of the management company in Xuzhou area and the director responsible for investment and development of our Group from October 2010 to March 2012 and deputy chief president responsible for investment and development of our Group from March 2012 to March 2013. He was the Executive Vice president of our Group from March 2013 and was promoted as the Executive President of our Group in November 2013. Mr. Zhao has more than ten years of experience in the automobile dealership industry and his past experiences include being responsible of various investments and network development, human resources, financial accounting, business operations of our Group. Mr. Zhao obtained an MBA degree from China Europe International Business School in September 2009.

Mr. Liu Jian (劉健) **(resigned on 28 March 2018)**, aged 49, was an executive Director and Vice President of our Group up to 28 March 2018. Mr. Liu joined our Group in October 2002 and has held various positions within our Group since then. From 2003 to 2005, Mr. Liu was the chief operating officer and the chief marketing officer of our Group. Thereafter, Mr. Liu served as the deputy general manager of Xuzhou Rundong Automobile Sales Management Company Limited, the general manager of Xuzhou Rundong Zhitian Automobile Sales and Services Company Limited and Xuzhou Rundong Zhicheng Automobile Sales and Services Company Limited since 2006, the assistant general manager of our Group from 2007 to 2008 and the deputy general manager of our Group from 2009 to 2012. Prior to joining our Group, he was the secretary of the board of directors and head of the human resources department of Jiangsu Hangao Information Industry Co., Ltd. (江蘇漢高信息產業股份有限公司) from October 1999 to September 2002. Mr. Liu obtained an MBA degree from the School of Business of Nanjing University in June 2010.

Independent Non-executive Directors

Mr. Mei Jianping, aged 57, is an independent non-executive Director and the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Mei has been a professor of Finance at Cheung Kong Graduate of Business since 2006. He is currently an independent non-executive director of Powerlong Real Estate Holdings Limited (HK stock code: 1238), MIE Holdings Corporation (HK stock code: 1555) and Cultural Investment Holdings Company Limited (Shanghai stock code: 600715). Mr. Mei served as an independent non-executive director of Ground Properties Company Limited (HK stock code: 989) from November 2013 to December 2017. Mr. Mei received a doctorate degree in economics (finance) from Princeton University in January 1990.

Mr. Lee Conway Kong Wai (李港衛), aged 63, is an independent non-executive Director and the chairmen of the Audit Committee and the Risk Management Committee of the Company. Mr. Lee has over 30 years of experience in public accounting and auditing, corporate finance, merger and acquisition and initial public offerings. From September 1980 to September 2009, Mr. Lee served as a partner of Ernst & Young. Mr. Lee is currently an independent non-executive director of West China Cement Limited (HK stock code: 2233), Chaowei Power Holdings Limited (HK stock code: 951), GOME Retail Holdings Limited (formerly known as "GOME Electrical Appliances Holding Limited") (HK stock code: 493), Tibet Water Resources Ltd (HK stock code: 1115), NVC Lighting Holding Limited (HK stock code: 2222), China Modern Dairy Holdings Ltd. (HK stock code: 1117), Yashili International Holdings Ltd (HK stock code: 1230), Guotai Junan Securities Co., Ltd. (HK stock code: 2611, Shanghai stock code: 601211), GCL New Energy Holdings Limited (HK stock code: 451) and WH Group Limited (HK stock code: 288). Mr. Lee also acted as a non-executive director and deputy chairman of China Environmental Technology and Bioenergy Holdings Limited (formerly known as "Merry Garden Holdings Limited") (HK stock code: 1237) from July 2014 to September 2015. Mr. Lee also acted as an independent non-executive director of CITIC Securities Company Limited (HK stock code: 6030, Shanghai stock code: 600030) from November 2011 to May 2016. Mr. Lee also acted as an independent non-executive director of China Taiping Insurance Holdings Company Limited (HK stock code: 966) from October 2009 to August 2013. Mr. Lee has been a member of the Institute of Chartered Accountants in England and Wales since October 2007, the Institute of Chartered Accountants in Australia and New Zealand since December 1996, the Association of Chartered Certified Accountants since September 1983, the Hong Kong Institute of Certified Public Accountants since March 1984 and the Macau Society of Certified Practising Accountants since July 1995. From 2007 to the end of 2017, Mr. Lee was a member of the Chinese People's Political Consultative Conference of Hunan Province. Mr. Lee obtained his post graduate diploma in business at Curtin University of Technology in Australia in February 1988.

Mr. Xiao Zhengsan (肖政三), aged 54, is an independent non-executive Director and members of the Nomination Committee, the Remuneration Committee, the Audit Committee and the Risk Management Committee of the Company. Mr. Xiao has been a director of the exhibition department and deputy secretary general of China Automobile Dealers Association (中國汽車流通協會) since August 2008, and has been promoted to the secretary general since November 2014. Mr. Xiao has been a vice-chairman of China Auto Modification Accessories Association since January 2017. He served as a supervisor of Baocheng Investment Co., Ltd. (寶誠投資股份有限公司) (Shanghai stock code: 600892) from July 2003 to June 2008. Mr. Xiao obtained a bachelor's degree in financial accounting from Jiangxi University of Finance and Economics in July 1984.

Mr. Li Xin (李鑫), aged 45, is an independent non-executive Director and members of the Nomination Committee, the Remuneration Committee, the Audit Committee and the Risk Management Committee of the Company. He has been the president of Beijing Zhongzhi Shengdao Management Consultant Limited (北京中智盛道企業管理諮詢有限公司) since 2013. Currently, Mr. Li Xin is also a director of Qingdao ZhongFang Elink Development Investment Limited (青島中紡億聯開發投資有限公司), the vice president of Qingdao Elink Group Incorporation Company Limited (青島億聯集團股份有限公司), an executive director and the general manager of Qingdao Fashion Show Network Technology Co., Ltd. (青島時尚秀場網絡科技有限公司), the chairman of Beijing Fashion Show Technology Company Limited (北京時尚秀場科技股份有限公司) and a director of Beijing AZSY Technology Company Limited (北京愛知世元科技股份有限公司), a company listed on the National Equities Exchange and Quotations, stock code: 834817. He is also employed as a professor at the Tsinghua University Training Centre of Professional Managers and a graduate tutor at the Beihang University in China. Prior to those positions, he was a director of SmartHeat, Inc. (Nasdaq stock code: HEAT) from 2009 to 2015 and the chief executive officer of Shenggao Consulting Group (盛高諮詢集團) from 2007 to 2013. Mr. Li is very experienced in management consulting and has been involved in the consultancy of renowned companies such as the headquarters of China Everbright Bank (中國光大銀行總行), Beijing Haidian Science Park (北京海澱科技園), Xtep International Holdings Limited (Hong Kong stock code: 1368), Shaanxi Xindalu Group (陝西新大陸集團), Panjiang Holdings (盤江控股), Xinjiang Electric Power Design Institute (新疆電力設計院), Delisi Group (德利斯集團) and Baolingbao Biology Company Limited (Shenzhen SME Board stock code: 002286). Mr. Li obtained an MBA degree from Beihang University in China in April 2004.

COMPANY SECRETARY

Ms. Mak Tze Fan (麥子芬) was appointed as the Company Secretary of the Company on 28 March 2018. Ms. Mak is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Mak has over 20 years of experience in the corporate service field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. She is very experienced in corporate advisory and regulatory compliance, corporate restructuring and dissolution of companies. Ms. Mak is a Chartered Secretary and a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

REPORT OF DIRECTORS

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

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other details of subsidiaries of the Company are set out in note 42 to the financial statements.

SUBSIDIARIES

Please refer to note 42 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated financial statements.

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 past five financial years are set out on page 3 of this annual report.

BUSINESS REVIEW

For discussion and analysis as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair view of the Company and a discussion of the principal risks and uncertainties exposed to the Company, particulars of significant events affecting the Company that have occurred subsequent to the end of the financial year of 2017, an indication of likely future development in the Company's business, are set out in sections headed the "Financial Highlights", "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" of this annual report. The said discussion forms part of this Report of Directors.

ENVIRONMENTAL POLICY AND PERFORMANCE

While maintaining the leading quality of service in the industry, the Company is also dedicated to the environmental protection, safety and health and social responsibility during the development of the Group by setting up an ESG management system that is in line with business development. By adhering to the concept of sustainable development, we proactively monitor the environmental, social and governance risks in our own operations, so as to achieve sustainable growth of our Group.

By adhering to the concept of sustainable development, the Company consistently increases investment in environmental protection to achieve social and environmental benefits, in order to make contributions to achieve green and sustainable environment. To this end, the Company has formulated a series of environmental, social and governance policies and has taken corresponding measures for implementation. During the Reporting Period, there was no violation against laws and regulations related to environment, society and governance and no material adverse effect on environment and society.

As for the environmental aspect, the Company has adopted effective energy conservation and emission reduction measures in its 4S stores and its head office to enhance the utilization efficiency of resources such as water, electricity and energy, as well as to reduce the emissions to the environment. The Group's 5S stores are more focused on integrating the concept of sustainable development into operations and services. As for the social aspect, we adhere to the service concept of "respect, altruism, happiness (尊重、利他、快樂)", and develop a comprehensive and rigorous business processes for ensuring quality service, protecting customer rights, paying attention to customers' views and others, so that customers could enjoy a pleasant and perfect experience during each of the procedure of services. At the time of ensuring the quality of services, we also put effort into preventing corruption, protecting the rights and interests of employees and supporting social public welfare undertaking.

On the basis of taking responsibilities actively, the Company also discloses environmental, social and governance information initiatively. According to the requirements relating to the Environmental, Social and Governance Reporting Guide of the Stock Exchange, the Company will promptly announce an environmental, social and governance report of 2017 which discloses the environmental, social and governance information of the Company during the reporting period in 2017. For more information about the environmental, social and governance of the Company for the financial year of 2017, please refer to the environmental, social and governance report of 2017 to be published by the Company. After the publication of the report, it will be available for inspection or download at the website of the Stock Exchange.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company commits to strictly complying with relevant governing laws and regulations of relevant jurisdictions where the Company operates. To the knowledge of the Directors, during the Reporting Period, the Company has complied with all the relevant laws and regulations of significant impact on the Company.

RESERVES

As at 31 December 2017, distributable reserves of the Company amounted to RMB3,621.7 million. Details of movements in reserves of the Company during the year are set out in note 31 to the financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend to the shareholders of the Company for the year ended 31 December 2017.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 7 June 2018. Notice of the AGM will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 4 June 2018 to Thursday, 7 June 2018, both dates inclusive, during which time no transfer of shares will be registered. To qualify for attending and voting at the AGM, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 1 June 2018 for registration of the relevant transfer.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

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

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

CONNECTED TRANSACTION

The advance from Mr. Yang Peng, the Chairman and a substantial shareholder of the Company; and compensation of Directors included as compensation of key management personnel of the Group set out in note 39 to the financial statements constitute connected transactions under Chapter 14A of the Listing Rules. The above transactions are exempt from the relevant reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

OTHER BORROWINGS

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

CONTINGENT LIABILITIES:

Other than the property defectives mentioned in notes 13 and 14 to the financial statements, as at 31 December 2017, neither the Group nor the Company had any significant contingent liabilities.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

The Company has received an annual confirmation from its controlling shareholders, Rundong Fortune Investment Limited, Cheerful Autumn Holding Limited, Rue Feng Holding Limited and Mr. Yang Peng to confirm that from the date of execution of non-competition undertaking to the year ended 31 December 2017, they had been in compliance with the non-competition undertaking provision set out in the prospectus of the Company, and they did not engage or hold any interest in any business which is or is likely to be in competition, directly or indirectly, with the business of the Group.

The independent non-executive Directors had reviewed the above undertaking and concluded that Rundong Fortune Investment Limited, Cheerful Autumn Holding Limited, Rue Feng Holding Limited and Mr. Yang Peng had been in compliance with the non-competition undertaking from the date of execution of non-competition undertaking to the year ended 31 December 2017.

DIRECTORS

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

Executive Directors	Yang Peng *(Chairman and Chief Executive Officer)* Liu Dongli *(Vice Chairman)(resigned on 4 December 2017)* Shen Mingming *(President)(appointed on 8 June 2017 and resigned on 4 December 2017)* Zhao Zhongjie *(Executive President)* Liu Jian *(Vice President) (resigned on 28 March 2018)*
Non-executive Director	Yan Sujian *(Vice Chairman) (retired on 8 June 2017)*
Independent Non-executive Directors	Peng Zhenhuai *(retired on 8 June 2017)* Mei Jianping Lee Conway Kong Wai Xiao Zhengsan Li Xin *(appointed on 8 June 2017)*

Pursuant to article 16.18 of the Articles, Mr. Mei Jianping, Mr. Lee Conway Kong Wai and Mr. Xiao Zhengsan will retire at the AGM to be held on 7 June 2018. In addition, pursuant to article 16.3 of the Articles, Mr. Li Xin, who was appointed as an independent non-executive Director by ordinary resolution at the Company's annual general meeting held on 8 June 2017, shall hold office until the AGM. All of the retiring Directors will offer them for re-election at the AGM.

