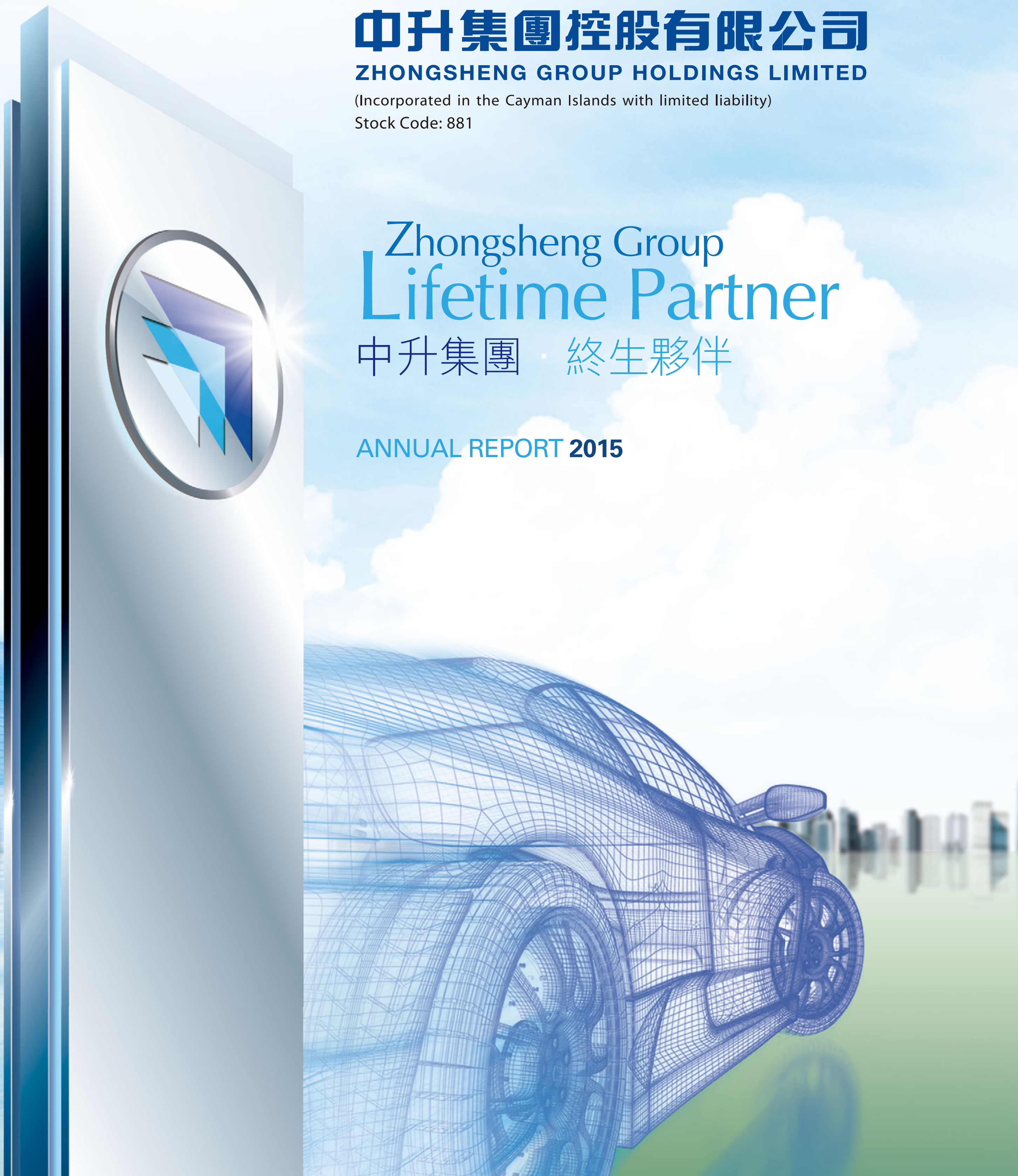
中升集團控股有限公司
ZHONGSHENG GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 881

Zhongsheng Group
Lifetime Partner
中升集團 · 終生夥伴

ANNUAL REPORT **2015**



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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS
Mr. Huang Yi *(Chairman)*
Mr. Li Guoqiang *(President and CEO)*
Mr. Du Qingshan
Mr. Yu Guangming
Mr. Si Wei
Mr. Zhang Zhicheng

NON-EXECUTIVE DIRECTORS
Mr. Adam Keswick
Mr. Leng Xuesong (resigned on 16 June 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Shigeno Tomihei (retired on 16 June 2015)
Mr. Ng Yuk Keung
Mr. Shen Jinjun
Mr. Lin Yong
Mr. Shoichi Ota (appointed on 31 August 2015)

CORPORATE HEADQUARTERS
No. 20 Hequ Street
Shahekou District
Dalian
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 3504–12
35th Floor, Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

LEGAL ADVISERS TO HONG KONG LAW
Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square
Central
Hong Kong

JOINT COMPANY SECRETARIES
Ms. Kam Mei Ha Wendy
Ms. Mak Sze Man

AUTHORIZED REPRESENTATIVES
Mr. Huang Yi
Ms. Kam Mei Ha Wendy

AUDIT COMMITTEE
Mr. Ng Yuk Keung *(Chairman)*
Mr. Shen Jinjun
Mr. Lin Yong (appointed on 31 August 2015)

REMUNERATION COMMITTEE
Mr. Lin Yong *(Chairman)* (appointed on 31 August 2015)
Mr. Li Guoqiang
Mr. Shen Jinjun

NOMINATION COMMITTEE
Mr. Shen Jinjun *(Chairman)*
Mr. Huang Yi
Mr. Lin Yong (appointed on 31 August 2015)

COMPLIANCE COMMITTEE
Mr. Du Qingshan *(Chairman)*
Mr. Huang Yi
Mr. Li Guoqiang

RISK COMMITTEE (ESTABLISHED ON 31 MARCH 2016)
Mr. Yu Guangming *(Chairman)*
Mr. Si Wei

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

STOCK CODE
881

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

CHAIRMAN'S STATEMENT

Huang Yi
Chairman

Dear shareholders,

On behalf of the board (the "**Board**") of directors of Zhongsheng Group Holdings Limited ("**Zhongsheng Group**" or the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2015 (the "**Reporting Period**").

In 2015, China's development faced enormous difficulties and severe challenges. Under the government regulatory measures to sustain economic growth, adjust economic structure and prevent risks, China's economy maintained moderate but sound and stable development. According to the report of the National Bureau of Statistics, China's GDP in 2015 amounted to RMB67,670.8 billion, representing a year-on-year growth of 6.9%. The disposable income per capita in China was RMB21,966, representing a year-on-year nominal growth of 8.9%. These achievements were made amidst an exceptionally complex and severe global environment.

In 2015, the production volume and sales volume of automobiles in China achieved a breakthrough of more than 24.50 million units, hitting the world's new high and ranking first in the world for seven consecutive years. Sales volume of passenger vehicles reached 21.1463 million units in 2015, exceeded 20 million units for the first time and representing a year-on-year growth of 7.30%. The luxury automobile market continued to grow rapidly. In particular, the sales volume of Mercedes-Benz in China amounted to 373,500 units in 2015, having exceeded the estimated volume of 300,000 units at the beginning of the year. This achievement made China outstrip the U.S. and become the single largest market of Mercedes-Benz in the world. However, in contrast to the growth in sales volume, selling price and gross profit margin of new automobiles remained low. The intense competition in market price lowered gross profit margin of new automobiles as compared to last year.

As at 31 December 2015, the Group recorded a revenue of RMB59,142.6 million, representing an increase of 8.0% as compared to a revenue of RMB54,786.7 million in 2014. In particular, revenue from new car sales business increased from RMB47,961.6 million in 2014 to RMB51,842.7 million, representing an increase of 8.1%. Revenue from after-sales and accessories business increased from RMB6,825.1 million in 2014 to RMB7,299.9 million, representing an increase of 7.0%. Our profit attributable to owners of the parent for 2015 was RMB460.1 million, representing a decrease of 38.6% as compared to the same period of 2014. Earnings per share was RMB0.21 (same period in 2014: RMB0.35).

The year of 2015 is the last year of the "12th Five Year Plan", during which the automobile industry was still undergoing a process of in-depth adjustment with intensified elimination and integration in the dealership industry. Though facing the impact of macro-economic environment and challenges brought by the complex business environment, Zhongsheng Group, leveraging on its corporate management, strived to strengthen its footholds, paid close attention to the trend of policies and consumption demand, solidified and enlarged its market share in various cities, and capitalized on the competitive edge of its brand to continuously expand its business scale. As at 31 December 2015, the Group had 213 automobile dealership stores, covering 20 provincial level regions and over 70 cities in China.

Despite undergoing a difficult phase of adjustments, Zhongsheng Group still received wide recognition from domestic and international authorities. In May 2015, Zhongsheng Group ranked fourth among the 2014 Top 100 Automobile Dealer Groups in China issued by the China Automobile Dealers Association for the second consecutive year with annual revenue of RMB54.79 billion. In July 2015, Zhongsheng Group was selected once again as one of the Fortune China 500, an internationally recognized ranking and ranked 114th. In November 2015, it was granted the "2015 Most Influential Brand in China's Automobile Dealer Industry" by the China Automobile Dealers Association.

2016 is the first year of the "13th Five-Year Plan" and also a year for pushing through the structural reform of China's economy. The automobile and dealership industry in China will face more difficulties and greater challenges. However, Zhongsheng Group is fearless of difficulties and challenges as its has been heading forward amidst difficulties. We are pleased to see numerous positive signs which are beneficial to the future development of automobile and dealership industry from the government work report of the fourth meeting of the 12th National People's Congress, including further improvement in the living standard of citizens, continuous increase in disposable income, comprehensive upgrade of infrastructure facilities, highway traffic mileage exceeding 120,000 miles and further promotion in the new urbanization.

Looking forward, there exist both opportunities and challenges as China's automobile industry has reached a critical phase of transformation and upgrading. While steadily optimizing our network coverage and enhancing our management standards, we will strive for excellence, continually increase our service capabilities and standards as well as enlarge the effect of scale economies. As an automobile dealership group which provides one-stop services including sales of new and second-hand automobiles, refitting, after-sales maintenance, accessories, finance, insurance and leasing services, we will stand by our corporate motto of "Zhongsheng Group – Lifetime Partner" as always, consistently uphold our operational policy of "Integrity and Innovation", strengthen our own management and enhance our core competitiveness. In light of the core mission under the "13th Five-Year Plan" to fully construct a moderately prosperous society, the Group will make its best endeavors to take a step forward to achieve comprehensive development.

Thanks to the dedication of our staff from all departments, the cooperation with all business partners and the trust of all shareholders, the Group is able to gain stable achievements in face of the complicated and difficult market condition. On behalf of the Board, I would like to express our sincere gratitude to all of you for your valuable contributions to our development.