CHANGE IN DIRECTORS' INFORMATION PURSUANT TO THE RULE 13.51B(1) OF THE LISTING RULES

Changes in Directors' information since the publish of the 2017 interim report of the Company, that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Resignation of Directors

Mr. Liu Dongli and Mr. Shen Mingming resigned as executive Directors with effect from 4 December 2017.

2. Change of Directors' biographies

Mr. Mei Jianping resigned as an independent non-executive director of Ground International Development Limited (HK stock code: 989) on 27 December 2017.

Mr. Lee Conway Kong Wai ceased to be a member of the Chinese People's Political Consultative Conference of Hunan Province from 31 December 2017. He was appointed as the chairman of the Risk Management Committee of the Company with effect from 20 December 2017.

Both Mr. Xiao Zhengsan and Mr. Li Xin were appointed as members of the Risk Management Committee of the Company with effect from 20 December 2017.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years and each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of one year and it may be renewed one year automatically. The appointment may be terminated by either the Company or the Director on not less than three months' notice in writing. The Directors shall retire by rotation and be eligible for re-election in accordance with the Articles.

None of the Directors (including those proposed for re-election at the forthcoming AGM) has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN MAJOR TRANSACTION, ARRANGEMENT OR CONTRACTS

Save as disclosed under note 39 to the financial statements, no major transactions, arrangement or contract to which the Company, its holding company or any of its subsidiaries was a party, and in which a Director of the Company or an entity connected with such Director had a material interest, whether directly or indirectly subsisted at any time during the year ended 31 December 2017.

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS OR ITS SUBSIDIARIES

In 2017, the Company obtained a financial assistance from Mr. Yang Peng, a controlling shareholder. As at 31 December 2017, the borrowing provided by Mr. Yang Peng was RMB226,397,000. Mr. Yang Peng did not obtain any interest from the financial assistance and the Group did not provide any assets as pledge.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

As of 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in shares or underlying shares of the Company

Name of Director/ Chief Executive	Nature of Interest	Number of Shares or underlying shares(1)	Approximate percentage of shareholding interest
Yang Peng(2)(4)	Interest of controlled corporation, beneficial owner	1,347,046,288 (L)	142.32%
Liu Dongli(3)(4)	Beneficiary of a trust, beneficial owner	4,278,028 (L)	0.45%
Zhao Zhongjie(4)(5)	Beneficiary of a trust, beneficial owner	4,516,198 (L)	0.48%
Liu Jian(4)(6)	Beneficiary of a trust, beneficial owner	2,814,734 (L)	0.30%
Yan Sujian(4)(7)	Beneficiary of a trust, beneficial owner	2,950,182 (L)	0.31%

Notes:

(1) The letter "L" denotes the person's long position in such shares.

(2) Mr. Yang Peng as the protector of the Run Feng family trust is deemed to be interested in the shares held as he has the power to appoint and remove, and to amend the rights of, the trustee to the Run Feng family trust, currently being HSBC International Trustee Limited. Mr. Yang Peng is also (a) beneficially interested in 14,759,541 management subscription shares pursuant to the Management Subscription; and (b) interested in 664,268,747 convertible preference shares, as he is deemed to be interested in the same number of convertible preference shares which Rundong Fortune Investment Limited is interested in under the SFO.

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

(3) Mr. Liu Dongli is beneficially interested in (a) 3,095,120 management subscription shares; and (b) 1,182,908 ordinary shares as a beneficiary of the trust. He resigned as a Director on 4 December 2017.

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

(5) Mr. Zhao Zhongjie is beneficially interested in (a) 3,095,120 management subscription shares; and (b) 1,421,078 ordinary shares as a beneficiary of the trust.

(6) Mr. Liu Jian is beneficially interested in (a) 1,942,240 management subscription shares; and (b) 872,494 ordinary shares as a beneficiary of the trust. He resigned as a Director on 28 March 2018.

(7) Mr. Yan Sujian is beneficially interested in (a) 1,767,274 management subscription shares and; (b) 1,182,908 ordinary shares as a beneficiary of the trust. He retired as a Director on 8 June 2017.

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

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

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

Name of Shareholder	Nature of Interest	Number of Shares (1)	Approximate percentage of shareholding interest
Rundong Fortune Investment Limited(2)	Beneficial owner	1,332,286,747 (L)	140.76%
Cheerful Autumn Holdings Limited(2)	Interest in controlled corporation	1,332,286,747 (L)	140.76%
Rue Feng Holdings Limited(2)	Interest in controlled corporation	1,332,286,747 (L)	140.76%
HSBC International Trustee Limited(2)	Trustee	1,332,286,747 (L)	140.76%
China Construction Bank Corporation(3)	Person having a security interest in shares	325,949,347 (L)	34.44%
Central Huijin Investment Ltd.(3)	Person having a security interest in shares	325,949,347 (L)	34.44%
LanHai International Trading Limited(4)	Person having a security interest in shares	848,270,747 (L)	89.62%
Lanhai Holding (Group) Company Limited(4)	Person having a security interest in shares	848,270,747 (L)	89.62%
Mi Chunlei (密春雷)(4)	Person having a security interest in shares	848,270,747 (L)	89.62%
OCI International Holdings Limited(5)	Person having a security interest in shares	78,000,000 (L)	8.24%

Notes:

(1) The letter "L" denotes the person's long position in such shares.

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

(3) Pursuant to a deed of charge, Rundong Fortune Investment Limited has pledged certain shares in favor of Cheer Hope Holding Limited, which is wholly controlled by CCBI Investments Limited, which is wholly controlled by CCB International (Holding) Limited, which is wholly controlled by CCB Financial Holding Limited, which is wholly controlled by CCB International Group Holding Limited, which is wholly controlled by China Construction Bank Corporation, which is in turn 57.26% controlled by Central Huijin Investment Ltd.

(4) Pursuant to a deed of charge, Rundong Fortune Investment Limited has pledged certain shares in favor of LanHai International Trading Limited, which is wholly controlled by Lanhai Holding (Group) Company Limited, which is in turn 99% controlled by Mr. Mi Chunlei (密春雷).

(5) Pursuant to a deed of charge, Rundong Fortune Investment Limited has pledged certain shares in favor of OCI International Holdings Limited.

Save as disclosed above, as at 31 December 2017, the Company was not aware of any person (who are not Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be registered pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

a. Pre-IPO Share Option Scheme

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

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

				Number of share options						
Type of participant	Date of grant	Exercise period	Vesting period	Exercise price per Share	Outstanding as at 1 January 2017	Granted during the Reporting Period	Lapsed/ forfeited during the Reporting Period	Exercised during the Reporting Period	Expired during the Reporting Period	Outstanding as at 31 December 2017
Employees	15 November 2011	Note 1	Note 2	US$0.3573	5,199,767	113,753	611,808	–	–	5,642,933

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

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

The Listing Date of the Company was 12 August 2014.

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

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

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

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

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

During the Reporting Period, none of the Pre-IPO Share Options was granted or exercised.

b. Share Option Scheme

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

The Share Option Scheme has been terminated on 14 August 2015.

c. Management Subscriptions

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

The Completion of the Management Subscriptions with respect to each of the Management Subscribers and the Connected Management Subscribers will take place in four installments (the "**Installment Completion**") as following:

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

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

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

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

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

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

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

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

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

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

As the results of 2015, 2016 and 2017 cannot fulfill the Subscription Conditions, the management cannot subscribe 80% of the shares in total for the previous three years, details of which are set out in the below table:

	Total subscription number (shares)	Number of cancelled shares not fulfilled the Subscription Conditions (shares)	Remaining number of subscription shares (shares)
Yang Peng	36,898,851	29,519,080	7,379,771
Liu Dongli Note 1	7,737,800	7,737,800	–
Zhao Zhongjie	7,737,800	6,190,240	1,547,560
Liu Jian	4,855,600	3,884,480	971,120
Yan Sujian Note 1	4,418,186	4,418,186	–
Zhu Lidong Note 2	3,477,800	3,477,800	–
Jiang Xiaofei Note 1	3,077,800	3,077,800	–
Zhao Ruoxu	4,077,800	3,262,240	815,560
Zhou Jian Note 1	4,777,800	4,777,800	–
Lee Nan-Pin Note 3	3,477,800	3,477,800	–
Total	80,537,237	69,823,226	10,714,011

Notes:

1. Mr. Liu Dongli, Mr. Yan Sujian, Mr. Jiang Xiaofei and Mr. Zhou Jian resigned their positions in 2017.

2. Mr. Zhu Lidong resigned his position in 2016.

3. Mr. Lee Nan-Ping resigned his position in 2015.

RETIREMENT BENEFIT SCHEME

As stipulated by the PRC state regulations, the Mainland China subsidiaries shall participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 14% to 22% (2016: 14% to 22%) of the year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

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

None of the retirement schemes have provisions for the forfeiture of contributions made to the scheme. Contributions to these plans are expensed as incurred. The Group's contributions to the retirement benefit schemes charged to the consolidated income statement for the year ended 31 December 2017 was RMB37.03 million (2016: RMB36.07 million).

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an housing provident fund at 5% to 12% (2016: 5% to 10%) of the salaries and wages of the employees, which is administered by the Provident Fund Administration Center. There is no further obligation on the part of the Group except for such contributions to the housing provident fund.

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

EMOLUMENT POLICY

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

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

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

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

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and senior management's liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

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.

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 Reporting Period, and sales to the Group's five largest customers accounted for less than 30% of the Group's total sales during 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 80.4% (2016: 73.5%) and the largest supplier accounted for 46.0% (2016: 30.0%) of the Group's total purchases for the year ended 31 December 2017.

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

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

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

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

PUBLIC FLOAT

For the whole year ended 31 December 2017 and up to the date of this annual report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed the minimum percentage of public float as required by the Listing Rules.

AUDITOR

Our external auditor, Ernst & Young, will retire and a resolution for its reappointment as the auditor of the Company will be proposed at the forthcoming AGM of the Company.

EVENTS AFTER THE REPORTING PERIOD

Please refer to note 43 to the financial statements of this annual report for details of events after the Reporting Period.

On behalf of the Board
Yang Peng
Chairman

28 March 2018

INDEPENDENT AUDITOR'S REPORT

EY 安永

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

OPINION

We have audited the consolidated financial statements of China Rundong Auto Group Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 60 to 148, 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 Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(Continued)*

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

Key audit matter	How our audit addressed the key audit matter
Business Combinations	
During the year ended 31 December 2017, the Group completed acquisitions of certain car dealerships at a total consideration of approximately RMB650 million. The accounting for these acquisitions involved significant estimation of the management for the purchase price allocation mainly in relation to the valuation of property, plant and equipment, land use rights, intangible assets which include dealership agreements and customer relationship. The Group engaged an external independent appraiser to perform the valuation. The appraisal on the fair value of the identifiable assets and liabilities at the acquisition date was in the process of finalization, and a provisional goodwill of RMB657 million was recognized based on a preliminary allocation of the purchase consideration as at the acquisition date. The Group's disclosures about acquisition are included in Note 2.4 and Note 32 in the financial statements.	Our audit procedures, among others, included an assessment of the valuation methodologies adopted by the appraiser and the assumptions used in valuation of the assets acquired and liabilities, also an assessment of estimations used by the management. In addition, we further involved our internal specialists to assist us with evaluating the competency, capabilities and objectivity of the external appraiser, assessing a sample of selected stores based on risk assessment for the methodologies, assumptions and estimations used by the management, by reference to the historical experience and available market information. We checked the accounting for preliminary allocation of the purchase consideration. We have also checked the Group's disclosure on the business combinations in Note 32 in the financial statements.

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill	
The goodwill of the Group arose from business combinations, amounted to RMB1,358 million as at 31 December 2017, which represented 7% of the total assets. The Group is required to perform impairment testing on goodwill annually. The management's assessment process involves significant estimates and judgements, including assessing expected future cash flow forecasts, associated growth rates and the discount rates applied. The Group utilizes external valuation expert to assist on the goodwill impairment assessment, which requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate applied to the cash flow forecast of goodwill impairment consideration. The Group's disclosures about goodwill are included in Note 2.4, Note 3 and Note 18 in the financial statements.	Our audit procedures, among others, included an assessment of the evaluation and testing the methodologies, key assumptions, and determination of cash-generating units, cash flow forecast and other data used by the Group. In addition, we further involved our internal specialists to assist us with assessing the competence, capabilities and objectivity of the external valuation expert, reviewing a sample of selected stores based on risk assessment for the assumptions and methodologies used by the management, and the discount rate applied to the cash flow forecast. Furthermore, we assessed the basis of preparing the cash flow forecasts taking into account the back testing results on the previous forecasts and the historical data related to the underlying assumptions. We also evaluated the growth rate used to extrapolate the cash flow by comparing against internal information, and external economic and available market information.

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Rebate Receivables	
The Group recorded accruals of vendor rebate amounted to RMB1,401 million in the consolidated financial statements resulting from the rebates receivables in accordance with the applicable terms and conditions of the suppliers' agreements. The accruals for vendor rebates involved management estimation and the extent of rebates entitlement under the respective categories of vendor rebate. Specific factors management considered included the recent historical sales volume patterns, the rebate rates applied and any other available information concerning the creditworthiness of suppliers. The Group's disclosures about rebates receivables are included in Note 2.4, Note 3 and Note 22 in the financial statements.	Our audit procedures, among others, included understanding the basis of rebate receivables made, and assessing the consistency of rebates receivables policies applied. We assessed the management estimation by reference to historical experience and trend, and checked sales volume to the historical actual sales and assessed rebate rates with rates as stipulated in the agreements. We also checked the calculation prepared by management, and checked to subsequent receipts after 31 December 2017.

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

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 the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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.

- 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.

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong

28 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	5(a)	**19,111,084**	17,972,988
Cost of sales	6(b)	**(17,817,884)**	(16,350,479)
Gross profit		**1,293,200**	1,622,509
Other income and gains, net	5(b)	**471,140**	347,225
Selling and distribution costs		**(473,973)**	(480,779)
Administrative expenses		**(511,663)**	(491,081)
Other expenses		**(8,532)**	(90,038)
Finance costs	7	**(393,438)**	(480,652)
Profit before tax	6	**376,734**	427,184
Income tax expense	8	**(116,532)**	(145,787)
Profit for the year		**260,202**	281,397
Profit for the year attributable to:			
Owners of the parent		**261,000**	273,515
Non-controlling interests		**(798)**	7,882
		260,202	281,397
Earnings per share attributable to ordinary equity holders of the parent:	12		
Basic			
– For profit for the year (RMB)		**0.28**	0.29
Diluted			
– For profit for the year (RMB)		**0.16**	0.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Profit for the year		**260,202**	281,397
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment		**(32,475)**	32,475
Exchange differences on translation of foreign operations		**3,973**	(11,146)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**(28,502)**	21,329
Other comprehensive income/(loss) for the year, net of tax		**(28,502)**	21,329
Total comprehensive income for the year, net of tax		**231,700**	302,726
Total comprehensive income for the year attributable to:			
Owners of the parent		**232,498**	294,844
Non-controlling interests		**(798)**	7,882
		231,700	302,726

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	**31 December 2017 *RMB'000***	31 December 2016 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**3,828,489**	3,209,989
Land use rights	*14*	**755,420**	467,157
Intangible assets	*15*	**573,554**	451,579
Prepayments	*16*	**309,209**	609,209
Finance lease receivables	*17*	**779**	1,179
Goodwill	*18*	**1,358,066**	700,724
Available-for-sale investments	*19*	**59,680**	149,300
Deferred tax assets	*29*	**1,510**	7,794
Total non-current assets		**6,886,707**	5,596,931
CURRENT ASSETS			
Inventories	*20*	**2,644,686**	2,175,151
Trade receivables	*21*	**413,904**	337,570
Finance lease receivables	*17*	**5,138**	3,148
Prepayments, deposits and other receivables	*22*	**4,197,784**	2,616,354
Cash in transit	*23*	**23,144**	31,550
Pledged bank deposits	*24*	**3,016,625**	2,207,144
Cash and cash equivalents	*25*	**1,218,141**	1,238,962
Total current assets		**11,519,422**	8,609,879
TOTAL ASSETS		**18,406,129**	14,206,810
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*28*	**647,953**	896,775
Deferred tax liabilities	*29*	**201,511**	151,386
Total non-current liabilities		**849,464**	1,048,161
CURRENT LIABILITIES			
Trade and bills payables	*26*	**4,294,374**	3,036,578
Other payables and accruals	*27*	**2,338,919**	1,817,941
Amount due to a related party	*39*	**226,397**	168,822
Interest-bearing bank and other borrowings	*28*	**6,841,828**	4,437,234
Income tax payable		**223,390**	281,981
Total current liabilities		**13,924,908**	9,742,556
NET CURRENT LIABILITIES		**(2,405,486)**	(1,132,677)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,481,221**	4,464,254
EQUITY			
Equity attributable to owners of the parent			
Share capital	*30*	**5**	5
Reserves	*31*	**3,621,699**	3,388,911
		3,621,704	3,388,916
Non-controlling interests		**10,053**	27,177
Total equity		**3,631,757**	3,416,093
TOTAL EQUITY AND LIABILITIES		**18,406,129**	14,206,810

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent											
	Share capital RMB'000 (note 30)	Share premium RMB'000 (note 30)	Merger reserve RMB'000 (note 31 (i))	Share option reserve RMB'000 (note 35)	Statutory reserve RMB'000 (note 31(ii))	Other reserve RMB'000 (note 31(iii))	Available-for-sale investment revaluation reserve RMB'000 (note 31(iv))	Exchange fluctuation reserve RMB'000 (note 31(v))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	5	2,026,648*	522,797*	6,434*	164,516*	–*	–*	(2,165)*	404,303*	3,122,538	94,192	3,216,730
Profit for the year	–	–	–	–	–	–	–	–	273,515	273,515	7,882	281,397
Other comprehensive income/(loss)	–	–	–	–	–	–	32,475	(11,146)	–	21,329	–	21,329
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	32,475	(11,146)	273,515	294,844	7,882	302,726
Acquisition of non-controlling interests of subsidiaries	–	–	–	–	–	(30,603)	–	–	–	(30,603)	(74,897)	(105,500)
Transfer from retained earnings	–	–	–	–	50,165	–	–	–	(50,165)	–	–	–
Equity-settled share option arrangements	–	–	–	2,137	–	–	–	–	–	2,137	–	2,137
At 31 December 2016 and 1 January 2017	5	2,026,648*	522,797*	8,571*	214,681*	(30,603)*	32,475*	(13,311)*	627,653*	3,388,916	27,177	3,416,093
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**261,000**	**261,000**	**(798)**	**260,202**
Other comprehensive income/(loss)	**–**	**–**	**–**	**–**	**–**	**–**	**(32,475)**	**3,973**	**–**	**(28,502)**	**–**	**(28,502)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(32,475)**	**3,973**	**261,000**	**232,498**	**(798)**	**231,700**
Acquisition and addition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10,851**	**10,851**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(27,177)**	**(27,177)**
Transfer from retained earnings	**–**	**–**	**–**	**–**	**54,860**	**–**	**–**	**–**	**(54,860)**	**–**	**–**	**–**
Equity-settled share option arrangements	**–**	**–**	**–**	**290**	**–**	**–**	**–**	**–**	**–**	**290**	**–**	**290**
At 31 December 2017	**5**	**2,026,648***	**522,797***	**8,861***	**269,541***	**(30,603)***	**–***	**(9,338)***	**833,793***	**3,621,704**	**10,053**	**3,631,757**

* These reserve accounts comprise the consolidated reserves of RMB3,388,911,000 and RMB3,621,699,000, respectively, in the consolidated statements of financial position as at 31 December 2016 and 2017.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Operating activities			
Profit before tax		**376,734**	427,184
Adjustments for:			
Depreciation and impairment of property, plant and equipment	6(c)	**236,394**	266,561
Amortisation of intangible assets	6(c)	**33,185**	33,224
Amortisation of land use rights	6(c)	**13,422**	13,645
Finance costs	7	**393,438**	480,652
Interest income	5(b)	**(30,169)**	(21,108)
(Gain)/Loss on disposal of items of property, plant and equipment	5(b)/6(c)	**(2,765)**	11,602
Gain on disposal of available-for-sale investment	19	**(28,120)**	–
Loss from disposal of a subsidiary	33	**1,545**	–
Equity-settled share option expense	35	**290**	2,137
Increase in inventories		**(97,112)**	(364,699)
(Increase)/decrease in trade receivables		**34,271**	(85,795)
Increase in prepayments, deposits and other receivables		**215,069**	(298,696)
Decrease/(increase) in finance lease receivables		**(1,590)**	849
(Increase)/decrease in pledged bank deposits		**(305,970)**	(508,391)
Decrease in cash in transit		**12,185**	16,056
Increase in trade and bills payables		**675,944**	261,561
Increase/(decrease) in other payables and accruals		**(923,630)**	680,330
		603,121	915,112
Income taxes paid		**(171,903)**	(118,963)
Net cash flows generated from operating activities		**431,218**	796,149
Investing activities			
Purchase of items of property, plant and equipment		**(237,590)**	(300,991)
Proceeds from disposal of items of property, plant and equipment		**206,573**	107,343
Refund of land use rights		**–**	267
Proceeds from disposal of a subsidiary	33	**7,297**	–
Proceeds from acquisition of subsidiaries	32	**13,980**	–
Purchase of intangible assets		**(356)**	(40)
Interest received		**29,554**	21,108
Proceeds from disposal of an available-for-sale investment		**81,120**	–
Purchase of available-for-sale investment		**(4,000)**	(4,000)
Prepayment for potential acquisitions, net		**(300,000)**	(220,199)
Net cash flows used in investing activities		**(203,422)**	(396,512)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Financing activities			
Acquisition of non-controlling interests		–	(105,500)
Proceeds from interest-bearing bank and other borrowings		17,016,497	12,436,902
Repayment of interest-bearing bank and other borrowings		(17,003,743)	(12,312,808)
Interest paid		(393,438)	(480,652)
Advance from a substantial shareholder	39	57,575	168,822
Increase in other payable	27	427,200	–
Increase in pledged bank deposits		(356,681)	(369,505)
Net cash flows (used in)/generated from financing activities		(252,590)	(662,741)
Net decrease in cash and cash equivalents		(24,794)	(263,104)
Net foreign exchange differences		3,973	(11,146)
Cash and cash equivalents at beginning of year		1,238,962	1,513,212
Cash and cash equivalents at end of year	25	1,218,141	1,238,962
Analysis of balances of cash and cash equivalents			
Cash and bank balances	25	1,218,141	1,238,962
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		1,218,141	1,238,962

1. CORPORATE AND GROUP INFORMATION

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

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

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

2.1 BASIS OF PRESENTATION

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

The Group recorded net current liabilities of RMB2,405,486,000 as at 31 December 2017. The Directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the financial statements are prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of 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).

2.1 BASIS OF PRESENTATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 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*

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

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's consolidated financial statements as at 31 December 2017.

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 Customer*[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, HKAS 12 and HKAS 23*[2]

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

[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:

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:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value as the investments are intended to be held for the foreseeable future.

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

(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. The group will perform a more detailed analysis which considers all reasonable and supportable information for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

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.

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. Based on the management's analysis, the Group does not expect significant impact on the Group's revenue recognition upon adoption of HKFRS 15.

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

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 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. 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 operating leasing commitment as at 31 December 2017 was RMB563,580,000 (Note 37). 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.

In January 2018, the HKICPA issued HKFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, HKFRS 17 will replace the existing HKFRS 4 Insurance Contracts. The standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in HKFRS 4, which are largely based on grandfathering previous local accounting policies, the standard provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

Amendments to HKAS 28 issued in January 2018 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture.

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

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.

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 amendments are 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 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)*

Annual Improvements to HKFRSs 2014-2016 Cycle, issued in March 2017, sets out amendments to HKFRS 1, HKFRS 12 and HKAS 28. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments are as follows:

- HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards: Deletes the short-term exemptions for first-time adopters because the reliefs provided in the exemptions are no longer applicable.

- HKAS 28 Investments in Associates and Joint Ventures: Clarifies that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries when applying the equity method. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognised; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent. These amendments should be applied retrospectively.

Annual Improvements to HKFRSs 2015-2017 Cycle, issued in February 2018, sets out amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments are as follows:

- HKFRS 3 Business Combinations: Clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value.

- HKFRS 11 Joint Arrangements: Clarifies that when an entity that participates in, but does not have joint control of a joint operation, obtains joint control over that joint operation that is a business, it does not remeasure the interest it previously held in that joint operation.

- HKAS 12 Income Taxes: Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.

- HKAS 23 Borrowing Costs: Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sales are complete. (or add the expected impact upon initial application)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

(b) Fair value measurement

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

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

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

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:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Fair value measurement *(Continued)*

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

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

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

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

(c) Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets (other than goodwill)

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

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

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

(g) Leases

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

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

The Group as lessor

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Land use rights

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

(i) Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Subsequent measurement *(Continued)*

Available-for-sale investments

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

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

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)*

(j) Derecognition of financial assets

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

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

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

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

(k) Impairment of financial assets

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

Financial assets carried at amortised cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Financial assets carried at amortised cost *(Continued)*

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

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate.

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

(m) Financial guarantee contracts

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Derecognition of financial liabilities

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

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

(o) Offsetting of financial instruments

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

(p) Inventories

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

(q) Cash and cash equivalents

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

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

(r) Income tax

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Government grants

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

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

(t) Revenue recognition

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

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

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

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

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

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

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

(u) Vendor rebate

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 35 to the financial statements.

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Other employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(x) Borrowing costs

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

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

(y) Dividends

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

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

(z) Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) 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 translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Estimation uncertainty

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets were RMB1,510,000 and RMB7,794,000 as at 31 December 2017 and 2016, respectively. Further details are contained in note 29 to the financial statements.