Huang Yi
Chairman
Hong Kong, 31 March 2016

CHIEF EXECUTIVE OFFICER'S STATEMENT

Li Guoqiang
President and Chief Executive Officer

MARKET REVIEW

In 2015, the international economic environment remained complicated with increasing pressure from economic downturn. Despite a slowdown, China's economic growth rate remained at a reasonable range. China's GDP for the year amounted to RMB67.7 trillion, representing a year-on-year growth of 6.9%, and ranked high among the world's major economies. In general, China's economy showed moderate but sound and stable development momentum.

Notably, the living standard of the citizens was further improved. The disposable income per capita in China recorded an actual increase of 7.4%, outpacing the economic growth rate. As at the end of last year, the balance of savings deposits of residents increased by more than RMB4 trillion, representing an increase of 8.5%. In particular, the employment situation kept stable in general with an increase in the employed population in urban areas of 13.12 million, marking a significant breakthrough in the construction of new urbanization. All of these have laid a solid foundation and provided opportunities for long-term development of the automobile market.

The overall automobile industry achieved healthy development in 2015. China's automobile market once again set a new record. Both the production volume and sales volume of automobiles for the whole year exceeded 24.50 million units, hitting the world's new high and ranking first in the world for seven consecutive years. The production volume and sales volume of passenger vehicles reached 21.0794 million units and 21.1463 million units, respectively, representing a year-on-year increase of 5.8% and 7.3%, and outpacing the increase rate in the overall automobile market by 2.5 and 2.6 percentage points, respectively. As a major component of Chinese automobile products, the proportion of sales volume of passenger vehicles in the total sales volume of vehicles further increased to 86% in the year of 2015.

In contrast to the performance of the sales volume of new automobile, the selling price and profit margin of new automobiles were not satisfactory. Though the initiatives to destock taken by the entire automobile dealership industry made certain achievements in 2015, they were yet to reach a desirable level and the finance cost pressure was still relatively high. The imbalance between market demand and supply intensified the price competition, which resulted in a lower profit margin for new automobiles as compared to 2014.

As the industrial development has reached a critical phase of adjustments, the automobile dealership industry is undergoing a process of large-scale elimination and integration. The structure of China's automobile dealership industry is changing due to business restructurings. During this process, all dealership groups are facing not only tremendous pressure but also unprecedented opportunities.

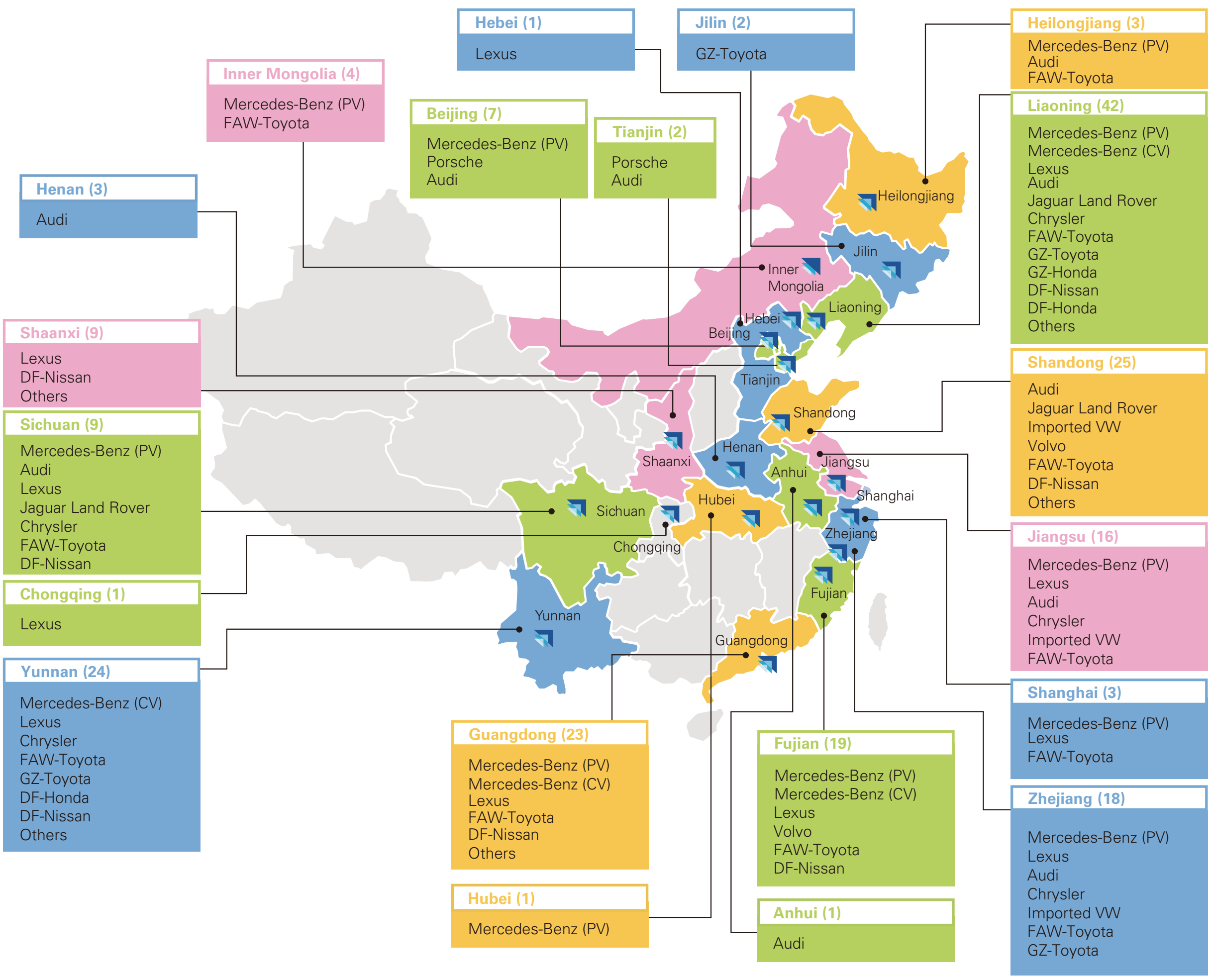
2016 is the first year of the "13th Five-Year Plan". One of the core missions for the "13th Five-Year Plan" period is to construct a moderately prosperous society. This core mission has laid a solid foundation for the development of China's automobile industry and provided huge space for further development of the automobile dealership industry.

BUSINESS REVIEW

COMMITMENTS TO OPTIMIZATION AND EXPANSION OF DISTRIBUTION NETWORK

Looking back on 2015, despite that a slight decrease was seen in the sales volume of the passenger vehicle market between June and August, the general trend was still upward and the growth rate continued to recover. In particular, the year-on-year increase rates for November and December were even more than 20%. In light of this, the Group continued to uphold its commitment and actively optimized and expanded its distribution network coverage. As at 31 December 2015, the total number of dealership stores of the Group increased to 213 which were mainly located in regions with high consumption power or great potential for car purchasing, and covered 20 provinces and regions and more than 70 cities across China. Among them, 102 were luxury brand dealerships, representing an increase of 22 dealerships in 2015.

The coverage of the Group's dealership stores as of 31 December 2015 was as follows:



	Luxury brand	Mid-to-high-end brand	Total
Northeastern China region	14	33	**47**
Northern China region	10	–	**10**
Eastern and Central China region	39	25	**64**
Southern China region	24	18	**42**
Southwestern and Northwestern inland regions	15	35	**50**
Total	102	111	**213**

Currently, the Group's brand portfolio covers luxury brands such as Mercedes-Benz, Audi, Lexus, Jaguar Land Rover, Porsche, Chrysler, Volvo and Imported Volkswagen, as well as mid-to-high-end brands such as Toyota, Nissan and Honda.

CONTINUING TO DEVELOP AFTER-SALES SERVICES WITH INNOVATIVE CONCEPTS OF SERVICES AND PRODUCTS

According to statistics, the scale of China's automobile after-sales market reached RMB600 billion in 2015, and the average annual growth rate was more than 30%. Since 2015, China has been promoting innovation across the country, and the automobile dealership industry has been undergoing innovation and reforms. The overall driving force and competitiveness has been moving towards the after-sales market and the development of innovative and highly efficient services will become an important means for dealership groups to break out from the tradition.

The Group places great emphasis on the improvement and enhancement of the quality of after-sales services. A professional after-sales R&D team has been established by the Group to provide customers with high quality driving experience at all times through providing differentiated products and services. As an automobile dealership group which provides one-stop services including sales of new and second-hand automobiles, after-sales, refitting, accessories, finance, insurance and leasing services, we have fully explored the value of automobile after-sales industrial chain, and achieved rapid development in exploring every extended business lines.

FUTURE STRATEGIES AND OUTLOOK

Looking ahead, facing the opportunity arising from the transformation and upgrade of China's automobile market as well as the integration of the automobile dealership industry, the Group will strive to seize opportunity and gain recognition from customers and the market while realizing another boom in development by leveraging on solid management foundation, optimized dealership network, comprehensive brand portfolio and ever expanding after-sales market.

Li Guoqiang
President and Chief Executive Officer

Hong Kong, 31 March 2016


SURVEY
SPARE PARTS
SERVICE
SALES

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE

Revenue for the year ended 31 December 2015 was RMB59,142.6 million, representing an increase of RMB4,355.9 million or 8.0% as compared to the corresponding period in 2014. Revenue from new car sales amounted to RMB51,842.7 million, representing an increase of RMB3,881.1 million or 8.1% as compared to the corresponding period in 2014. Revenue from after-sales and accessories business amounted to RMB7,299.9 million, representing an increase of RMB474.8 million or 7.0% as compared to the corresponding period in 2014. Our new car sales business generated a substantial portion of our revenue, accounting for 87.7% of our revenue for the year ended 31 December 2015 (2014: 87.5%).

For the year ended 31 December 2015, revenue from sales of luxury brand automobiles amounted to RMB34,880.2 million (2014: RMB31,930.1 million), accounting for 67.3% (2014: 66.6%) of our revenue from new car sales for the same period. Revenue from sales of mid-to-high-end brand automobiles amounted to RMB16,962.5 million (2014: RMB16,031.5 million), accounting for 32.7% (2014: 33.4%) of our revenue from new car sales. In terms of new car sales revenue in 2015, Mercedes-Benz and Audi were our two top-selling brands, representing approximately 27.2% and 17.6% of our total new car sales revenue, respectively (2014: 27.5% and 18.0% respectively).

COST OF SALES AND SERVICES

Cost of sales and services for the year ended 31 December 2015 amounted to RMB54,473.4 million, representing an increase of RMB4,461.6 million or 8.9% as compared to the corresponding period in 2014. Cost attributable to our new car sales business amounted to RMB50,493.5 million for the year ended 31 December 2015, representing an increase of RMB4,106.7 million or 8.9% as compared to the corresponding period in 2014. Cost attributable to our after-sales and accessories business amounted to RMB3,979.9 million for the year ended 31 December 2015, representing an increase of RMB354.9 million or 9.8% as compared to the same period of 2014.