Provision for inventories

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2017 was RMB1,358,066 (2016: RMB700,724). Further details are given in note 18.

Accrual of vendor rebate

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

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

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

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

Useful lives of property, plant and equipment

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

Useful lives of intangible assets

The Group 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. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

4. SEGMENT INFORMATION

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

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

Information about geographical areas

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

Information about major customers

Since no revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2017 and 2016, no information about major customers is presented.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	2017 ***RMB'000***	2016 *RMB'000*
Revenue from the sale of motor vehicles	**16,914,692**	15,787,649
Revenue from after-sales services	**2,196,392**	2,185,339
	19,111,084	17,972,988

(b) Other income and gains, net

	2017 ***RMB'000***	2016 *RMB'000*
Commission income	**387,773**	308,549
Interest income	**30,169**	21,108
Investment income *(note 19)*	**28,120**	–
Rental income	**9,720**	7,731
Government grants	**5,428**	5,500
Gain on disposal of items of property, plant and equipment	**2,765**	–
Others	**7,165**	4,337
	471,140	347,225

6. PROFIT BEFORE TAX

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

	2017 **RMB'000**	2016 RMB'000
(a) Employee benefit expense (excluding directors' and chief executive's remuneration *(note 9)*):		
Wages and salaries	**281,514**	219,761
Equity-settled share option expense	**290**	2,137
Other welfare	**87,882**	95,845
	369,686	317,743
(b) Cost of sales and services:		
Cost of sales of motor vehicles	**16,491,055**	15,130,375
Cost of after-sales services	**1,326,829**	1,220,104
	17,817,884	16,350,479
(c) Other items:		
Depreciation and impairment of items of property, plant and equipment	**236,394**	266,561
Advertisement and business promotion expenses	**67,240**	85,910
Lease expenses	**50,234**	58,465
Amortisation of intangible assets	**33,185**	33,224
Bank charges	**13,945**	14,562
Amortisation of land use rights	**13,422**	13,645
Auditor's remuneration	**6,050**	4,950
(Write back)/Write-down of inventories to net realisable value	**(3,732)**	15,841
Loss on disposal of a subsidiary	**1,545**	–
Loss on disposal of items of property, plant and equipment	**–**	11,602

7. FINANCE COSTS

	2017 **RMB'000**	2016 RMB'000
Interest expense on bank borrowings wholly repayable within five years	**316,858**	393,687
Interest expense on other borrowings	**76,689**	87,007
Less: interest capitalised	**(109)**	(42)
	393,438	480,652

8. TAX

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

	2017 **RMB'000**	2016 RMB'000
Current:		
Mainland China corporate income tax	**119,299**	151,747
Deferred tax *(note 29)*	**(2,767)**	(5,960)
	116,532	145,787

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

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

The subsidiaries incorporated in Hong Kong were subject to profits tax at the rate of 16.5% during the years ended 31 December 2017 and 2016. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2017 and 2016.

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

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

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

	2017 **RMB'000**	2016 RMB'000
Profit before tax	**376,734**	427,184
Tax at the applicable tax rate (25%)	**94,183**	106,796
Adjustments in respect of current tax of previous years	**(1,419)**	777
Expenses not deductible for tax	**25,555**	27,658
Tax losses utilised from previous years	**(9,153)**	(7,259)
Tax losses not recognised	**7,366**	17,770
Deductible temporary differences not recognised	**–**	45
Tax charge	**116,532**	145,787

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 *RMB'000*	Salaries, allowances and other benefits *RMB'000*	Pension scheme contributions *RMB'000*	Equity-settled share option expense *RMB'000*	Total *RMB'000*
Executive directors:					
Mr. Yang Peng*	–	1,340	46	–	1,386
Mr. Liu Dongli**	–	918	30	–	948
Mr. Zhao Zhongjie	–	807	46	–	853
Mr. Shen Mingming**	–	446	–	–	446
Mr. Liu Jian	–	628	46	–	674
Non-executive directors:					
Mr. Yan Sujian**	–	165	–	–	165
Mr. Xiao Zhengsan	220	–	–	–	220
Mr. Mei Jianping	220	–	–	–	220
Mr. Peng Zhenhuai **	98	–	–	–	98
Mr. Li Xin**	123	–	–	–	123
Mr. Lee Conway Kong Wai	220	–	–	–	220
	881	4,304	168	–	5,353

* Mr. Yang Peng who acted as an executive director of the Company was also chief executive officer of the Company for the year ended 31 December 2017.

** On 8 June 2017, Mr. Shen Mingming was appointed as executive director of the Company, and Mr. Li Xin was appointed as independent non-executive director of the Company. On 8 June 2017, Mr. Peng Zhenhuai retired as independent non-executive directors of the company and Mr. Yan Sujian retired as non-executive directors of the Company. On 4 December 2017, Mr. Liu Dongli and Mr. Shen Mingming resigned as executive directors of the Company.

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

	Year ended 31 December 2016				
	Directors' fees *RMB'000*	Salaries, allowances and other benefits *RMB'000*	Pension scheme contributions *RMB'000*	Equity-settled share option expense *RMB'000*	Total *RMB'000*
Executive directors:					
Mr. Yang Peng*	–	1,009	39	–	1,048
Mr. Liu Dongli	–	830	42	–	872
Mr. Zhao Zhongjie	–	885	42	–	927
Mr. Liu Jian	–	662	39	–	701
Non-executive directors:					
Mr. Yan Sujian	–	611	–	–	611
Mr. Li Wei**	–	–	–	–	–
Mr. Wu Zhengkui**	–	–	–	–	–
Mr. Wu Jin**	–	–	–	–	–
Mr. Zhao Fu**	–	–	–	–	–
Mr. Xiao Zhengsan	220	–	–	–	220
Mr. Mei Jianping	220	–	–	–	220
Mr. Peng Zhenhuai	220	–	–	–	220
Mr. Lee Conway Kong Wai	220	–	–	–	220
	880	3,997	162	–	5,039

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

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2017 and 2016.

10. FIVE HIGHEST PAID EMPLOYEES

The five individuals whose emoluments were the highest for the years ended 31 December 2017 and 2016 include four directors respectively, whose emoluments are reflected in the analysis presented in note 9 above.

Details of the remuneration for the year of the remaining one (2016: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2017 *RMB'000*	2016 *RMB'000*
Salaries, bonuses, allowances and benefits in kind	**529**	775
Pension scheme contributions	**30**	–
Equity-settled share option expense	**–**	–
	559	775

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

	2017	2016
Nil to RMB1,000,000	**1**	1
RMB1,000,001 to RMB1,500,000	**–**	–
RMB1,500,001 to RMB2,000,000	**–**	–
	1	1

11. DIVIDENDS

The board of the directors does not recommend the payment of any dividend to the ordinary equity holders of the Company for the year ended 31 December 2017 (2016: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 946,476,000 (2016: 946,476,000) in issue during the year.

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

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

	2017 ***RMB'000***	2016 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	**261,000**	273,515

	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**946,476,000**	946,476,000
Effect of dilution weighted average number of ordinary shares:		
Conversion preference shares	**664,268,747**	664,268,747
Share options	**1,544,092**	906,423
	1,612,288,839	1,611,651,170

	2017	2016
Earnings per share		
Basic (RMB)	**0.28**	0.29
Diluted (RMB)	**0.16**	0.17

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2017	2,437,299	662,981	228,604	210,463	376,461	143,038	4,058,846
Additions	3,815	6,061	6,463	8,585	204,236	90,643	319,803
Acquisition of subsidiaries *(note 32)*	563,876	25,739	23,642	17,650	45,537	76,426	752,870
Transfers	24,006	4,506	–	–	–	(28,512)	–
Disposals	(8,166)	(46)	(65)	(3,012)	(252,556)	(551)	(264,396)
Disposal of a subsidiary	(13,784)	(296)	(1,478)	(944)	(5,892)	–	(22,394)
At 31 December 2017	3,007,046	698,945	257,166	232,742	367,786	281,044	4,844,729
Accumulated depreciation and impairment:							
At 1 January 2017	(389,436)	(94,545)	(86,452)	(136,274)	(142,150)	–	(848,857)
Depreciation and impairment provided during the year	(88,379)	(53,731)	(20,334)	(24,714)	(49,237)	–	(236,395)
Disposals	386	–	218	240	59,745	–	60,589
Disposal of a subsidiary	3,672	25	1,177	789	2,760	–	8,423
At 31 December 2017	(473,757)	(148,251)	(105,391)	(159,959)	(128,882)	–	(1,016,240)
Net book value:							
At 31 December 2016	2,047,863	568,436	142,152	74,189	234,311	143,038	3,209,989
At 31 December 2017	2,533,289	550,694	151,775	72,783	238,904	281,044	3,828,489

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

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

The application for the property ownership certificates for certain buildings with net book values of approximately RMB297,650,000 and RMB244,652,000, respectively, as at 31 December 2017 and 2016 was still in progress.

Certain of the Group's buildings with aggregate net book values of approximately RMB682,249,200 and RMB429,712,500, respectively, as at 31 December 2017 and 2016 were pledged as security for the Group's interest-bearing bank and other borrowings (note 28).

Certain of the Group's buildings with aggregate net book values of RMB30,458,000 and RMB14,528,000, respectively, as at 31 December 2017 and 2016 did not have building ownership certificates because they were built on land where the Group did not have the land use right certificates. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial titles to these buildings as at 31 December 2017 and 2016, respectively.

14. LAND USE RIGHTS

	2017 RMB'000	2016 RMB'000
Cost		
At the beginning of the year	**539,476**	539,476
Additions	**–**	–
Acquisition of subsidiaries *(note 32)*	**311,500**	–
Disposal of a subsidiary	**(12,641)**	–
At the end of the year	**838,335**	539,476
Accumulated amortisation		
At the beginning of the year	**(72,319)**	(58,674)
Charge for the year	**(13,422)**	(13,645)
Disposal of a subsidiary	**2,826**	–
At the end of the year	**(82,915)**	(72,319)
Net book value:		
At the end of the year	**755,420**	467,157

The Group's land use rights are related to land located in Mainland China. The remaining periods of the land use rights of the Group are from 10 to 46 years.

Certain of the Group's land use rights with aggregate net book values of approximately RMB269,331,000 and RMB135,300,000, respectively, as at 31 December 2017 and 2016 were pledged as security for the Group's interest-bearing bank and other borrowings (note 28).

Certain of the Group's land use rights are rights with aggregate net book values of RMB25,131,000 and RMB11,196,000, respectively, as at 31 December 2017 and 2016, of which the Group had not obtained the land use right certificates. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial titles to these land use rights as at 31 December 2017 and 2016, respectively.

Included in the Group's land use rights are rights to some parcels of land, with aggregate net book values of RMB69,662,000 and RMB31,392,000, respectively, as at 31 December 2017 and 2016, which the Group did not use for their designated usage. Under applicable PRC laws and regulations, government approval is required for land use rights holders to change the designated usage for the land. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial titles to these land use rights as at 31 December 2017 and 2016, respectively.

15. INTANGIBLE ASSETS

	Software *RMB'000*	Dealership relationship *RMB'000*	Customer relationship *RMB'000*	Insurance license *RMB'000*	Total *RMB'000*
Cost					
At 1 January 2017	**23,392**	**353,900**	**133,849**	**26,500**	**537,641**
Additions	**356**	**–**	**–**	**–**	**356**
Acquisition of subsidiaries *(note 32)*	**272**	**109,100**	**45,500**	**–**	**154,872**
Disposal of a subsidiary *(note 33)*	**(368)**	**–**	**–**	**–**	**(368)**
At 31 December 2017	**23,652**	**463,000**	**179,349**	**26,500**	**692,501**
Accumulated amortisation					
At 1 January 2017	**(16,173)**	**(43,052)**	**(20,628)**	**(6,209)**	**(86,062)**
Charge for the year	**(3,107)**	**(18,790)**	**(9,056)**	**(2,232)**	**(33,185)**
Disposal of a subsidiary *(note 33)*	**300**	**–**	**–**	**–**	**300**
At 31 December 2017	**(18,980)**	**(61,842)**	**(29,684)**	**(8,441)**	**(118,947)**
Net book value					
At 31 December 2017	**4,672**	**401,158**	**149,665**	**18,059**	**573,554**
Cost					
At 1 January 2016	23,352	353,900	133,849	26,500	537,601
Additions	40	–	–	–	40
At 31 December 2016	23,392	353,900	133,849	26,500	537,641
Accumulated amortisation					
At 1 January 2016	(12,449)	(24,707)	(11,705)	(3,977)	(52,838)
Charge for the year	(3,724)	(18,345)	(8,923)	(2,232)	(33,224)
At 31 December 2016	(16,173)	(43,052)	(20,628)	(6,209)	(86,062)
Net book value					
At 31 December 2016	7,219	310,848	113,221	20,291	451,579

16. PREPAYMENTS

	2017 RMB'000	2016 RMB'000
Prepayments for potential acquisitions *(i)*	**300,000**	600,000
Prepayments for land use rights	**9,209**	9,209
	309,209	609,209

(i) As at 31 December 2017, the prepayment of RMB300 million made was in relation to proposed acquisitions during the year. The previous year balances of RMB600 million were utilized in relation to acquisitions of subsidiaries during the year ended 31 December 2017 (note 32).