GROSS PROFIT

Gross profit for the year ended 31 December 2015 amounted to RMB4,669.2 million, representing a decrease of RMB105.6 million or 2.2% as compared to the corresponding period in 2014, of which the gross profit from new car sales business amounted to RMB1,349.2 million, representing a decrease of RMB225.6 million or 14.3% as compared to the corresponding period in 2014. Gross profit from after-sales and accessories business was RMB3,320.0 million, representing an increase of RMB120.0 million or 3.8% as compared to the corresponding period of 2014. For the year ended 31 December 2015, the gross profit from after-sales and accessories business accounted for 71.1% of the total gross profit (2014: 67.0%). Our gross profit margin for the year ended 31 December 2015 was 7.9% (2014: 8.7%), of which the gross profit margin of new car sales business was 2.6% (2014: 3.3%). Gross profit margin of after-sales and accessories business was 45.5% (2014: 46.9%).

PROFIT FROM OPERATIONS

Profit from operations for the year ended 31 December 2015 amounted to RMB2,009.9 million, representing a decrease of RMB354.5 million or 15.0% as compared to the corresponding period in 2014. Our operating profit margin for the year ended 31 December 2015 was 3.4% (2014: 4.3%).

PROFIT FOR THE YEAR

Our profit for the year ended 31 December 2015 amounted to RMB481.3 million, representing a decrease of RMB299.4 million or 38.4% as compared to the corresponding period in 2014. Our net profit margin for the year ended 31 December 2015 was 0.8% (2014: 1.4%).

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Our profit attributable to owners of our Company for the year ended 31 December 2015 was RMB461.0 million, representing a decrease of RMB289.9 million or 38.6% as compared to the corresponding period in 2014.

NON-HKFRSs MEASURES – ADJUSTED PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

In addition to our consolidated financial statements which are presented in accordance with HKFRSs, we also provide further information based on the adjusted net profit attributable to owners of the parent as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of our business performance. We also believe that these non-HKFRSs measures provide additional information to investors and others, helping them to understand and evaluate our consolidated results of operations in the same manner as our management and to compare financial results across accounting periods and with those of our peer companies.

We define adjusted net profit attributable to owners of the parent as net income or loss attributable to owners of the parent excluding the interest expense of convertible bonds recognised under HKFRSs using the effective interest rate method and adding back the interest expense of convertible bonds calculated based on coupon interest rate for the year ended 31 December 2015.

	2015 RMB'000	2014 RMB'000
Profit for the year attributable to owners of the parent	**460,964**	750,905
Add: Interest expense of convertible bonds recognised under HKFRSs using the effective interest rate method	**141,356**	91,591
Less: Interest expense of convertible bonds calculated based on coupon interest rate	**71,660**	47,657
Adjusted profit attributable to owners of the parent	**530,660**	794,839

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

Our cash is primarily used to pay for the purchase of new automobiles, spare parts and automobile accessories, repay our indebtedness, fund our working capital and normal operating expenses, establish new dealerships and acquire other dealerships. We finance our liquidity needs through a combination of cash flows generated from our operating activities and financing activities.

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

CASH FLOW GENERATED FROM OPERATING ACTIVITIES

For the year ended 31 December 2015, our net cash generated from operating activities was RMB4,651.7 million, arising primarily from operating profit of RMB2,855.9 million before working capital movement, adding a net decrease in working capital of RMB2,042.1 million and deducting payment of tax of RMB246.3 million.

CASH FLOW USED IN INVESTING ACTIVITIES

For the year ended 31 December 2015, our net cash used in investing activities was RMB1,690.1 million, consisting primarily of purchases of property, plant and equipment of RMB1,596.1 million, purchases of land use rights of RMB185.6 million and acquisition of subsidiaries of RMB392.7 million, partially offset by proceeds from disposal of items of property, plant and equipment of RMB564.0 million.

CASH FLOW USED IN FINANCING ACTIVITIES

For the year ended 31 December 2015, our net cash used in financing activities was RMB2,597.7 million, consisting of proceeds from bank loans and other borrowing of RMB31,218.1 million, offset by repayment of bank loans and other borrowings of RMB33,117.9 million and interest paid for bank loans and other borrowings of RMB1,200.0 million.

CAPITAL EXPENDITURE AND INVESTMENT

Our capital expenditures comprise expenditures on property, plant and equipment, land use rights and business combination. For the year ended 31 December 2015, our total capital expenditures were RMB1,834.5 million.

INVENTORY ANALYSIS

Our inventories primarily consist of new automobiles, spare parts and automobile accessories. Generally, each of our dealerships independently manages the orders for new automobiles and part of the after-sales products. We also coordinate and aggregate orders for automobile accessories and other automobile-related products across our dealership network. We manage our quotas and inventory levels through our ERP system. Our inventories decreased by 24.4% from RMB8,319.4 million as at 31 December 2014 to RMB6,289.3 million as at 31 December 2015. The decrease is primarily due to a series of destock action taken by us, which facilitated a decrease in our inventory of new automobiles by RMB2,064.2 million, or 27.0%, to RMB5,586.6 million as at 31 December 2015.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year ended 31 December	
	2015	2014
Average inventory turnover days	**43.5**	50.9

Our average inventory turnover days in 2015 decreased to 43.5 days from 50.9 days in 2014, primarily benefited from our continuous destock action and the ramp up of sales of new stores.

BANK LOANS AND OTHER BORROWINGS

Our bank loans and other borrowings, short term bonds and bonds payable as at 31 December 2015 were RMB16,759.4 million, and our convertible bonds liability portion amounted to RMB2,502.2 million. The decrease in our bank loans and other borrowings during the year is primarily due to good cash-inflow from operating activities which enables us to reduce the borrowings.

PLEDGE OF THE GROUP'S ASSETS

The Group pledged its group assets as securities for bank loans and other borrowings and banking facilities which were used to finance our daily business operation. As at 31 December 2015, the pledged group assets amounted to approximately RMB5.4 billion (2014: RMB5.1 billion).

CONTINGENT LIABILITIES

As at 31 December 2015, neither the Company nor the Group had any significant contingent liabilities.

GEARING RATIO

As at 31 December 2015, the gearing ratio of our Group was 59.4% (31 December 2014: 60.3%), which was calculated from net debt divided by the sum of net debt and total equity.

FUTURE PLANS AND THE EXPECTED FUNDING

Going forward, the Company will continue to expand its business in the luxury and mid-to-high end passenger vehicle market by capitalizing on the opportunities arising from the market and exploring acclaimed brands with potential. We aim to expand our distribution network through new establishment and appropriate mergers and acquisitions in the future. We currently plan to fund our future capital expenditure through cash flows generated from our operating activities and various resources including but not limited to internal funds and borrowings from banks, and we currently have sufficient credit facilities granted by our banks.

RISK OF EXPOSURE TO EXCHANGE RATE FLUCTUATIONS AND RELATED HEDGING

Nearly all our businesses are conducted in Mainland China and we conduct our business primarily in Renminbi. We make nearly all our procurement with Renminbi and nearly all our incomes are denominated in Renminbi as well. We do not expect material impact on our business from the exchange rate fluctuations, and we currently do not engage in hedging activities designed or intended to manage the foreign exchange risks. However, we will consider arranging for proper financial instruments at appropriate times to avoid the exchange rate risks when necessary.

EMPLOYEES' REMUNERATION POLICIES AND TRAINING

As at 31 December 2015, the Group had a total of 16,650 employees. During the year of 2015, the total staff costs (including directors' remunerations) amounted to approximately RMB1,746.6 million.

The remuneration we paid to our staff mainly comprised wages, commissions, discretionary bonuses and contributions to defined contribution welfare schemes (including pension funds). The management determines the remuneration of the employees with reference to performance, experiences and industry practice.

In the future, we plan to provide various internal and external trainings for our senior management, general managers of our subsidiary 4S dealerships, middle-level executives as well as other employees, so as to improve the management capability and quality throughout the Group, growing more "quality" employees into "outstanding" ones.

CORPORATE GOVERNANCE REPORT

The Board of the Company is pleased to present this Corporate Governance Report in the annual report of the Group for the year ended 31 December 2015.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group has 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's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

The Company has applied the principles as set out in the CG Code.

The Board is of the view that throughout the year ended 31 December 2015, the Company has complied with the code provisions as set out in the CG Code, save for one exception: code provision A.5.1 which stipulates that a nomination committee should comprise a majority of independent non-executive Directors.

Since the retirement of Mr. Shigeno Tomihei as an independent non-executive director and his cessation to act as the chairman of remuneration committee and a member of nomination committee of the Company on 16 June 2015, the composition of the nomination committee does not meet the requirement under code provision A.5.1 of the CG Code. In order to comply with such requirement, the Company appointed Mr Lin Yong, the independent non-executive director of the Company, as member of nomination committee on 31 August 2015 to fill the casual vacancy.

A. THE BOARD

1. RESPONSIBILITIES

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The directors of the Company make decisions objectively in the interests of the Company.

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

The directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his responsibilities to the Company.

2. DELEGATION OF MANAGEMENT FUNCTION

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company.

All directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to entering into any significant transactions by the abovementioned officers.

3. BOARD COMPOSITION

The Board of the Company comprises the following directors:

Executive Directors:	Mr. HUANG Yi *(Chairman)* Mr. LI Guoqiang *(President and Chief Executive Officer)* Mr. DU Qingshan Mr. YU Guangming Mr. SI Wei Mr. ZHANG Zhicheng
Non-executive Directors:	Mr. LENG Xuesong (resigned on 16 June 2015) Mr. Adam KESWICK
Independent Non-executive Directors:	Mr. SHIGENO Tomihei (retired on 16 June 2015) Mr. NG Yuk Keung Mr. SHEN Jinjun Mr. LIN Yong Mr. Shoichi OTA (appointed on 31 August 2015)

The biographical information of the directors are set out in the section headed "Directors and Senior Management" on pages 24 to 28 of the annual report for the year ended 31 December 2015.

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

4. INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2015, the Board endeavored to meet the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise, save for one exception: independent non-executive directors representing at least one-third of the Board.

Since the retirement of Mr. Shigeno Tomihei as an independent non-executive director on 16 June 2015, the number of independent non-executive directors has fallen below one-third of the Board which does not meet the requirements under the rule 3.10A of the Listing Rules. In order to comply with such requirement, the Company appointed Mr. Shoichi Ota as an independent non-executive director on 31 August 2015.

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 are independent.

5. NON-EXECUTIVE DIRECTORS AND RE-ELECTION OF DIRECTORS

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's articles of association (the "**Articles of Association**"). The Nomination Committee of the Company is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment of directors and succession planning for directors and assessing the independence of independent non-executive directors.

Each of the executive directors of the Company has entered into a service contract with the Company for an initial term of three years with effect from their respective date of appointment unless terminated by not less than three months' written notice served by either the executive directors or the Company. Each of the non-executive director and independent non-executive directors has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment. The appointments are subject to the provisions of retirement and rotation of directors under the Articles of Association.

In accordance with the Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

According to article 84 of the Articles of Association, Mr. Huang Yi, Mr. Si Wei, Mr. Shigeno Tomihei and Mr. Ng Yuk Keung retired at the annual general meeting of the Company held on 16 June 2015 and offered themselves for re-election at the same annual general meeting except Mr. Shigeno Tomihei. Meanwhile, the directors to be retired from office by rotation at the coming annual general meeting to be held on 17 June 2016 pursuant to the above article shall be eligible for re-election as directors at the same meeting.

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.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment 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.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and appropriate. Internally-facilitated briefings for directors will be arranged and reading materials on relevant topics will be circulated to directors where appropriate. All directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2015, the following directors attended in-house briefing(s), seminar(s) and training session(s) arranged by the Company or the following professional institution(s)/professional firm(s):

				Directors' Attendance												
No.	Topic	Date	Name of Organizer	Huang Yi	Li Guo-qiang	Du Qing-shan	Yu Guang-ming	Si Wei	Zhang Zhi-cheng	Leng Xue-song[1]	Adam Keswick	Shigeno Tomihei[2]	Ng Yuk Keung	Shen Jinjun	Lin Yong	Shoichi Ota[3]
1.	China Entrepreneurs Forum in Yabuli	28 Feb 2015	China Entrepreneurs Forum								✓					
2.	Closed-door Seminar	10 Mar 2015	The People's Bank of China												✓	
3.	Corporate Governance, Listing Rules & Insider Trading	30 Mar 2015	The Company	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
4.	Greater China Investors Forum 2015	18 May 2015	China CITIC Bank												✓	
5.	Outlook of Hong Kong Capital Market	9 June 2015	CCB International												✓	

In addition, Mr. Adam Keswick has studied various relevant materials including business journals and financial magazines during the year.

1 Resigned on 16 June 2015
2 Retired on 16 June 2015
3 Appointed on 31 August 2015

7. ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEE MEMBERS

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

	Attendance/Number of Meetings					
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Compliance Committee	Annual General Meeting
Huang Yi	5/5	2/2			1/1	1/1
Li Guoqiang	5/5		1/1		1/1	1/1
Du Qingshan	5/5				1/1	1/1
Yu Guangming	5/5					1/1
Si Wei	5/5					1/1
Zhang Zhicheng	5/5					1/1
Leng Xuesong (Resigned on 16 June 2015)	2/2			1/1		1/1
Adam Keswick	4/5					1/1
Shigeno Tomihei (Retired on 16 June 2015)	2/2	1/1	1/1			1/1
Ng Yuk Keung	4/5			2/2		1/1
Shen Jinjun	3/5	2/2	1/1	2/2		1/1
Lin Yong	5/5			1/1		1/1
Shoichi Ota (Appointed on 31 August 2015)	2/2					N/A

The attendance record of Mr. Adam Keswick at the Board meeting by his alternate is set out below:

	Attendance/Number of Meetings					
Name of Director (Name of Alternate)	Board	Nomination Committee	Remuneration Committee	Audit Committee	Compliance Committee	Annual General Meeting
Adam Keswick (Kim Teck Cheah)	1/5					

Apart from regular Board meetings, the chairman also held one meeting with the non-executive directors (including independent non-executive directors) without the presence of executive directors on 30 March 2015. All the relevant directors have attended this meeting.

B. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The chairman of the Board is Mr. Huang Yi, who provides leadership for the Board and is responsible for chairing the meetings, managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. He is also responsible for the strategic management of the Group and for formulating the Group's overall corporate direction and task. The chief executive officer is Mr. Li Guoqiang, who is responsible for the overall management and operations of the Group. He is also responsible for running the Company's businesses and implementing the Group's strategic plans and business goals.

To facilitate a timely discussion of all key and appropriate issues by the Board, the chairman co-ordinates with the senior management to provide adequate, complete and reliable information to all directors for consideration and review.

C. BOARD COMMITTEES

The Board has maintained the Audit Committee, the Remuneration Committee, the Nomination Committee and the Compliance Committee to oversee particular aspects of the Company's affairs for the year ended 31 December 2015. On 31 March 2016, the Board established the Risk Committee to oversee the Company's risk management affairs. The five 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/or the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

1. AUDIT COMMITTEE

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2015, the Audit Committee held two meetings to review interim and annual financial results and reports, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties. The attendance records of the Audit Committee meetings are set out under "Attendance Record of Directors and Board Committee Members" on page 18.

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

2. REMUNERATION COMMITTEE

The primary functions of the Remuneration Committee include establishing transparent procedures for developing remuneration policy and structure, ensuring that no director or any of his associates will participate in deciding his own remuneration, determining the remuneration policy and structure for all directors and senior management, assessing their performance and approving the terms of their service contracts, and making recommendations to the Board on the remuneration packages of individual executive directors and senior management.

Details of the amount of directors' and chief executive officer's remuneration are set out in note 9 to the financial statements.

For the year ended 31 December 2015, the aggregate emoluments payable to members of senior management fell within the following band:

	Number of Individual
By Band	
HK$500,001 to HK$1,000,000	1
HK$3,500,001 to HK$4,000,000	2

The Remuneration Committee met once during the year ended 31 December 2015 to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and senior management and other related matters. The attendance records of the Remuneration Committee meeting are set out under "Attendance Record of Directors and Board Committee Members" on page 18.

3. NOMINATION COMMITTEE

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive directors.

In designing the Board composition, the Nomination Committee would consider from a number of aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board where necessary, and make recommendation to the Board for adoption.

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations.

The Nomination Committee met twice during the year ended 31 December 2015 to review the structure, size and composition of the Board and the independence of the independent non-executive directors and to consider the qualifications of the retiring directors standing for election at the annual general meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained. The attendance records of the Nomination Committee meeting are set out under "Attendance Record of Directors and Board Committee Members" on page 18.

4. COMPLIANCE COMMITTEE

The primary function of the Compliance Committee is to determine the policy for the corporate governance of the Company so as to ensure compliance on regulatory matters and corporate governance.

The Compliance Committee met once during the year ended 31 December 2015 to review the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report. The attendance records of the Compliance Committee meeting are set out under "Attendance Record of Directors and Board Committee Members" on page 18.

To discharge our corporate governance duties, the inside information disclosure policy was adopted and a shareholders' communication policy was devised.

5. RISK COMMITTEE

The Board has set up a risk committee on 31 March 2016 with specific written terms of reference which deal clearly with its authority and duties.

The primary functions of the Risk Committee are to determine the risk management strategies, review the risk management system of the Group as well as to assess the Group's risk profile and risk management capabilities so as to improve the Group's risk management and internal control systems.

The risk committee would hold meeting at least once a year to review the effectiveness of the risk management and internal control systems of the Group and would report to shareholders that it has done so in its Corporate Governance Report, the scopes of which shall cover each and every key aspect of the internal control systems including the financial control system, operation control system, compliance control system and risk management system.

D. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

The Company's employees, who are likely to be in possession of unpublished inside information of the Group, are also subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company.

E. DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

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

The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

F. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 39 to 40.

The external auditors of the Company attended the annual general meeting held on 16 June 2015 to answer questions about the conduct of the audit, the preparation and content of the auditors' report and auditor independence.

During the year, the remuneration paid or payable to the Company's external auditors in respect of audit services and non-audit services for the year ended 31 December 2015 amounted to RMB5,600,000 and HK$45,000 respectively. The main non-audit services provided by the external auditors include tax services.

The Audit Committee recommended to the Board that, subject to the shareholder's approval at the forthcoming annual general meeting, Ernst & Young be re-appointed as the external auditor of the Company.

G. INTERNAL CONTROLS

The Board has conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 December 2015, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board is responsible for maintaining an adequate internal control system to safeguard investments of shareholder and Company assets, and reviewing the effectiveness of such internal control system on an annual basis through the Audit Committee. The Board is not aware of any significant internal control weaknesses nor significant breach of limits or risk management policies.

H. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The chairman of the Board, all other members of the Board including non-executive directors, independent non-executive directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

During the year of 2015, the Company has not made any changes to the Articles of Association. A latest version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

To promote effective communication, the Company maintains a website at www.zs-group.com.cn, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

I. SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules, unless otherwise required by the Listing Rules and poll voting results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

(I) CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Pursuant to article 58 of the Articles of Association, an extraordinary general meetings (the "**EGM**") may be convened by the Board on requisition of one or more shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be held within 2 months after the deposit of such requisition. If the Board fails to proceed to convene such EGM within 21 days of the deposit of the requisition, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) concerned as a result of the failure of the Board shall be reimbursed to the requisitionist(s) concerned by the Company.

The requisitionist(s) must state the objects clearly in the requisition, sign the requisition and deposit the same to the Board or the company secretary or the primary contact persons of the Company.

(II) PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2013 Revision) or the Articles of Association. However, shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out in paragraph (I) above.

As regards the procedures for shareholders to propose a person for election as a director, they are available on the Company's website at www.zs-group.com.cn.

(III) PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, shareholders may send written enquires to the Company.

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

PRIMARY CONTACT PERSONS

Shareholders may send their requisitions, proposed resolutions or enquiries as mentioned in (I), (II) and (III) above to the primary contact person of the Company as set out below:

Name: Ms. Yan Shezhen, Ms. Yao Zhenchao
Address: Room 3504–12, 35th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong
Fax: (+852) 2803 5676
Email: yanshezhen@zs-group.com.cn, yaozhenchao@zs-group.com.cn

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

J. COMPANY SECRETARY

Ms. Kam Mei Ha Wendy and Ms. Mak Sze Man of Tricor Services Limited, external service provider, have been engaged by the Company as its joint company secretaries. Both of them have satisfied the training requirement for the year of 2015 under rule 3.29 of the Listing Rules.

Their primary contact persons at the Company are Ms. Yan Shezhen, the Head of Investor Relationship of the Company, and Ms. Yao Zhenchao, the Chief Legal Officer of the Company.

K. GOING CONCERN

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of members of the Board of our Company:

Name	Age	Position
HUANG Yi	53	Chairman and executive director
LI Guoqiang	52	President, executive director and chief executive officer
DU Qingshan	53	Executive director
YU Guangming	58	Executive director
SI Wei	53	Executive director
ZHANG Zhicheng	43	Executive director
Adam KESWICK	43	Non-executive director
NG Yuk Keung	51	Independent non-executive director
SHEN Jinjun	58	Independent non-executive director
LIN Yong	46	Independent non-executive director
Shoichi OTA	67	Independent non-executive director

EXECUTIVE DIRECTORS

HUANG Yi (黄毅), aged 53, is our Chairman and executive director. Mr. Huang is one of the two founders, and has been chairman of our Group since its inception in 1998. Mr. Huang has been serving as an executive director of our Board since 23 June 2008 and he is also a director of the various companies in the Group. Mr. Huang is responsible for the strategic management of the Group and for formulating our overall corporate direction and focus. Prior to founding our Group, Mr. Huang was a director and deputy general manager at China Resources Machinery Co., Ltd. ("**China Resources Machinery**"), a state-owned enterprise engaged in importing and exporting automobiles and other machinery. Mr. Huang held numerous management positions in business administration, product procurement and sales operations in China Resources Machinery during his tenure between 1984 and 1994. In 1994, Mr. Huang joined China Automobile Company Limited ("**China Automobile**") as a director, and was responsible for China Automobile's procurement and sales divisions. In 1996, Mr. Huang invested in, and became a shareholder of, China Automobile. China Automobile, currently known as Hokuryo Holdings Company Limited, is presently an indirect wholly-owned subsidiary of our Group. Mr. Huang is currently a council member of the Lexus China Dealer Council, as well as a council member of the National Dealer Advisory Council of FAW Toyota Motor Sales Co., Ltd. Mr. Huang has substantial senior management experience and more than 27 years' of experience and in-depth knowledge of the PRC automobile industry. He received a Bachelor's degree in Economics from Xiamen University in 1983 and was awarded the title of "Economist" by MOFCOM in 1990, a work-related qualification title usually awarded to the government officials or managerial staff in state-owned enterprises by the government in recognition of their relevant working experiences. Mr. Huang also served on a pro bono basis as a director of Pok Oi Hospital, a charitable organization providing medical and educational services in the New Territories in Hong Kong, between 1997 and 1999.