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.

	2017 RMB'000	2016 RMB'000
Analysed as:		
Current	**5,138**	3,148
Non-current	**779**	1,179
	5,917	4,327

Finance lease receivables comprise:

	Minimum lease receivables 2017 RMB'000	Present value of minimum lease receivables 2017 RMB'000
Analysed as:		
Within one year	**5,810**	**5,138**
In the second to fifth years, inclusive	**881**	**779**
	6,691	**5,917**
Less: unearned finance income	**774**	**–**
Present value of minimum lease receivables	**5,917**	**5,917**

18. GOODWILL

	2017 RMB'000	2016 RMB'000
Cost:		
At the beginning of the year	**700,724**	700,724
Acquisitions of subsidiaries *(note 32)*	**657,342**	–
At 31 December	**1,358,066**	700,724

Impairment testing of goodwill

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

The recoverable amounts of the cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period from the end of the reporting period is 3% (2016: 3%) for all years. The pre-tax discount rate applied to the cash flow projections is 17.0% (2016: 17.5%).

The carrying amount of goodwill allocated to each of the cash-generating units of the operation of 4S dealership business that are not individually material to the Group is as follows:

	2017 RMB'000	2016 RMB'000
4S dealership business	**1,358,066**	700,724

Key assumptions used in the value in use calculation:

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

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

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

The values assigned to the key assumptions on market development of industrial products and infrastructure industries, discount rates and raw materials price inflation are consistent with external information sources

19. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	RMB'000	*RMB'000*
Unlisted equity investments, at cost		
Xuzhou Huaihai Nongcun Commercial Bank Company Limited	**40,000**	40,000
Tongshanxian Nongcun Credit Cooperation Association	**9,000**	9,000
Gaojing Internet Technology Company	**8,000**	4,000
Yangzhou Nongcun Commercial Bank Company Limited	**2,680**	–
	59,680	53,000
Listed equity investments, at fair value		
Jiangsu Bank Company Limited		
– At cost	**–**	53,000
– Accumulated fair value gains	**–**	43,300
	–	96,300
	59,680	149,300

On 31 December 2013, the Group entered into a series of equity interest transfer agreements with Mr. Yang Peng and Xuzhou Dianrun Advertisement Company Limited (徐州點潤廣告有限公司 or "**Xuzhou Dianrun**") (as the beneficial owner of the target shares) to acquire equity shares Jiangsu Bank Company Limited (江蘇銀行股份有限公司 or "**Jiangsu Bank**"), equity shares in Xuzhou Huaihai Nongcun Commercial Bank Company Limited (徐州淮海農村商業銀行股份有限公司 or "**Xuzhou Huaihai Bank**") and equity shares in Tongshanxian Nongcun Credit Cooperation Association (銅山縣農村信用合作聯社 or "**Tongshanxian Credit**") for considerations of RMB53,000,000, RMB40,000,000 and RMB9,000,000, respectively, which were determined based on the valuations of these shares conducted by an independent valuer. The acquired shares represent a minority interest in each of them, representing less than 5% of the total issued equity interests of Jiangsu Bank, Xuzhou Huaihai Bank and Tongshanxian Credit. It is not part of the Group's investment strategy, and neither does the Group has any current intention, to make further investments in any financial institutions. All of Jiangsu Bank, Xuzhou Huaihai Bank and Tongshanxian Credit are financial institutions based in Jiangsu Province providing financial services to corporate and individual clients. They have provided corporate loans to the Group from time to time and are considered the Group's business partners in Jiangsu Province.

In the first half year of 2016, the Group entered into an equity interest transfer agreement to acquire 10% equity interests of Gaojing Internet Technology Company (高景網絡技術(上海)有限公司 or "**Gao Jing**") at a consideration of RMB8,000,000. The Group does not have significant influence over Gao Jing and has classified its investment amount as available-for-sale. As at 31 December 2016, the Group paid RMB4,000,000, i.e. 50% consideration, in accordance with the capital investment agreement. During the year ended 31 December 2017, the Group paid the remaining consideration of RMB4,000,000.

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

In the second half year of 2017, the equity shares in Jiangsu Bank were disposed of by the Group. The net gains recognised in investment income amounted to RMB28,120,000 (note 5).

During the year ended 31 December 2017, the Group acquired 0.58% equity shares in Yangzhou Nongcun Commercial Bank Company Limited amounting to RMB2,680,000.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

20. INVENTORIES

	2017 ***RMB'000***	2016 *RMB'000*
Motor vehicles	**2,377,114**	1,990,391
Spare parts and accessories	**279,681**	200,601
	2,656,795	2,190,992
Less: Provision for inventories	**12,109**	15,841
	2,644,686	2,175,151

Certain of the Group's inventories with carrying amounts of RMB1,381,669,000 and RMB1,543,191,000 as at 31 December 2017 and 2016 were pledged as security for the Group's bills payable.

Certain of the Group's inventories with aggregate net book values of approximately RMB784,668,000 and RMB458,666,000 as at 31 December 2017 and 2016 were pledged as security for the Group's interest-bearing bank and other borrowings (note 28).

21. TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**413,904**	337,570
Impairment	**–**	–
	413,904	337,570

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

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

	2017 RMB'000	2016 RMB'000
Within 3 months	**376,097**	312,627
3 to 12 months	**37,544**	24,775
Over 12 months	**263**	168
	413,904	337,570

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

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**376,097**	312,627
Less than 3 months past due	**37,544**	24,775
3 to 12 months past due	**263**	168
	413,904	337,570

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Prepayments to suppliers	**1,509,255**	1,256,860
Rebate receivables	**1,401,452**	1,114,091
Other receivables *(i)*	**1,121,753**	130,000
VAT recoverable	**66,765**	28,523
Prepaid expense	**14,685**	9,104
Others	**83,874**	77,776
	4,197,784	2,616,354

(i) Included in other receivables is an amount of RMB964,000,000 arose from the acquisition of Yangzhou Huawei Automobile Investment Management Company Limited and subsidiaries (collectively as "**Huawei entities**") during the current financial year, of which it represents the amount due from the former shareholders of Huawei entities, and the receivable amount is interest free with no fixed terms of repayment and secured by guarantee and pledge of buildings and land use rights.

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

23. CASH IN TRANSIT

	2017	2016
	RMB'000	*RMB'000*
Cash in transit	**23,144**	31,550

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

24. PLEDGED BANK DEPOSITS

	2017	2016
	RMB'000	*RMB'000*
Deposits pledged with banks as collateral against:		
– Bills payable granted by the banks	**1,588,874**	1,289,134
– Credit facilities granted by the banks	**1,427,751**	918,010
	3,016,625	2,207,144

The pledged bank deposits, which are all denominated in RMB as at 31 December 2017 and 2016, earn interest at interest rates stipulated by the respective financial institutions.

25. CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000
Cash and bank balances	**1,218,141**	1,238,962

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

The Group's cash and bank balances as at 31 December 2017 and 2016 are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
Denominated in:		
– RMB	**1,200,372**	1,220,223
– USD	**17,640**	13,708
– HKD	**129**	5,031
	1,218,141	1,238,962

26. TRADE AND BILLS PAYABLES

	2017 RMB'000	2016 RMB'000
Bills payable	**3,766,837**	2,873,123
Trade payables	**527,537**	163,455
Trade and bills payables	**4,294,374**	3,036,578

An aged analysis of the trade and bills payables as at 31 December 2017 and 2016, based on the invoice date, is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	**3,359,850**	2,407,881
3 to 6 months	**705,565**	600,624
6 to 12 months	**224,706**	26,175
Over 12 months	**4,253**	1,898
	4,294,374	3,036,578

The trade payables are non-interest-bearing and are normally settled on terms from 3 to 6 months.

27. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Advances from customers	**910,987**	1,058,759
Payables for purchase of items of property, plant and equipment and land use rights	**379,804**	239,136
Taxes payable (other than income tax)	**196,126**	174,940
Unsettled consideration for business combinations *(note 32)*	**73,154**	53,154
Accrued expenses	**90,092**	39,581
Dividend payable	**13,320**	13,320
Advancements from former shareholders and employees arising from acquisitions	**59,821**	68,840
Other payables *(i)*	**427,200**	–
Others	**188,415**	170,211
	2,338,919	1,817,941

(i) Other payables represented the capital funding from the independent third parties pursuant to the prevailing terms as stipulated in the agreement of the limited liability partnership fund between the Group and the two parties, and the terms are subject to further modification to be agreed by the Group and the two parties by end of the year. In January 2018, the Group and the two parties reached consensus that the limited liability partnership is to be resolved, and the applicable resolution procedures are in the process of obtaining approvals from the relevant authorities.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2017 Effective interest rate (%)	2017 RMB'000	2016 Effective interest rate (%)	2016 RMB'000
Current					
Bank loans		**3.05-10.00**	**5,861,916**	4.00-8.70	3,772,704
Other borrowings		**3.68-11.00**	**979,912**	5.52-10.50	664,530
			6,841,828		4,437,234
Non-current					
Bank loans		**7.35-8.32**	**109,900**	7.35-8.32	166,775
Other borrowings	*(i)*	**8.00-12.50**	**538,053**	8.90	730,000
			647,953		896,775
			7,489,781		5,334,009
Bank loans and other borrowings representing:					
– secured	*(a)*		**757,145**		698,650
– guaranteed	*(b)*		**3,062,496**		2,100,884
– secured and guaranteed	*(a)(b)*		**3,589,875**		1,804,475
– unsecured	*(i)*		**80,265**		730,000
			7,489,781		5,334,009

(i) The Group entered into facility agreements with independent third parties. The facilities were unsecured and the facility period were for terms from 18 months to 36 months and interest rates were 8.00-12.50 per annum.

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

	2017 **RMB'000**	2016 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**5,861,916**	3,772,704
In the second year	**20,300**	115,275
In the third to fifth years, inclusive	**89,600**	51,500
	5,971,816	3,939,479
Other borrowings repayable:		
Within one year	**979,912**	664,530
In the second year	**406,266**	730,000
In the third to fifth years, inclusive	**131,787**	–
	7,489,781	5,334,009

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

(1) mortgages over the Group's buildings, which had aggregate net book values of approximately RMB682,249,200 and RMB429,712,500, respectively, as at 31 December 2017 and 2016 (note 13);

(2) mortgages over the Group's land use rights situated in Mainland China, which had aggregate net book values of approximately RMB269,331,000 and RMB135,300,000, respectively, as at 31 December 2017 and 2016 (note 14);

(3) mortgages over the Group's inventories, which had aggregate net book values of approximately RMB784,668,000 and RMB458,666,000, respectively, as at 31 December 2017 and 2016 (note 20); and

(4) mortgages over 1,856,400,000 shares and 1,168,640,000 shares of the Group's subsidiaries, respectively, as at 31 December 2017 and 2016.

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

(1) certain of the Group's bank loans amounting to RMB2,421,371,000 and RMB2,030,939,000, respectively were guaranteed by the subsidiaries of the Group as at 31 December 2017 and 2016; and

(2) certain of the Group's bank loans amounting to RMB161,283,000 and RMB276,266,000, respectively were guaranteed jointly by the subsidiaries of the Group, Mr. Yang Peng and the third parties with no additional expenditure as at 31 December 2017 and 2016.

29. DEFERRED TAX

Deferred tax assets

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements for the years ended 31 December 2017 and 2016 are as follows:

	Accrued payroll *RMB'000*	Losses available for offsetting against future taxable profits *RMB'000*	Provisions *RMB'000*	Total *RMB'000*
At 1 January 2016	245	10,102	310	10,657
Credited/(charged) to the statement of profit or loss during the year *(note 8)*	(35)	(3,370)	542	(2,863)
At 31 December 2016 and 1 January 2017	210	6,732	852	7,794
Credited/(charged) to the statement of profit or loss during the year *(note 8)*	65	(6,732)	383	(6,284)
At 31 December 2017	**275**	**–**	**1,235**	**1,510**

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

	2017 ***RMB'000***	2016 *RMB'000*
Tax losses	**268,607**	275,755

The above tax losses arising in Mainland China are subject to an expiry period of five years for offsetting against future taxable profits of the companies in which the losses arose, while those tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses 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.

29. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	Deferred tax liabilities arising from change in fair value of available-for-sale financial assets *RMB'000*	Total *RMB'000*
At 1 January 2016	149,384	–	149,384
Deferred tax liabilities charged to the consolidated statement of financial position	–	10,825	10,825
Deferred tax credited to the statement of profit or loss during the year *(note 8)*	(8,823)	–	(8,823)
At 31 December 2016 and 1 January 2017	140,561	10,825	151,386
Deferred tax liabilities charged to the consolidated statement of financial position	70,001	–	70,001
Deferred tax charged to the consolidated statement of comprehensive income	–	(10,825)	(10,825)
Deferred tax credited to the statement of profit or loss during the year *(note 8)*	(9,051)	–	(9,051)
At 31 December 2017	**201,511**	**–**	**201,511**

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings generated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable tax rate of the Group is 10%. At 31 December 2017, other than the amount recognised in the consolidated financial statements, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such remaining earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was RMB552,488,000 at 31 December 2017 (2016: RMB562,176,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

Shares

	2017 RMB'000	2016 RMB'000
Issued and fully paid:		
946,476,000 (2016: 946,476,000) ordinary shares of US$0.0000005 each	**3**	3
664,268,747 (2016: 664,268,747) convertible preference shares of US$0.0000005 each	**2**	2
	5	5

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

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2016	1,610,744,747	5	2,026,648	2,026,653
Issue of new shares	–	–	–	–
At 31 December 2016 and 1 January 2017	1,610,744,747	5	2,026,648	2,026,653
Issue of new shares	–	–	–	–
At 31 December 2017	**1,610,744,747**	**5**	**2,026,648**	**2,026,653**

31. RESERVES

(i) Merger reserve

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

(ii) Statutory reserve

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 42 to the financial statements are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(iii) Other reserve

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

(iv) Available-for-sale investment revaluation reserve

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

(v) Exchange fluctuation reserve

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

32. BUSINESS COMBINATIONS

During the year ended 31 December 2017, as part of the Group's strategy to expand its market share in Jiangsu province, the Group acquired equity interests in the following companies from independent third parties with a total purchase consideration amounted to RMB650,000,000.

Company Name	Acquired equity interest %
揚州華為汽車投資管理有限公司 Yangzhou Huawei Automobile Investment Management Company Limited	100%
江蘇金澳汽車銷售服務有限公司 Jiangsu Jinao Automobile Sales and Services Company Limited	100%
揚州金迪汽車銷售服務有限公司 Yangzhou Jindi Automobile Sales and Services Company Limited	100%
大連深藍汽車銷售服務有限公司 Dalian Shenlan Automobile Sales and Services Company Limited	100%
鎮江金奧汽車銷售服務有限公司 Zhenjiang Jinao Automobile Sales and Services Company Limited	100%
江蘇金太陽汽車銷售服務有限公司 Jiangsu Jintaiyang Automobile Sales and Services Company Limited	100%
江蘇金太陽瑞眾汽車貿易有限公司 Jiangsu Jintaiyang Ruizhong Automobile Trading Company Limited	100%
揚州金通汽車銷售服務有限公司 Yangzhou Jintong Automobile Sales and Services Company Limited	100%
揚州金滬汽車銷售服務有限公司 Yangzhou Jinhu Automobile Sales and Services Company Limited	100%
揚州金邁汽車銷售服務有限公司 Yangzhou Jinmai Automobile Sales and Services Company Limited	100%
泰州金太陽汽車銷售服務有限公司 Taizhou Jintaiyang Automobile Sales and Services Company Limited	100%
泰州金邦汽車銷售服務有限公司 Taizhou Jinbang Automobile Sales and Services Company Limited	100%
泰州金翺汽車銷售服務有限公司 Taizhou Jinao Automobile Sales and Services Company Limited	100%
泰州金坤汽車銷售服務有限公司 Taizhou Jinkun Automobile Sales and Services Company Limited	85%
泰州金浦汽車銷售服務有限公司 Taizhou Jinpu Automobile Sales and Services Company Limited	100%

32. BUSINESS COMBINATIONS *(Continued)*

Company Name	Acquired equity interest %
鎮江金煒汽車銷售服務有限公司 Zhenjiang Jinwei Automobile Sales and Services Company Limited	100%
揚州德澳汽車服務有限公司 Yangzhou Deao Automobile Services Company Limited	100%
揚州瑞澳汽車銷售服務有限公司 Yangzhou Ruiao Automobile Sales and Services Company Limited	100%
淮南鑫澳汽車銷售服務有限公司 Huainan Xinao Automobile Sales and Services Company Limited	60%
南京萬德友汽車銷售服務有限公司 Nanjing Wandeyou Automobile Sales and Services Company Limited	100%
南京長福新港汽車銷售服務有限公司 Nanjing Changfu Xingang Automobile Sales and Services Company Limited	100%
常州瑞達汽車銷售服務有限公司 Changzhou Ruida Automobile Sales and Services Company Limited	100%
常州上瑞凱迪汽車銷售服務有限公司 Changzhou Shangrui Kaidi Automobile Sales and Services Company Limited	100%
常州市上瑞汽車銷售服務有限公司 Changzhoushi Shangrui Automobile Sales and Services Company Limited	100%
上海新港汽車銷售服務有限公司 Shanghai Xingang Automobile Sales and Services Company Limited	100%
南京新港汽車銷售服務有限公司 Nanjing xingang Automobile Sales and Services Company Limited	100%
南京穗豐新港汽車銷售服務有限公司 Nanjing Suifeng Xingang Automobile Sales and Services Company Limited	100%

32. BUSINESS COMBINATIONS *(Continued)*

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

	RMB'000
Property, plant and equipment	752,870
Land use rights	311,500
Intangible assets	154,872
Inventories	388,842
Trade receivables	113,002
Prepayments, deposits and other receivables	2,320,323
Pledged bank deposits	183,011
Cash in transit	3,970
Cash and cash equivalents	43,980
Trade and bills payables	(637,011)
Other payables and accruals	(1,419,830)
Interest-bearing bank and other borrowings	(2,151,018)
Deferred tax liabilities	(70,001)
Total identifiable net assets	(5,490)
Non-controlling interests	1,852
Goodwill on acquisition *(note 18)*	657,342
Satisfied by cash	650,000

The goodwill recognised is primarily attributed to the expected business synergies arising from the acquisition, which is not separately recognised. The goodwill is not deductible for income tax purposes.

The Group has elected to measure the non-controlling interests in two companies as set out above at the non-controlling interests' proportionate share of these two companies' identifiable net assets.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB113,002,000 and RMB1,628,552,000, respectively, which is equal to the gross contractual amounts.

The Group incurred transaction costs of RMB5,334,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

32. BUSINESS COMBINATIONS *(Continued)*

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

	2017 **RMB'000**
Total purchase consideration	**650,000**
Less: Prepayment *(note 16)*	**600,000**
Less: Unsettled consideration	**20,000**
Less: Cash and cash equivalents acquired	**43,980**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(13,980)**

In accordance with HKFRS 3 (Revised) Business Combinations, the amounts recorded for the acquisition are provisional and are subject to adjustments during the measurement period of not exceeding one year from the acquisition date if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. Upon the finalisation of the appraisal of the fair value of the identifiable assets and liabilities at the acquisition date, the goodwill recognised at the acquisition date may be different from the amount presented above.

Since the acquisition, the acquired businesses contributed RMB171,676,000 to the Group's revenue and RMB10,497,000 loss to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year ended 31 December 2017 would have been RMB22,425,274,000 and RMB172,983,000, respectively.

33. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2017, the Group entered into an equity transfer agreement with an independent third party to dispose of a subsidiary in the PRC with a disposal consideration of RMB8,301,000. The consideration was fully settled as at 31 December 2017.

Net assets disposed of:

	RMB'000
Property, plant and equipment	13,970
Land use right	9,816
Intangible assets	68
Inventories	16,420
Trade receivables	2,396
Prepayments, deposits and other receivables	52,319
Pledged bank deposits	36,182
Cash in transit	191
Cash and cash equivalents	1,004
Trade and bills payables	(55,160)
Other payables and accruals	(14,391)
Dividend payables	(11,805)
Interest-bearing bank and other borrowings	(8,000)
Tax payable	(5,987)
Non-controlling interests	(27,177)
	9,846
Net loss on disposal of a subsidiary	(1,545)
Consideration satisfied by cash	8,301

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration	8,301
Cash and cash equivalents disposed	(1,004)
Net cash inflow in respect of the disposal of subsidiaries	7,297

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year ended 31 December 2017, the Group completed the acquisition of automobile Services Companies. Among the total consideration, RMB600,000,000 was settled by prepayment (note 32).

(b) Changes in liabilities arising from financing activities:

	Bank and other loans *RMB'000*	Other payable *RMB'000*	Advance from a substantial shareholder *RMB'000*
At 1 January 2017	**5,334,009**	**–**	**168,822**
Changes from financing cash flows	**12,754**	**427,200**	**57,575**
Liabilities arising from business combinations	**2,151,018**	**–**	**–**
Liabilities reducing from disposal of a subsidiary	**(8,000)**	**–**	**–**
At 31 December 2017	**7,489,781**	**427,200**	**226,397**

35. SHARE OPTION SCHEME

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

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

35. SHARE OPTION SCHEME *(Continued)*

(a) *(Continued)*

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

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

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

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

The following share options were outstanding under the Pre-IPO Scheme during the years ended 31 December 2017 and 2016:

	2017		2016	
	Exercise price ***US$ per share***	**Number of options** ***'000***	Exercise price *US$ per share*	Number of options *'000*
At the beginning of the year	**0.3573**	**5,200**	0.3573	5,204
Granted during the year	**0.3573**	**114**	0.3573	705
Forfeited during the year	**0.3573**	**(612)**	0.3573	(709)
Exercised during the year	**0.3573**	**–**	0.3573	–
At the end of the year	**0.3573**	**4,702**	0.3573	5,200

35. SHARE OPTION SCHEME *(Continued)*

(a) *(Continued)*

The weighted average fair values of the share options granted during the years ended 31 December 2017 and 2016 were US$0.1684 (RMB1.1682) and US$0.2031 (RMB1.3189) per option. The Group recognised equity-settled share option expenses of RMB290,000 and RMB2,137,000 during the years ended 31 December 2017 and 2016, respectively.

The fair value of the share options granted during the years ended 31 December 2017 and 2016 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2017	2016
Dividend yield (%)	**–**	–
Expected volatility (%)	**49.0-50.0**	50.1
Risk-free interest rate (%)	**1.91-2.22**	2.94
Expected life of options (year)	**10**	10
Weighted average share price (US$ per share)	**0.4190**	0.4103

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

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

At 31 December 2017 and 2016, 4,701,712 and 5,199,767 share options were outstanding under the Pre-IPO Scheme, respectively.

35. SHARE OPTION SCHEME *(Continued)*

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

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

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

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

24,508,951 Management Subscription Shares were forfeited during the year 2016. During the year 2017, 18,718,644 Management Subscription Shares were forfeited. As at 31 December 2017, 10,714,011 Management Subscription Shares remained outstanding, conferring rights on the Management Subscribers to subscribe for ordinary shares.

36. CONTINGENT LIABILITIES

In the opinion of the directors of the Company, other than the property defectives mentioned in notes 13 and 14, as at 31 December 2017, neither the Group nor the Company had any significant contingent liabilities.

37. COMMITMENTS

a. Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding as at 31 December 2017 not provided for in the financial statements were as follows:

	2017 **RMB'000**	2016 RMB'000
Contracted, but not provided for land use rights and buildings	**210,080**	173,439

b. Operating lease commitments

The Group leases certain of its office properties and land under operating lease arrangements. Leases for properties and land are negotiated for terms ranging from 1 to 20 years.

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases with its tenants falling due as follows:

	2017		2016	
	Properties **RMB'000**	**Land** **RMB'000**	Properties RMB'000	Land RMB'000
Within one year	**44,450**	**19,537**	37,739	16,024
In the second to fifth years, inclusive	**166,995**	**71,580**	147,634	57,162
After five years	**144,606**	**116,412**	161,329	100,858
	356,051	**207,529**	346,702	174,044

38. PLEDGE OF ASSETS

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

39. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the years ended 31 December 2017 and 2016:

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

(a) The Group had the following transaction with a related party during the years ended 31 December 2017 and 2016:

	2017 **RMB'000**	2016 *RMB'000*
Advance from a substantial shareholder:		
Mr. Yang Peng	**57,575**	168,822

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

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

	2017 **RMB'000**	2016 *RMB'000*
Due to a substantial shareholder:		
Mr. Yang Peng	**226,397**	168,822

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

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

	2017 **RMB'000**	2016 *RMB'000*
Short term employee benefits	**6,511**	6,581
Pension scheme contributions	**229**	252
Equity-settled share option expense	**–**	–
Total compensation paid to key management personnel	**6,740**	6,833

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

40. FAIR VALUE

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

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

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

41. 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*	Increase/ (decrease) in equity* *RMB'000*
2017			
RMB	**50**	**(5,156)**	**(5,156)**
RMB	**(50)**	**5,156**	**5,156**
2016			
RMB	50	(30)	(30)
RMB	(50)	30	30

* Excluding retained profits

Foreign currency risk

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

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

The Group did not have material foreign currency transactions in Mainland China during the years ended 31 December 2017 and 2016.