LI Guoqiang (李國強), aged 52, is the other founder of our Group, and has been serving as the Group's Chief Executive Officer and President since 1998 and as an executive director of our Board since 23 June 2008. He is also a director of the various companies in the Group. Mr. Li is responsible for the overall management and operations of the Group. Mr. Li has served as deputy chairman for the China Automobile Dealers Association since December 2009. In 1995, Mr. Li founded Dalian Aotong Automobile Repair & Assembly Factory ("**Aotong Repair & Assembly**"), a company engaged in automobile repair and maintenance services. Mr. Li served as the factory director and legal representative of Aotong Repair & Assembly, and he was responsible for its overall management and operations. From 1996 to 1998, Mr. Li served as the vice chairman of Dalian Toyota Maintenance & Service Co., Ltd. and general manager of Dalian Bonded Zone Toyota Automobile Sales Co., Ltd., and was responsible for the decisions of procurement and sales of automobiles as well as the management of the national distribution networks during his tenure. In 1998, Mr. Li founded Dalian Aotong Industry Co., Ltd. ("**Aotong Industry**"), a company engaged in distribution of automobiles. Aotong Industry is the predecessor of Zhongsheng (Dalian) Holdings Co., Ltd., which is presently an indirect wholly-owned subsidiary of our Group. Mr. Li has substantial senior management experience and more than 25 years' experience and in-depth knowledge of the PRC automobile industry. Mr. Li also received a Distinguished Lexus Dealer award in 2007 from Toyota Motor (China) Investment Co., Ltd., as part of the Lexus Certification Program.

DU Qingshan (杜青山), aged 53, has been serving as deputy general manager of the Group since 2007. Mr. Du has been an executive director of the Board since 23 June 2008. He is responsible for the financial planning, strategy and management of the Group, and oversees all the financial matters of the Group. Prior to joining our Group in 2007, Mr. Du was appointed by State-owned Assets Supervision and Administration Commission of Dalian Municipal Government to serve as the chief financial officer of a large-scale state-owned enterprise, Dalian DHI.DCW Group Co., Ltd. ("**Dalian DHI.DCW**") and was in charge of the general financial and accounting affairs of Dalian DHI.DCW. Mr. Du was primarily responsible for the financial operations of Dalian DHI.DCW, which contributed to his over 26 years' experience in the areas of accountancy and finance. Mr. Du received a Bachelor's degree in Economics from the Shanghai University of Finance and Economics in 1986 and a Master's degree in Business Administration from Dongbei University of Finance and Economics in 2002.

YU Guangming (俞光明), aged 58, has been serving as deputy general manager of the Group since 2004. Mr. Yu has been an executive director of the Board since 23 June 2008. He is responsible for the strategic business development of the Group as well as selecting and training middle-to-senior level managers of 4S dealerships of our Group. Since joining our Group in 2000, Mr. Yu has held numerous management positions in several of our principal subsidiaries, including Zhongsheng (Dalian) Holdings Co., Ltd., Dalian Aotong Dongfeng Honda Automobile Sales & Services Co., Ltd., Shanghai Guoxin Automobile Sales Co., Ltd. and Shanghai Zhongsheng Toyota Automobile Sales & Services Co., Ltd., primarily in charge of setting up, overseeing and improving the management teams of our subsidiaries, implementing the strategic decisions of the Group and liaising with the automakers and customers regarding business relationship building. Prior to joining the Group, Mr. Yu served as a manager of Shanghai Material Office of the PRC Ministry of Railways from 1975 to 1994, and he was primarily responsible for the management of its business operations. From 1994 to 2000, Mr. Yu served as a deputy managing director of Hong Kong Union Park Company Limited, a Hong Kong subsidiary of China Railway Materials Commercial Corporation, a large-scale PRC state-owned enterprise, where he was in charge of its overall management and operations during his tenure. Mr. Yu has more than 16 years' relevant experience in the PRC automobile industry. Mr. Yu received a graduation certificate in respect of an associate degree in English from Shanghai International Studies University in 1985.

SI Wei (司衛), aged 53, has been an executive director of the Company since 20 August 2012. Mr. Si joined the Group in June 2012 and since then has been responsible for the strategic development of the Group. Mr. Si has approximately 24 years' experience in the automobile industry. Mr. Si commenced his industry experience by working for automobile dealers from 1992 to 1999, during which period he was exposed to an array of automobile brands including Mitsubishi and Saab. In 1999, he joined the Audi Motor Department of Volkswagen (China) Investment Company Limited, where he was as a sales manager responsible for sales of imported Audi automobiles and management and development of dealership network about imported Audi automobiles. From 2004 to 2006, Mr. Si was a sales director of Volkswagen (Finance) China Company Limited responsible for sales and dealership relationship. From 2006 to 2007, Mr. Si acted as the director of the Iveco Business Department for Fiat's representative office in China and took responsibilities for business development matters. Subsequently Mr. Si commenced his employment with Beijing Benz Automobile Co., Ltd. in 2007 where he was initially the general manager of Dealership Network Development Department, responsible for dealership network management and development. In 2008, Mr. Si assumed the office of vice executive president of Beijing Benz Automobile Co., Ltd. in charge of sales and marketing activities. Mr. Si received a Bachelor's degree in English and American literature from Beijing Normal College in 1987.

ZHANG Zhicheng (張志誠), aged 43, is an executive director of the Company. Mr. Zhang currently serves as vice-president of the Group. Mr. Zhang joined the Group in 2003, and has held numerous management positions in several of our key operating subsidiaries, including Fuzhou Zhongsheng Toyota Automobile Sales Co., Ltd., Dalian Zhongsheng Lexus Automobile Sales & Services Co., Ltd. and Dalian Zhongsheng Toyota Automobile Sales & Services Co., Ltd., primarily responsible for implementing the strategic decisions of the Group and liaising with the automakers regarding developing our brand automobile sales business. Mr. Zhang currently oversees the sales and management of our brand automobile sales business. Mr. Zhang has over 13 years' relevant experience and in-depth expertise in the People's Republic of China automobile industry. Mr. Zhang received a Master's degree in Business Administration from Dongbei University of Finance and Economics in 2003. Mr. Zhang also received Peak Performance General Manager awards in both 2006 and 2007 from Toyota Motor (China) Investment Co., Ltd. as part of the Lexus Certification Program.

NON-EXECUTIVE DIRECTOR

Adam KESWICK, aged 43, has been serving as a non-executive director of the Board since 11 March 2014. He is deputy managing director of Jardine Matheson Holdings Limited (stock code: J36). Mr. Keswick was appointed to this role in April 2012. He is the chairman and chief executive of Jardine Motors Group Limited and is also the chairman of Jardine Pacific Limited. He has held a number of executive positions since joining the Jardine Matheson Group from N M Rothschild & Sons in 2001, including group strategy director and, thereafter, group managing director of Jardine Cycle & Carriage Limited between 2003 and 2007. Mr. Keswick is also the deputy chairman of Jardine Matheson Limited, and a director of Dairy Farm International Holdings Limited (stock code: DFI), Hongkong Land Holdings Limited (stock code: H78), Jardine Matheson Holdings Limited (stock code: J36), Jardine Strategic Holdings Limited (stock code: J37) and Mandarin Oriental International Limited (stock code: MDO), each of which has a standard listing on the London Stock Exchange as primary listing with secondary listings in Bermuda and Singapore. Mr. Keswick is also a director of OHTL Public Company Limited (stock code: OHTL), a company listed on the Stock Exchange of Thailand and Yonghui Superstores Co., Ltd. (stock code: 601933), a company listed on the Shanghai Stock Exchange. Mr. Keswick attended Eton College and Edinburgh University, where he received his Master of Arts degree in 1995.

INDEPENDENT NON-EXECUTIVE DIRECTORS

NG Yuk Keung (吳育強), aged 51, has been serving as an independent non-executive director of the Board since 27 October 2009. Mr. Ng is the honorary adviser to China Huiyuan Juice Group Limited (stock code: 1886), a company listed on the Stock Exchange. Mr. Ng serves as an executive director and chief financial officer of Kingsoft Corporation Limited (stock code: 3888), a company listed on the Stock Exchange, from March 2013. Mr. Ng also serves as an independent non-executive director at Sany Heavy Equipment International Holdings Company Limited (stock code: 0631), Winsway Coking Coal Holdings Limited (stock code: 1733) and Beijing Capital Land Ltd. (stock code: 2868), all of which are listed on the Stock Exchange. Mr. Ng also served as an executive director and chief financial officer of China NT Pharma Group Company Limited (stock code: 1011) from March 2010 to July 2012. Mr. Ng also served as an independent non-executive director of Xinjiang Xinxin Mining Industry Co., Ltd. (stock code: 3833), a company listed on the Stock Exchange from March 2007 to October 2011. Mr. Ng worked with PricewaterhouseCoopers for over twelve years from 1988 to 2001. From 2004 to 2006, he was the deputy chief financial officer, a joint company secretary and the qualified accountant of Irico Electronics Group Company Limited (stock code: 0438), a company listed on the Stock Exchange. From 2006 to 2010, Mr. Ng was a vice-president, the chief financial officer, the company secretary and the qualified accountant of China Huiyuan Juice Group Limited. Mr. Ng graduated from The University of Hong Kong with a Bachelor's degree in Social Sciences in 1988 and a Master's degree in Global Business Management and E-commerce in 2002. He is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales.

SHEN Jinjun (沈進軍), aged 58, has been serving as an independent non-executive director of our Board since 16 November 2009. Mr. Shen has become an independent non-executive director of Zhejiang Material Industrial Zhongda Yuantong Group Co., Ltd (stock code: 600704), a company listed on the Shanghai Stock Exchange, since August 2011. Mr. Shen has served as deputy chairman and secretary chief for China Automobile Dealers Association since 2005 and has served as the chairman for China Automobile Dealers Association since 5 November 2014. Mr. Shen has also worked as the deputy chief of the Transport and Mechanical section of the State Administration of Supplies, and the chief of the Automobile section and Electrical, Mechanical and Metallic section of the State Administration of Domestic Commerce. During that time, Mr. Shen was mainly responsible for administering the automobile dealing industry and participated in formulation of related regulations. Mr. Shen completed all the related courses of an associate degree majoring in electronic at the Beijing Open University in 1982 and obtained a graduation certificate.