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

Foreign currency risk *(Continued)*

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

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
2017			
If RMB weakens against HK$	**5**	**108**	**108**
If RMB strengthens against HK$	**(5)**	**(108)**	**(108)**

	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
2017			
If RMB weakens against US$	**5**	**2,680**	**2,680**
If RMB strengthens against US$	**(5)**	**2,680**	**(2,680)**

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

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

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

Credit risk

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

As at 31 December 2017 and 2016, all pledged bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

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

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

31 December 2017	**Less than 3 months** *RMB'000*	**3 to 12 months** *RMB'000*	**1 to 5 years** *RMB'000*	**Beyond 5 years** *RMB'000*	**Total** *RMB'000*
Trade and bills payables	**589,369**	**209,887**	**–**	**–**	**799,256**
Interest-bearing bank and other borrowings	**1,445,683**	**5,505,663**	**800,296**	**–**	**7,751,642**
Due to a controlling shareholder	**–**	**226,397**	**–**	**–**	**226,397**
	2,035,052	**5,941,947**	**800,296**	**–**	**8,777,295**

31 December 2016	Less than 3 months *RMB'000*	3 to 12 months *RMB'000*	1 to 5 years *RMB'000*	Beyond 5 years *RMB'000*	Total *RMB'000*
Trade and bills payables	468,536	25,968	–	–	494,504
Interest-bearing bank and other borrowings	155,580	4,223,148	896,775	–	5,275,503
Due to a controlling shareholder	–	168,822	–	–	168,822
	624,116	4,417,938	896,775	–	5,938,829

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

Capital management

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

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

	2017 ***RMB'000***	2016 *RMB'000*
Trade and bills payables	**4,294,374**	3,036,578
Interest-bearing bank and other borrowings	**7,489,781**	5,334,009
Other payables and accruals	**1,427,932**	741,987
Amount due to a related party	**226,397**	168,822
Less: cash and cash equivalents	**(1,218,141)**	(1,238,962)
Net debt	**12,220,343**	8,042,434
Equity attributable to owners of the parent	**3,621,704**	3,388,916
Capital and net debt	**15,842,047**	11,431,350
Gearing ratio	**77%**	70%

42. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name		Place and date of incorporation/ registration and place of operations	Registered capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Schnell International Ltd.		British Virgin Islands 14 September 2010	Registered capital of US$5	100	–	Investment holding
Schnell Holding Ltd.		Hong Kong, the PRC 29 October 2010	Registered capital of HK$10,000	–	100	Investment holding
Allegro Auto International Ltd.		British Virgin Islands 14 September 2010	Registered capital of US$5	100	–	Investment holding
Spring Oasis Investments Limited		Hong Kong, the PRC 13 September 2010	Registered capital of HK$10,000	–	100	Investment holding
Spring Oasis Investments Holding Limited		Cayman Islands 28 October 2011	Registered capital of US$50,000	–	100	Investment holding
Fresca International Ltd.		British Virgin Islands 14 September 2010	Registered capital of US$5	100	–	Investment holding
Stay Success Limited		Hong Kong, the PRC 13 September 2010	Registered capital of HK10,000	–	100	Investment holding
Presto Auto International Ltd.		British Virgin Islands 14 September 2010	Registered capital of US$5	100	–	Investment holding
Treasure Path Holdings Limited		Hong Kong, the PRC 13 September 2010	Registered capital of HK$10,000	–	100	Investment holding
Vivace Auto International Ltd.		British Virgin Islands 14 September 2010	Registered capital of US$5	100	–	Investment holding
True Worth Investments Limited		Hong Kong, the PRC 13 September 2010	Registered capital of HK$10,000	–	100	Investment holding
Rundong Automobile Group Co., Ltd. 潤東汽車集團有限公司	(i)	Xuzhou, the PRC 3 March 1998	Registered capital of RMB1,791,999,800	–	100	Investment holding

42. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name		Place and date of incorporation/ registration and place of operations	Registered capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Xuzhou Rundong Jiaoguang Automobile Sales and Services Company Limited 徐州潤東交廣汽車營銷管理有限公司	(i)	Xuzhou, the PRC 10 June 2008	Registered capital of RMB107,150,000	–	100	Investment holding
Xuzhou Rundong Automobile Sales Management Company Limited 徐州潤東汽車營銷管理有限公司	(i)	Xuzhou, the PRC 20 June 2003	Registered capital of RMB204,090,000	–	100	Investment holding
Xuzhou Yuemei Automobile Sales Management Company Limited 徐州悅美汽車營銷管理有限公司	(i)	Xuzhou, the PRC 20 September 2010	Registered capital of RMB50,000,000	–	100	Investment holding
Shanghai Baojing Automobile Sales and Services Company Limited. 上海寶景汽車銷售服務有限公司		Shanghai, the PRC 6 July 2010	Registered capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Shanghai Baojing Xingcheng Automobile Sales and Services Company Limited 上海寶景星誠汽車銷售服務有限公司		Shanghai, the PRC 26 November 2010	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Shanghai Baojing Yuejie Automobile Services Company Limited 上海寶景悅捷汽車服務有限公司		Shanghai, the PRC 13 December 2011	Registered capital of RMB500,000	–	100	Service of motor vehicles
Shanghai Jierun Automobile Sales and Services Company Limited 上海捷潤汽車銷售服務有限公司		Shanghai, the PRC 19 September 2011	Registered capital of RMB40,000,000	–	100	Sale and service of motor vehicles
Xuzhou Baojing Automobile Sales Services Company Limited 徐州寶景汽車銷售服務有限公司		Xuzhou, the PRC 6 March 2007	Registered capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Xuzhou Baojing Runbao Automobile Sales and Services Company Limited 徐州寶景潤寶汽車銷售服務有限公司		Xuzhou, the PRC 12 April 2011	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles

42. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Xuzhou Rundong Ruijing Automobile Sales and Services Company Limited 徐州潤東瑞景汽車銷售服務有限公司	Xuzhou, the PRC 24 November 2004	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rongchuang Automobile Services Company Limited 徐州融創車業服務有限公司	Xuzhou, the PRC 16 March 2010	Registered capital of RMB1,000,000	–	100	Service of motor vehicles
Xuzhou Rundong Huijing Automobile Sales & Services Co., Ltd. 徐州潤東匯景汽車銷售服務有限公司	Xuzhou, the PRC 26 September 2002	Registered capital of RMB5,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rundong Pre-owned Automobiles Trading Company Limited 徐州潤東二手車交易市場有限公司	Xuzhou, the PRC 19 June 2009	Registered capital of RMB3,000,000	–	100	Service of motor vehicles
Xuzhou Hezhong Automobile Sales Company Limited 徐州合眾汽車銷售服務有限公司	Xuzhou, the PRC 28 January 2011	Registered capital of RMB15,500,000	–	100	Sale and service of motor vehicles
Xuzhou Dongchen Automobile Sales Services Company Limited 徐州東辰汽車銷售服務有限公司	Xuzhou, the PRC 13 September 2002	Registered capital of RMB13,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rundong Huitong Automobile Sales Services Company Limited 徐州潤東匯通汽車銷售服務有限公司	Xuzhou, the PRC 12 June 2003	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rundong Fengtian Automobile Sales Services Company Limited 徐州潤東豐田汽車銷售服務有限公司	Xuzhou, the PRC 14 April 2006	Registered capital of RMB15,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rundong Zhitian Automobile Sales and Services Company Limited 徐州潤東之田汽車銷售服務有限公司	Xuzhou, the PRC 4 December 2005	Registered capital of RMB15,000,000	–	100	Sale and service of motor vehicles

42. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Xuzhou Rundong Zhouji Automobile Sales Services Company Limited 徐州潤東洲際汽車銷售服務有限公司	Xuzhou, the PRC 29 March 2004	Registered capital of RMB12,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rundong Jiahua Automobile Sales and Services Company Limited 徐州潤東嘉華汽車銷售服務有限公司	Xuzhou, the PRC 25 May 2004	Registered capital of RMB12,000,000	–	100	Sale and service of motor vehicles
Xuzhou Rundong Automobile Trading Company Limited 徐州潤東汽車貿易有限公司	Xuzhou, the PRC 13 July 2001	Registered capital of RMB13,000,000	–	100	Sale and service of motor vehicles
Xuzhou Huifeng Lexus Automobile Sales and Services Company Limited 徐州滙豐雷克薩斯汽車銷售服務有限公司	Xuzhou, the PRC 28 February 2006	Registered capital of RMB30,000,000	–	100	Sale and service of motor vehicles
Xuzhou Jierun Automobile Sales and Services Company Limited 徐州捷潤汽車銷售服務有限公司	Xuzhou, the PRC 27 July 2011	Registered capital of RMB16,000,000	–	100	Sale and service of motor vehicles
Maanshan City Baojing Automobile Sales and Services Company Limited 馬鞍山市寶景汽車銷售服務有限公司	Maanshan, the PRC 10 December 2010	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Nantong Runbaohang Automobile Sales and Services Company Limited 南通潤寶行汽車銷售服務有限公司	Nantong, the PRC 28 June 2010	Registered capital of RMB12,000,000	–	100	Sale and service of motor vehicles
Huzhou Runzhiyi Automobile Sales and Services Company Limited 湖州潤之翼汽車銷售服務有限公司	Huzhou, the PRC 9 June 2011	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Huzhou Rundong Automobile Sales and Services Company Limited 湖州潤東汽車銷售服務有限公司	Huzhou, the PRC 18 May 2011	Registered capital of RMB20,000,000	–	100	Sale and service of motor vehicles

42. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Huzhou Baojing Automobile Sales and Services Company Limited 湖州寶景汽車銷售服務有限公司	Huzhou, the PRC 28 May 2010	Registered capital of RMB30,000,000	–	100	Sale and service of motor vehicles
Huaian Baotielong Automobile Sales and Services Company Limited 淮安寶鐵龍汽車銷售有限公司	Huaian, the PRC 25 February 2011	Registered capital of RMB15,000,000	–	100	Sale and service of motor vehicles
Huaian Rundong Zhifu Automobile Sales and Services Company Limited 淮安潤東之福汽車銷售服務有限公司	Huaian, the PRC 6 April 2006	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Huaian Rundong Huifeng Automobile Sales Services Company Limited 淮安潤東滙豐汽車銷售服務有限公司	Huaian, the PRC 24 September 2007	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Huaian Rundong Renheng Automobile Sales and Services Company Limited 淮安潤東仁恒汽車銷售服務有限公司	Huaian, the PRC 29 March 2007	Registered capital of RMB13,000,000	–	100	Sale and service of motor vehicles
Huaian Rundong Shidai Automobile Sales and Services Company Limited 淮安潤東時代汽車銷售服務有限公司	Huaian, the PRC 1 August 2005	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Huaian Baojing Automobile Sales and Services Company Limited 淮安寶景汽車銷售服務有限公司	Huaian, the PRC 20 January 2010	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Lianyungang Tianlan Automobile Sales and Services Company Limited 連雲港天瀾汽車銷售服務有限公司	Lianyungang, the PRC 1 July 2004	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Lianyungang Tianlan Fengtian Automobile Sales and Services Company Limited 連雲港天瀾豐田汽車銷售服務有限公司	Lianyungang, the PRC 25 April 2006	Registered capital of RMB12,000,000	–	100	Sale and service of motor vehicles

42. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Lianyungang Rundong Tianyue Automobile Sales and Services Company Limited 連雲港潤東天裕汽車銷售服務有限公司	Lianyungang, the PRC 10 January 2008	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Lianyungang Zhibao Automobile Sales and Services Company Limited 連雲港之寶汽車銷售服務有限公司	Lianyungang, the PRC 22 April 2009	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Suqian Runkai Automobile Sales and Services Company Limited 宿遷潤凱汽車銷售服務有限公司	Suqian, the PRC 15 August 2011	Registered capital of RMB15,000,000	–	100	Sale and service of motor vehicles
Yantai Runjie Automobile Sales and Services Company Limited 煙台潤捷汽車銷售服務有限公司	Yantai, the PRC 16 September 2011	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Qingdao Baojing Automobile Sales and Services Company Limited 青島寶景汽車銷售服務有限公司	Qingdao, the PRC 16 September 2011	Registered capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Suzhou Baojing Automobile Sales and Services Company Limited 蘇州市寶景汽車銷售服務有限公司	Suzhou, the PRC 24 November 2011	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Linyi Baojing Automobile Sales and Services Company Limited 臨沂寶景汽車銷售服務有限公司	Linyi, the PRC 14 April 2011	Registered capital of RMB30,000,000	–	100	Sale and service of motor vehicles
Taizhou Baojing Automobile Sales and Services Company Limited 泰州寶景汽車銷售服務有限公司	Taizhou, the PRC 1 March 2011	Registered capital of RMB21,000,000	–	100	Sale and service of motor vehicles
Zaozhuang Baojing Automobile Sales and Services Company Limited 棗莊寶景汽車銷售服務有限公司	Zaozhuang, the PRC 14 April 2011	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles

42. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Rizhao Baojing Automobile Sales Company Limited 日照寶景汽車銷售服務有限公司	Rizhao, the PRC 12 March 2012	Registered capital of RMB17,000,000	–	100	Sale and service of motor vehicles
Lianyungang Runhe Automobile Sales and Services Company Limited 連雲港潤合汽車銷售有限公司	Lianyungang, the PRC 10 August 2012	Registered capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Nanjing Baojing Automobile Sales and Services Company Limited 南京寶景汽車銷售服務有限公司	Nanjing, the PRC 25 May 2012	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Yancheng Baojing Automobile Sales and Services Company Limited 鹽城寶景汽車銷售服務有限公司	Yancheng, the PRC 1 August 2012	Registered capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Linyi Aofeng Automobile Sales and Services Company Limited 臨沂奧豐汽車銷售服務有限公司	Linyi, the PRC 18 May 2011	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Linyi Jinhua Automobile Sales and Services Company Limited 臨沂金華汽車銷售服務有限公司	Linyi, the PRC 29 November 2002	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Linyi Jialun Automobile Insurance Brokerage Co., Ltd. 臨沂佳輪汽車保險代理有限公司	Linyi, the PRC 23 May 2012	Registered capital of RMB3,000,000	–	100	Brokerage of automobile insurance
Zaozhuang Aowei Automobile Sales and Services Company 棗莊奧威汽車銷售服務有限公司	Zaozhuang, the PRC 5 May 2008	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Lianyungang Runjie Automobile Sales Company Limited 連雲港潤捷汽車銷售有限公司	Lianyungang, the PRC 25 April 2013	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles

42. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Xuzhou Runzhiyi Automobile Sales and Services Company Limited 徐州潤之意汽車銷售服務有限公司	Xuzhou, the PRC 26 June 2013	Registered capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Huai'an Runbaohang Automobile Sales and Services Company Limited 淮安潤寶行汽車銷售服務有限公司	Huaian, the PRC 11 July 2013	Registered capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Jinan Runzhiyi Automobile Sales and Services Company Limited 濟南潤之意汽車銷售服務有限公司	Jinan, the PRC 23 July 2013	Registered capital of RMB30,000,000	–	100	Sale and service of motor vehicles
Hong Kong Gen-kun Investment Co., Limited	Hong Kong, the PRC 25 July 2011	Registered capital of HK$10,000	–	100	Investment holding
Huiyu (Shanghai) Financing and Leasing Company 匯譽(上海)融資租賃有限公司	Shanghai, the PRC 30 September 2013	Registered capital of US$30,000,000	–	100	Automobile financing and leasing
Nanjing Runzhiyi Automobile Sales and Services Company Limited 南京潤之意汽車銷售服務有限公司	Nanjing, the PRC 4 March 2014	Registered capital of RMB50,000,000	–	100	Sale and service of motor vehicles
Suzhou Runbaohang Automobile Services Company Limited 蘇州潤寶行汽車服務有限公司	Suzhou, the PRC 27 February 2014	Registered capital of RMB3,000,000	–	100	Service of motor vehicles
Shanghai Jingbao Automobile Services Company Limited 上海景寶汽車服務有限公司	Shanghai, the PRC 12 May 2014	Registered capital of RMB5,000,000	–	100	Service of motor vehicles
Shanghai Zhilian Automobile Sales and Services Company Limited 上海智聯汽車銷售服務有限公司	Shanghai, the PRC 3 June 2014	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles

42. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

42. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Shanghai Puze Automobile Sales and Services Company Limited 上海浦澤汽車銷售服務有限公司	Shanghai, the PRC 29 October 2015	Registered capital of RMB2,000,000	–	100	Sale and service of motor vehicles
Xuzhou Baozun Automobile Sales and Services Company Limited 徐州寶尊汽車銷售服務有限公司	Xuzhou, the PRC 29 February 2012	Registered capital of RMB25,500,000	–	100	Sale and service of motor vehicles
Suqian Baozun Automobile Sales and Services Company Limited 宿遷寶尊汽車銷售服務有限公司	Suqian, the PRC 25 November 2011	Registered capital of RMB16,500,000	–	100	Sale and service of motor vehicles
Xuzhou Kainuo Automobile Sales and Services Company Limited 徐州凱諾汽車銷售服務有限公司	Xuzhou, the PRC 14 January 2013	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Xuzhou Weichen Shenlan Automobile Sales and Services Company Limited 徐州維辰深藍汽車銷售服務有限公司	Xuzhou, the PRC 29 March 2013	Registered capital of RMB25,000,000	–	100	Sale and service of motor vehicles
Nanjing Zhihang Automobile Sales and Services Company Limited 南京智航汽車銷售服務有限公司	Nanjing, the PRC 28 December 2015	Registered capital of RMB1,000,000	–	100	Sale and service of motor vehicles
Huainan Xin'ao Automobile Sales and Services Company Limited 淮南鑫澳汽車銷售服務有限公司	Huainan, the PRC 22 December 2014	Registered capital of RMB10,000,000	–	60	Sale and service of motor vehicles
Chongqing Zhilan Automobile Sales and Services Company Limited 重慶智瀾汽車銷售服務有限公司	Chongqing, the PRC 25 March 2016	Registered capital of RMB100,000,000	–	100	Sale and service of motor vehicles
Yangzhou Huawei Automobile Investment Management Company Limited 揚州華為汽車投資管理有限公司	Yangzhou, the PRC 19 November 2013	Registered capital of RMB733,000,000	–	100	Sale and service of motor vehicles/I.C

42. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Jiangsu Jin'ao Automobile Sales and Services Company Limited 江蘇金澳汽車銷售服務有限公司	Yangzhou, the PRC 4 August 2004	Registered capital of RMB80,000,000	–	100	Sale and service of motor vehicles
Yangzhou Jindi Automobile Sales and Services Company Limited 揚州金迪汽車銷售服務有限公司	Yangzhou, the PRC 5 March 2014	Registered capital of RMB70,000,000	–	100	Sale and service of motor vehicles
Dalian Shenlan Automobile Sales and Services Company Limited 大連深藍汽車銷售服務有限公司	Dalian, the PRC 9 September 2011	Registered capital of RMB85,000,000	–	100	Sale and service of motor vehicles
Zhenjiang Jin'ao Automobile Sales and Services Company Limited 鎮江金奧汽車銷售服務有限公司	Zhenjiang, the PRC 2 April 2013	Registered capital of RMB30,000,000	–	100	Sale and service of motor vehicles
Jiangsu Jintaiyang Automobile Sales and Services Company Limited 江蘇金太陽汽車銷售服務有限公司	Yangzhou, the PRC 20 September 2002	Registered capital of RMB30,000,000	–	100	Sale and service of motor vehicles
Jiangsu Jintaiyang Ruizhong Automobile Trading Company Limited 江蘇金太陽瑞眾汽車貿易有限公司	Yangzhou, the PRC 14 January 2013	Registered capital of RMB50,000,000	–	100	Sale and service of motor vehicles
Yangzhou Jintong Automobile Sales and Services Company Limited 揚州金通汽車銷售服務有限公司	Yangzhou, the PRC 13 April 2012	Registered capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Yangzhou Jinhu Automobile Sales and Services Company Limited 揚州金滬汽車銷售服務有限公司	Yangzhou, the PRC 15 November 2012	Registered capital of RMB20,000,000	–	100	Sale and service of motor vehicles
Yangzhou Jinmai Automobile Sales and Services Company Limited 揚州金邁汽車銷售服務有限公司	Yangzhou, the PRC 15 November 2012	Registered capital of RMB20,000,000	–	100	Sale and service of motor vehicles

42. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Taizhou Jintaiyang Automobile Trading Company Limited 泰州金太陽汽車貿易有限公司	Taizhou, the PRC 15 March 2010	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Taizhou Jinbang Automobile Sales and Services Company Limited 泰州金邦汽車銷售服務有限公司	Taizhou, the PRC 10 December 2012	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Taizhou Jin'ao Automobile Sales and Services Company Limited 泰州金翱汽車銷售服務有限公司	Taizhou, the PRC 21 February 2013	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Taizhou Jinkun Automobile Sales and Services Company Limited 泰州金坤汽車銷售服務有限公司	Taizhou, the PRC 22 February 2013	Registered capital of RMB30,000,000	–	85	Sale and service of motor vehicles
Taizhou Jinpu Automobile Sales and Services Company Limited 泰州金浦汽車銷售服務有限公司	Taizhou, the PRC 21 January 2013	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Zhenjiang Jinwei Automobile Sales and Services Company Limited 鎮江金煒汽車銷售服務有限公司	Zhenjiang, the PRC 12 October 2013	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicles
Yangzhou De'ao Automobile Services Company Limited 揚州德澳汽車服務有限公司	Yangzhou, the PRC 22 March 2010	Registered capital of RMB12,000,000	–	100	Service of motor vehicles
Yangzhou Ruiao Automobile Sales and Services Company Limited 揚州瑞澳汽車銷售服務有限公司	Yangzhou, the PRC 20 November 2014	Registered capital of RMB10,000,000	–	100	Sale and service of motor vehicle
Changzhou Ruida Automobile Sales and Services Company Limited 常州瑞達汽車銷售服務有限公司	Changzhou, the PRC 26 May 2011	Registered capital of RMB188,000,000	–	100	Sale and service of motor vehicles
Changzhou Shangrui Kaidi Automobile Sales and Services Company Limited 常州上瑞凱迪汽車銷售服務有限公司	Changzhou, the PRC 3 March 2010	Registered capital of RMB321,320,000	–	100	Sale and service of motor vehicles

42. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ registration and place of operations	Registered capital	Percentage of ownership interest Direct %	Indirect %	Principal activities
Changzhoushi Shangrui Automobile Sales and Services Company Limited 常州市上瑞汽車銷售服務有限公司	Changzhou, the PRC 28 September 2009	Registered capital of RMB74,000,000	–	100	Sale and service of motor vehicles
Beijing Yizhibao Automobile Sales and Services Company Limited 北京易至寶汽車銷售服務有限公司	Beijing, the PRC 14 June 2016	Registered capital of RMB30,000,000	–	70	Sale and service of motor vehicles/I.C
Shanghai Xingang Automobile Sales and Services Company Limited 上海新港汽車銷售服務有限公司	Shanghai, the PRC 29 March 2006	Registered capital of RMB18,180,000	–	100	Sale and service of motor vehicles
Nanjing Wandeyou Automobile Sales and Services Company Limited 南京萬德友汽車銷售服務有限公司	Nanjing, the PRC 19 October 2010	Registered capital of RMB70,000,000	–	100	Sale and service of motor vehicles
Nanjing Xingang Automobile Sales and Services Company Limited 南京新港汽車銷售服務有限公司	Nanjing, the PRC 27 December 2000	Registered capital of RMB24,150,000	–	100	Sale and service of motor vehicles
Nanjing Changfu Xingang Automobile Sales and Services Company Limited 南京長福新港汽車銷售服務有限公司	Nanjing, the PRC 02 June 2005	Registered capital of RMB20,500,000	–	100	Sale and service of motor vehicles
Nanjing Suifeng Xingang Automobile Sales and Services Company Limited 南京穗豐新港汽車銷售服務有限公司	Nanjing, the PRC 23 December 2005	Registered capital of RMB21,540,000	–	100	Sale and service of motor vehicles

(i) The statutory accounts for the year ended 31 December 2017 were audited by 徐州春秋聯合會計師事務所 (Xuzhou Chunqiu Union Certified Public Accountants), certified public accountants registered in the PRC. Except for these PRC investment holding subsidiaries, no statutory accounts for the year ended 31 December 2017 have been prepared by any of these subsidiaries.

43. EVENTS AFTER THE REPORTING PERIOD

As disclosed in note 16 to the financial statements in relation to the prepayments made for proposed acquisitions, the directors of the Company are of the opinion that these acquisitions are still in progress and the completion of acquisitions is subject to terms and conditions to be agreed with the shareholders of these proposed acquisitions and the applicable approvals from the relevant authorities.

44. 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:

	2017 ***RMB'000***	2016 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**4,329,021**	4,328,731
CURRENT ASSETS		
Cash and cash equivalents	**7,359**	14,336
Due from subsidiaries	**322,975**	1,263,498
Total current assets	**330,334**	1,277,834
TOTAL ASSETS	**4,659,355**	5,606,565
CURRENT LIABILITIES		
Due to subsidiaries	**–**	942,221
Other payables and accruals	**13,320**	13,320
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,646,035**	4,651,024
NET ASSETS	**4,646,035**	4,651,024
EQUITY		
Share capital	**5**	5
Reserves *(note)*	**4,646,030**	4,651,019
TOTAL EQUITY	**4,646,035**	4,651,024

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

Note:

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

	Share option reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Balance at 1 January 2016	6,434	4,774,293	4,780,727
Total comprehensive income for the year	–	(131,845)	(131,845)
Equity-settled share option arrangements	2,137	–	2,137
At 31 December 2016 and 1 January 2017	8,571	4,642,448	4,651,019
Total comprehensive income for the year	**–**	**(5,279)**	**(5,279)**
Equity-settled share option arrangements	**290**	**–**	**290**
At 31 December 2017	**8,861**	**4,637,169**	**4,646,030**

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.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of the Directors on 28 March 2018.

润东汽车

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