LIN Yong (林涌), aged 46, is an independent non-executive director of the Company. Mr. Lin has over 20 years of experience in investment bank industry. He joined Haitong Securities Co., Ltd. in 1996 and was a general manager of the Investment Banking Department of Haitong Securities Co., Ltd. from 2001 to 2007 and he has been appointed as an assistant to general manager of Haitong Securities Co., Ltd. with effect from 30 December 2014. He has been the chief executive officer of Haitong International Holdings Limited (formerly known as "Hai Tong (HK) Financial Holdings Limited") since 2007 and is responsible for the overall operation of Haitong International Holdings Limited. He was appointed as an Executive Director on 23 December 2009 of Haitong International Securities Group Ltd. (stock code: 665) which is a company listed on The Stock Exchange of Hong Kong Limited and as the Joint Managing Director of this company on 10 March 2010. He has been a Deputy Chairman of the Board of Directors and the Managing Director of this company as well as the Chief Executive Officer of this group since 29 April 2011. In addition, Mr. Lin is the chairman of the board of directors or a director of various subsidiaries of this company and a responsible officer of Hai Tong Asset Management (HK) Limited, Hai Tong Capital (HK) Limited, Haitong International Asset Management Limited and Haitong International Capital Limited under the Securities and Futures Ordinance. Mr. Lin is one of the first batch of sponsor representatives of China Securities Regulatory Committee. Mr. Lin also concurrently serves as a member of the advisory committee of the Securities and Futures Commission. In 2006, Mr. Lin was named 2006 Top Ten Outstanding Young Person in Financial Sector in Shanghai (2006年上海首屆十大金融傑出青年) and was honoured as "the 2014 Shanghai Financial Industry Leader" (2014 滬上金融行業領袖) in 2014. He acts as an adjunct professor in Management College of Xiamen University and is a member of China Finance 40 Forum Executive Council since 12 May 2010. Mr. Lin holds a Doctorate Degree in Economics from Xi'an Jiaotong University.

Shoichi OTA (太田祥一), aged 67, was appointed as an independent non-executive director of the Company on 31 August 2015. Mr. Ota has over 43 years' experience in the automobile industry. Mr. Ota joined Toyota Motor Sales Co. Ltd. (later Toyota Motor Corporation) in April 1972. During his tenure in Toyota Motor Corporation, Mr. Ota respectively served as an executive staff of oversea industrial vehicle division from September 1972 to August 1978, an executive staff of Middle East division for territorial vehicle sales from September 1978 to March 1987, a manager of overseas parts division from April 1987 to March 1993 and a project general manager of overseas parts division from April 1993 to December 1997. Subsequently, Mr. Ota served as a director and vice-president of Toyota Motor Asia Pacific, Singapore from January 1998 to December 2001. From January 2002 to May 2005, Mr. Ota served as a managing director of J-TACS Corporation, Japan. Mr. Ota served as a senior managing director of Tacti Corporation, Japan from June 2005 to June 2013. Mr. Ota holds a bachelor's degree in Economics from Nagoya University.

OTHER SENIOR MANAGEMENT

The table below shows certain information in respect of our senior management (excluding directors who also hold executive positions):

Name	Age	Position
YANG Hai	41	Vice-president
FANG Jinjiang	49	Vice-president
TANG Xianfeng	46	Vice-president

YANG Hai (楊海), aged 41, joined our Group in February 2007 and currently serves as vice-president of our Group. Mr. Yang is primarily responsible for after-sales service management. Mr. Yang has held numerous management positions in several of our operating subsidiaries, including the general manager of Dalian Xinshengrong Toyota Automobile Sales & Services Co., Ltd. from August 2010 to August 2011, a vice general manager of Fuzhou Zhongsheng Toyota Automobile Sales & Services Co., Ltd., from January 2009 to February 2010, a service manager of Dalian Xinshengrong Toyota Automobile Sales & Services Co., Ltd. from February 2007 to December 2008. Prior to joining our group, Mr. Yang served as a general manager of Panjinlongda Automobile Product Sales & Services Co., Ltd. from November 2000 to February 2007. Mr. Yang received a diploma in accounting from Shenyang College in July 1996.

FANG Jinjiang (方錦江), aged 49, joined our Group in April 2012 and currently serves as our vice-president. Mr. Fang is primarily responsible for dealership network development. Mr. Fang worked as the general manager of dealership network development and management department of Beijing Benz Automotive Co., Ltd. from April 2008 to March 2012. Mr. Fang worked in Volkswagen Finance (China) Co., Ltd. from December 2004 to March 2008, and served successively as a sales manager and director of sales division. Mr. Fang served as sales manager of Volkswagen (China) Investment Co., Ltd. from July 2003 to November 2004 in Sales Department of Imported Audi. Mr. Fang worked in FAW – Volkswagen Sales Co., Ltd. from January 1998 to June 2003, and served successively as a consultant in market research and training, network planning manager of regional management department from Germany party and training manager of sales department from Germany party. Mr. Fang worked in the sales & marketing department of Volkswagen Asia Pacific Co., Ltd. (Hong Kong) from August 1996 to December 1997. Mr. Fang received a diploma in automobile market from Canadian Automotive Institute in April 1995 and a Bachelor's degree in automobile market from University of Northwood in April 1996.

TANG Xianfeng (唐憲峰), aged 46, joined our Group in January 2014 and currently serves as vice-president of our Group, primary responsible for construction and development. Prior to joining the Group, Mr. Tang served as the vice-president of Dalian Huarui Heavy Industry Group Co., Ltd. from January 2012 to December 2013. In addition, Mr. Tang also served as a designer in the research institute, office vice-director, assistant to the head of reducer factory, vice-director of labour and personnel department and head of port machinery factory of Dalian Daqi Group from 1999 to 2003. Mr. Tang joined Dalian DHI. DCW Group Co., Ltd. in June 2003 and served as the executive vice head and head of Second Business Division, assistant to the general manager and vice general manager of the Group. Mr. Tang obtained a Bachelor's degree in lifting transportation and mechanical engineering from Taiyuan Heavy Machinery Institute in 1991 and obtained a Master's degree in mechanical engineering Wuhan University of Technology in 2006. Mr. Tang obtained the senior professional manager qualification and was qualified as professor and researcher level senior engineer.

COMPANY SECRETARIES

KAM Mei Ha Wendy (甘美霞), aged 48, was appointed as joint company secretary of the Company on 1 July 2010. She is a director of Corporate Services Division of Tricor Services Limited and a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Kam has over 20 years of experience in corporate secretarial area.

MAK Sze Man (麥詩敏), aged 41, was appointed as joint company secretary of the Company on 1 July 2010. She is a senior manager of Corporate Services Division of Tricor Services Limited and an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Mak has over 15 years of experience in corporate secretarial area.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Group's operations are conducted in the PRC through its subsidiaries in the PRC. The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the sale and service of motor vehicles. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

We are a leading national automobile dealership group in China. We have dealership agreements to operate our 4S dealerships for a diversified portfolio of automobile brands, consisting of luxury automobile brands including Mercedes-Benz, Lexus, Audi, Jaguar Land Rover, Porsche, Chrysler, Volvo and Imported Volkswagen, and mid-to-high end automobile brands including Toyota and Nissan. Through our "One-stop Automobile Shop" business model, we offer a comprehensive range of new automobiles and after-sales products and services in each of our 4S dealerships. In addition to our new automobile sales business, our after-sales businesses offer spare parts, automobile accessories, repair and maintenance services, detailing services, and other automobile-related products and services.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the financial statements on pages 41 to 115 of this annual report.

BUSINESS REVIEW

The business review of the Company during the Reporting Period and a discussion on the Company's future business is set out on pages 9 to 14 of this annual report.

FINANCIAL KEY PERFORMANCE INDICATORS

An analysis of the Company's performance during the Reporting Period using financial key performance indicators is set out on pages 9 to 14 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

Description of possible risks and uncertainties that the Company may be facing is set in note 47 to the Financial Statements.

CAPITAL

Details of the capital of the Group during the Reporting Period are set out in note 36 to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity and note 49 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company has distributable reserves of RMB5,916.3 million in total available for distribution, of which RMB90.2 million has been proposed as final dividend for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 116 of this annual report.

DONATIONS

The Company made a donation of RMB491,800 to various PRC charity projects or organizations for the year of 2015.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as at 31 December 2015 are set out in note 27 to the Financial Statements.

CONTINGENT LIABILITIES

As at 31 December 2015, neither the Company, nor the Group had any significant contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of our directors, the Company has maintained the amount of public float as approved by the Stock Exchange and as permitted under the Listing Rules as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company 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.

DIRECTORS

The directors of the Company during the Reporting Period and up to the date of this annual report are:

EXECUTIVE DIRECTORS

Mr. Huang Yi *(Chairman)*
Mr. Li Guoqiang *(President and Chief Executive Officer)*
Mr. Du Qingshan
Mr. Yu Guangming
Mr. Si Wei
Mr. Zhang Zhicheng

NON-EXECUTIVE DIRECTORS

Mr. Leng Xuesong (Resigned on 16 June 2015)
Mr. Adam Keswick

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shigeno Tomihei (Retired on 16 June 2015)
Mr. Ng Yuk Keung
Mr. Shen Jinjun
Mr. Lin Yong
Mr. Shoichi Ota (Appointed on 31 August 2015)

During the year ended 31 December 2015, Mr. Shigeno Tomihei did not offer himself for re-election as he would like to spend more time pursuing alternative business opportunities, and he retired as independent non-executive Director of the Company on 16 June 2015; Mr. Leng Xuesong resigned as non-executive Director of the Company on 16 June 2015 due to his personal career choice.

Pursuant to the articles of association of the Company, Mr. Li Guoqiang, Mr. Du Qingshan, Mr. Adam Keswick and Mr. Shen Jinjun shall retire from their office by rotation at the forthcoming annual general meeting whereas Mr. Shoichi Ota, who was appointed on 31 August 2015, shall hold office only until the forthcoming annual general meeting. These five directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors and the senior management of the Company are set out on pages 24 to 28 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial term of three years with effect from their respective date of appointment unless terminated by not less than three months' notice in writing served by either the executive directors or the Company. Each of the non-executive directors and independent non-executive directors has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment. The appointments are subject to the provisions of retirement and rotation of directors under the articles of association.

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

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive directors, namely Mr. Ng Yuk Keung, Mr. Shen Jinjun, Mr. Lin Yong and Mr. Shoichi Ota, the confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these directors. We consider that our independent non-executive directors have been independent from the date of their appointment to 31 December 2015 and remain so as of the date of this annual report.

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

As at 31 December 2015, the interests and short positions of our directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, were as follows:

LONG POSITIONS IN THE COMPANY'S SHARES

Name of Director	Capacity/Nature of Interest	Total Number of Ordinary Shares	Approximate Percentage of Shareholding (%)
Mr. Huang Yi	Deemed Interest/Interest of Controlled Company	308,582,004	14.38
	Founder of a discretionary trust/Beneficiary of a Trust	486,657,686	22.67
	Agreement to acquire interests	486,657,686	22.67
Mr. Li Guoqiang	Deemed Interest/Interest of Controlled Company	155,903,500	7.26
	Founder of a discretionary trust/Beneficiary of a Trust	486,657,686	22.67
	Agreement to acquire interests	639,336,190	29.78

Save as disclosed above, none of the directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at the end of the Reporting Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the followings are the persons, other than the directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

LONG POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholder	Capacity/Nature of Interest	Total Number of Ordinary Shares	Approximate Percentage of Shareholding (%)
Blue Natural Development Ltd. (Note 1)	Beneficial owner and agreement to acquire interests	1,281,897,376 (long position)	59.72
Light Yield Ltd. (Note 2)	Beneficial owner, deemed interest/interest of controlled company and agreement to acquire interests	1,281,897,376 (long position)	59.72
Vest Sun Ltd. (Note 3)	Deemed interest/interest of controlled company and agreement to acquire interests	1,281,897,376 (long position)	59.72
Mountain Bright Limited (Note 4)	Beneficial owner and agreement to acquire interests	1,281,897,376 (long position)	59.72
RBC Trustees (CI) Limited	Deemed interest/interest of controlled company, trustee and agreement to acquire interests	1,281,897,376 (long position)	59.72
Vintage Star Limited (Note 5)	Beneficial owner and agreement to acquire interests	1,281,897,376 (long position)	59.72
Jardine Strategic Holdings Limited	Deemed interest/interest of controlled company	477,120,420 (long position)	22.22
Jardine Matheson Holdings Limited	Deemed interest/interest of controlled company	477,120,420 (long position)	22.22
JSH Investment Holdings Limited	Beneficial owner	477,120,420 (long position)	22.22

Notes:

1. Blue Natural Development Ltd. is owned by Light Yield Ltd. (62.3%) and Vest Sun Ltd. (37.7%). Mr. Huang Yi and Mr. Li Guoqiang are directors of Blue Natural Development Ltd..
2. Light Yield Ltd. is wholly-owned by Mr. Huang Yi, who is also the sole director of Light Yield Ltd..
3. Vest Sun Ltd. is wholly-owned by Mr. Li Guoqiang, who is also the sole director of Vest Sun Ltd..
4. Mountain Bright Limited is wholly owned by RBC Trustees (CI) Limited as trustee of a trust settlement for Mr. Huang Yi (the settler of the trust) and his family.
5. Vintage Star Limited is wholly owned by RBC Trustees (CI) Limited as trustee of a trust settlement for Mr. Li Guoqiang (the settler of the trust) and his family.

Save as disclosed above, as at the end of the Reporting Period, the directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

ISSUE OF PLACING SHARES AND CONVERTIBLE BONDS IN 2014

On 19 January 2014, the Company and Jardine Strategic Holdings Limited (the "**Investor**") entered into a subscription agreement, according to which the Company agreed to issue, and the Investor agreed to subscribe for (or procure its nominee to subscribe for) 238,560,162 placing shares ("**Placing Shares**") at the subscription price of HK$10.79916 per share and in principal amount of HK$3,091,500,000 with interest rate of 2.85 per cent. convertible bonds due 2017 (the "**Convertible Bonds**"). The issue of the Placing Shares were completed on 24 January 2014, upon which the issued and fully paid shares of the Company increased from 1,908,481,295 to 2,147,041,457.

The Convertible Bonds are convertible into shares at the initial conversion price of HK$12.95899 per conversion share at the option of the holder thereof, at any time on or after 180 days after the issue date up to the close of business on the date falling ten days prior to the maturity date, being the third anniversary of the date of issue of the Convertible Bonds. There was no conversion of the convertible bonds as at the date of this annual report. The Company will redeem each Convertible Bond on the maturity date at its principal amount together with accrued and unpaid interest thereon. The issue of Convertible Bonds were completed on 25 April 2014. Upon full conversion of the outstanding Convertible Bonds, the Company may issue 238,560,258 shares, adding the issued shares of the Company to 2,385,067,215 shares. Details of the Convertible Bonds during the year are set out in notes 12 and 30 to the financial statements.

The net proceeds from the placing and issue of the Convertible Bonds was RMB4.46 billion. As at 31 December 2015, all the net proceeds from the Placing and issue of the Convertible Bonds were used (i) as to approximately RMB1,769.90 million for developing dealership network, mainly including acquisition of dealerships or establishing new 4S dealerships (for example, acquisition or lease of land or buildings for new dealerships, construction and renovation of showrooms and after-sales service workshops, purchase of machinery, etc.) and (ii) as to approximately 2,690.08 million for general working capital purposes, including procurement of new automobiles.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year ended 31 December 2015 was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2015 and up to the date of this annual report, none of the directors and controlling shareholders (i.e. Mr. Huang Yi, Mr. Li Guoqiang, Light Yield Ltd., Vest Sun Ltd., Blue Natural Development Ltd., Mountain Bright Limited, RBC Trustees (CI) Limited and Vintage Star Limited) of the Company was interested in any business which competes or is likely to compete with the businesses of our Group.

We have received an annual written confirmation from our controlling shareholders, including Mr. Huang Yi and Mr. Li Guoqiang, in respect of the compliance by and with the provisions of the non-competition deed entered into between the Company and our controlling shareholders (the "**Non-competition Deed**").

Our independent non-executive directors have reviewed the compliance with the Non-competition Deed during the financial year ended 31 December 2015 and up to the date of this annual report based on information and confirmation provided by or obtained from Controlling Shareholders, and were satisfied that our controlling shareholders, including Mr. Huang Yi and Mr. Li Guoqiang, have duly complied with the Non-competition Deed.

CONNECTED TRANSACTIONS

During the year, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Board confirmed that none of the related party transactions set out in note 45 to the financial statements constituted non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

No director or any entity connected with any director had a material interest, either directly or indirectly, in any transactions, arrangement or contract of significance to the business of our Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2015 and up to the date of this annual report.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board with reference to directors' duties, responsibilities and performance and the results of our Group.

Details of the directors' remuneration during the Reporting Period are set out in note 9 to the financial statements.

RETIREMENT SCHEMES

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this annual report.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, at no time during the year had the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholder or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally approved by a resolution of the shareholders on 9 February 2010 and adopted by a resolution of the Board on the same day. Unless it is terminated by the Board or our shareholders in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of ten years on the date which it becomes unconditional. After the period, no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to exercise any subsisting options granted prior to the expiry of this ten year period or otherwise as handled in accordance with the provisions of the Share Option Scheme. The amount payable by a participant upon of a grant of option is HK$1.00. The last day for accepting and paying for the consideration of the option shall be determined by the Board and shall be set out on the offer letter for granting such option. The period during which a granted option may be exercised in accordance with the terms of the Share Option Scheme shall be the period of time to be notified by the Board to each grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the offer date.

The Board may, at its absolute discretion, offer any employee, management member or director of the Company, or any of our subsidiaries and third party service providers the options to subscribe for shares on the terms set out in the Share Option Scheme. The purpose of the Share Option Scheme is to attract and retain skilled and experienced personnel, to incentivize them to remain with us and to give effect to our customer-focused corporate culture, and to motivate them to strive for our future development and expansion, by providing them with the opportunity to acquire equity interests in the Company.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the share in issue as at the date of approval of the Share Options Scheme. No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12 months period up to the date of the latest grant exceeds 1% of our issued share capital from time to time, unless the approval of our shareholders is obtained.

The amount payable for each share to be subscribed for under an option upon exercise shall be determined by the Board and notified to a proposed beneficiary at the time of offer of the option and shall be not less than the higher of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of the Shares. The Share Option Scheme does not contain any minimum period(s) for which an option must be held before it can be exercised. However, at the time of grant of the options, the Company may specify any such minimum period(s).

During the Reporting Period and up to the date of this annual report, no options have been granted pursuant to the Share Option Scheme. As at 31 December 2015, the total number of Shares available for issue under the Share Option Scheme remained to be 155,999,280, representing approximately 7.27% of the issued share capital of the Company. As at the date of this annual report, the remaining life of the Share Option Scheme is approximately three years and nine months.

DEBENTURES IN ISSUE

Save as disclosed in this annual report, the Company did not have any debentures in issue during the year ended 31 December 2015.

EQUITY-LINKED AGREEMENT

The Company did not entered into any equity-linked agreement during the year ended 31 December 2015. Save for the Convertible Bonds and the Share Option Scheme, no equity-linked agreements were existed during the year ended 31 December 2015.

PERMITTED INDEMNITY PROVISION

The Company has purchased appropriate liability insurance for its Directors and senior management. The permitted indemnity provisions are set out in such liability insurance. Save as disclosed above, no permitted indemnity provision was made by the Company for the year ended 31 December 2015 and no permitted indemnity provision was in force as at the date of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the percentage of the aggregate sales attributable to the Group's five largest customers was less than 30% of the Group's total sales. The respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 27.6% and 81.5%.

None of our directors or any of their associates or any shareholders (which to the best knowledge of our directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest customers and suppliers.

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

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the Reporting Period of our Group are set out in note 48 to the Financial Statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations. Adhering to the concept of green environmental protection, the Group has also promoted green operations and advocated the concept of green office. Environmental protection, energy conservation and emissions reduction and reasonable and efficient utilization of resources have been consistently implemented in the daily operation activities of the Group. The Group has also been working on reducing its energy use, consumption and wastage by actively promoting recycling concept, using less paper and saving electric power and use of water. Going forward, the Group will continue to develop sustainable policies and designs to reduce its environmental impact not only internally within its offices but also externally in the regions it operates in.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Company has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. During the year under review, the Company has complied, to the best of the knowledge of Directors, with all relevant rules and regulations that have a significant impact on the Company.

RELATIONSHIP WITH STAKEHOLDERS

The Company recognizes that our employees, customers and business associates are key to our sustainability development. We strive to achieve corporate sustainability through engaging our employees, providing quality services for our customers, collaborating with business partners and supporting the community and social welfare.

The Company places significant emphasis on human capital. The Company provides a fair workplace, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance. Furthermore, we have established and will continue to promote our KPI-driven corporate culture with a clear career and promotion system to motivate our employees. Our employees are provided with rotation opportunities both cross-stores and cross-functions to develop their skills and their own career path with us.

We promote a customer-oriented culture within the Company. Our corporate motto is "Zhongsheng Group – Lifetime Partner", and it is central to our corporate culture. The Company values the feedback from customers by daily communication and other means. The Company has also established the mechanism about customer service and support. The Company treats providing customer support as an opportunity to improve our relationship with the customer, addressing customer's concern in a timely manner and in accordance with international standards.

We have strong and established working relationships with leading global automakers and their PRC joint venture corporations. We believe that our suppliers are equally important in our development into a first-class automobile dealer enterprise. Therefore, we proactively collaborate with our business partners to deliver quality sustainable services.

With the goal of developing into a preeminent international enterprise and a trustworthy public company, the Company actively fulfill its social responsibility. The Group, with high quality products and services, is committed to creating good internal and external corporate relationships, and build a harmonious enterprise to undertake its responsibilities for employees, customers, suppliers and the shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. Throughout the Reporting Period, the Company has complied with the code provisions in the CG Code, save for one exception: code provision A.5.1 which stipulates that a nomination committee should comprise a majority of independent non-executive directors.

Since the retirement of Mr. Shigeno Tomihei as an independent non-executive director and his cessation to act as the chairman of the remuneration committee and a member of the nomination committee of the Company have been effective on 16 June 2015, the composition of the nomination committee did not meet the requirement under code provision A.5.1 of the CG Code. In order to comply with such requirement, the Company appointed Mr. Lin Yong, an independent non-executive director of the Company, as a member of the nomination committee on 31 August 2015 to fill the casual vacancy.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2015 have been audited by Ernst & Young, certified public accountants. Ernst & Young retired and a resolution to re-appoint Ernst & Young as the auditors of the Company in the following year will be proposed at the Company's forthcoming annual general meeting. The Company did not change its auditor during the preceding three years.

PROPOSED DISTRIBUTION OF FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company on the forthcoming annual general meeting on 17 June 2016 (the "**AGM**") for the distribution of a final dividend of HK$0.05 per share for the year ended 31 December 2015 payable to the shareholders of the Company whose names are listed in the register of members of the Company on 27 June 2016, in an aggregate amount of HK$107.3 million (equivalent to RMB90.2 million). It is expected that the final dividend will be paid on 11 July 2016. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the shareholders at the AGM of the Company.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 14 June 2016 to Friday, 17 June 2016 (both days inclusive) and from Thursday, 23 June 2016 to Monday, 27 June 2016 (both days inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Monday, 13 June 2016. In order to qualify for the proposed final dividend (subject to the approval by shareholders at the forthcoming AGM), unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above mentioned address for registration before 4:30 p.m. on Wednesday, 22 June 2016.

By order of the Board
Huang Yi
Chairman

Hong Kong, 31 March 2016

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of Zhongsheng Group Holdings Limited (the "Company") and its subsidiaries set out on pages 41 to 115, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5(a)	**59,142,607**	54,786,660
Cost of sales and services provided	6(b)	**(54,473,414)**	(50,011,837)
Gross profit		**4,669,193**	4,774,823
Other income and gains, net	5(b)	**1,104,143**	944,500
Selling and distribution expenses		**(2,609,155)**	(2,373,479)
Administrative expenses		**(1,154,254)**	(981,466)
Profit from operations		**2,009,927**	2,364,378
Finance costs	7	**(1,295,697)**	(1,272,568)
Share of profits and losses of:			
Joint ventures	18	**1,408**	3,638
Profit before tax	6	**715,638**	1,095,448
Income tax expense	8	**(234,329)**	(314,727)
Profit for the year		**481,309**	780,721
Attributable to:			
Owners of the parent		**460,964**	750,905
Non-controlling interests		**20,345**	29,816
		481,309	780,721
Earnings per share attributable to ordinary equity holders of the parent			
Basic			
– For profit for the year (RMB)	12	**0.21**	0.35
Diluted			
– For profit for the year (RMB)	12	**0.21**	0.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Profit for the year	**481,309**	780,721
Other comprehensive (loss)/income		
Exchange differences on translation of foreign operations	**(161,069)**	6,552
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(161,069)**	6,552
Other comprehensive (loss)/income for the year, net of tax	**(161,069)**	6,552
Total comprehensive income for the year	**320,240**	787,273
Attributable to:		
Owners of the parent	**299,895**	757,457
Non-controlling interests	**20,345**	29,816
	320,240	787,273

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**8,092,754**	7,460,041
Investment properties		**47,086**	48,266
Land use rights	14	**2,520,331**	2,185,744
Prepayments	15	**883,468**	1,152,084
Intangible assets	16	**2,953,635**	2,675,267
Goodwill	17	**2,622,410**	2,432,635
Investments in joint ventures	18	**43,871**	43,263
Deferred tax assets	34(b)	**357,649**	285,347
Total non-current assets		**17,521,204**	16,282,647
CURRENT ASSETS			
Inventories	19	**6,289,279**	8,319,367
Trade receivables	20	**936,326**	631,451
Prepayments, deposits and other receivables	21	**7,982,139**	7,376,013
Amounts due from related parties	45(b)(i)	**1,185**	1,288
Available-for-sale investments	22	**23,880**	84,050
Financial assets at fair value through profit or loss	23	**–**	36,033
Pledged bank deposits	24	**1,295,865**	1,887,427
Cash in transit	25	**210,920**	198,755
Cash and cash equivalents	26	**4,464,517**	4,091,220
Total current assets		**21,204,111**	22,625,604
CURRENT LIABILITIES			
Bank loans and other borrowings	27	**13,734,023**	16,844,969
Short term bonds	28	**414,977**	–
Bonds payable, current portion	29	**622,646**	23,129
Convertible bonds, current portion	30	**13,537**	12,810
Trade and bills payables	31	**3,494,918**	3,085,791
Other payables and accruals	32	**1,652,959**	1,595,188
Amounts due to related parties	45(b)(ii)	**4,493**	3,895
Income tax payable	34(a)	**714,068**	637,809
Dividends payable		**1,479**	9
Total current liabilities		**20,653,100**	22,203,600
NET CURRENT ASSETS		**551,011**	422,004
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,072,215**	16,704,651

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	34(b)	**979,805**	891,818
Bonds payable	29	**–**	598,678
Convertible bonds	30	**2,488,664**	2,275,711
Bank loans and other borrowings	27	**1,987,751**	557,516
Total non-current liabilities		**5,456,220**	4,323,723
NET ASSETS		**12,615,995**	12,380,928
EQUITY			
Equity attributable to owners of the parent			
Share capital	36	**186**	186
Treasury shares	36(a)	**–**	(2,964)
Reserves	37	**11,268,325**	11,121,575
		11,268,511	11,118,797
Non-controlling interests		**1,347,484**	1,262,131
Total equity		**12,615,995**	12,380,928

Huang Yi
Director

Li Guoqiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent													
	Share capital RMB'000	Share premium* RMB'000	Treasury shares RMB'000	Equity component of convertible bonds* RMB'000	Discretionary reserve fund* RMB'000	Statutory reserve* RMB'000	Merger reserve* RMB'000	Other reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Proposed final dividend* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	168	4,416,501	–	–	37,110	540,316	(1,386,176)	(61,164)	(67,126)	4,735,237	204,106	8,418,972	1,278,154	9,697,126
Profit for the year	–	–	–	–	–	–	–	–	–	750,905	–	750,905	29,816	780,721
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	6,552	–	–	6,552	–	6,552
Total comprehensive income for the year	–	–	–	–	–	–	–	–	6,552	750,905	–	757,457	29,816	787,273
Issue of shares	18	2,026,485	–	–	–	–	–	–	–	–	–	2,026,503	–	2,026,503
Share issue expenses	–	(12,226)	–	–	–	–	–	–	–	–	–	(12,226)	–	(12,226)
Repurchase of shares	–	–	(2,964)	–	–	–	–	–	–	–	–	(2,964)	–	(2,964)
Issue of convertible bonds	–	–	–	203,729	–	–	–	–	–	–	–	203,729	–	203,729
Acquisition of non-controlling interests	–	–	–	–	–	–	–	(68,568)	–	–	–	(68,568)	(43,550)	(112,118)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(2,289)	(2,289)
Final 2013 dividend declared	–	–	–	–	–	–	–	–	–	–	(204,106)	(204,106)	–	(204,106)
Proposed final 2014 dividend	–	(150,181)	–	–	–	–	–	–	–	–	150,181	–	–	–
Transfer from retained profits	–	–	–	–	–	102,705	–	–	–	(102,705)	–	–	–	–
At 31 December 2014	186	6,280,579	(2,964)	203,729	37,110	643,021	(1,386,176)	(129,732)	(60,574)	5,383,437	150,181	11,118,797	1,262,131	12,380,928
Profit for the year	–	–	–	–	–	–	–	–	–	460,964	–	460,964	20,345	481,309
Other comprehensive loss for the year:														
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(161,069)	–	–	(161,069)	–	(161,069)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(161,069)	460,964	–	299,895	20,345	320,240
Cancellation of shares	–	(2,964)	2,964	–	–	–	–	–	–	–	–	–	–	–
Disposal of subsidiaries	–	–	–	–	–	(1,193)	–	–	–	1,193	–	–	–	–
Non-controlling interests arising from business combination	–	–	–	–	–	–	–	–	–	–	–	–	83,551	83,551
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(18,543)	(18,543)
Final 2014 dividend declared	–	–	–	–	–	–	–	–	–	–	(150,181)	(150,181)	–	(150,181)
Proposed final 2015 dividend	–	(90,153)	–	–	–	–	–	–	–	–	90,153	–	–	–
Transfer from retained profits	–	–	–	–	–	72,570	–	–	–	(72,570)	–	–	–	–
At 31 December 2015	**186**	**6,187,462**	**-**	**203,729**	**37,110**	**714,398**	**(1,386,176)**	**(129,732)**	**(221,643)**	**5,773,024**	**90,153**	**11,268,511**	**1,347,484**	**12,615,995**

* These reserve accounts comprise the consolidated reserves of RMB11,268,325,000 (2014: RMB11,121,575,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Operating activities			
Profit before tax		**715,638**	1,095,448
Adjustments for:			
– Share of profits of joint ventures	18(b)	**(1,408)**	(3,638)
– Depreciation and impairment of property, plant and equipment	13	**594,155**	514,174
– Depreciation and impairment of investment properties	6(c)	**1,181**	1,181
– Amortisation of land use rights	14	**54,052**	47,323
– Amortisation of intangible assets	16	**161,631**	135,456
– Impairment of intangible assets	16	**28,202**	–
– Impairment of goodwill	17	**12,431**	–
– Impairment of trade receivables and other receivables	6(c)	**–**	11,898
– Written-down of inventories to net realisable value	6(c)	**657**	4,734
– Interest income	5(b)	**(68,041)**	(54,538)
– Net loss on disposal of items of property, plant and equipment	5(b)	**89,624**	45,264
– Net gain on disposal of land use rights	5(b)	**(33,499)**	(4,241)
– Finance costs	7	**1,295,697**	1,272,568
– Fair value gains, net			
– Listed equity investments held for trading	5(b)	**–**	(7,195)
– Dividend income from listed equity investments	5(b)	**–**	(1,606)
– Loss on disposal of subsidiaries	39	**9,469**	–
– Net gain on disposal of listed equity investments	5(b)	**(3,891)**	(4,091)
		2,855,898	3,052,737
Decrease in cash in transit		**6,457**	537
Increase in trade receivables		**(272,093)**	(9,791)
(Increase)/decrease in prepayments, deposits and other receivables		**(173,109)**	134,446
Decrease/(increase) in inventories		**2,498,669**	(1,159,641)
Increase/(decrease) in trade and bills payables		**91,740**	(397,939)
Decrease in other payables and accruals		**(110,314)**	(319,109)
Decrease/(increase) in amounts due from related parties – trade related		**103**	(618)
Increase in amounts due to related parties – trade related		**598**	3,081
Cash generated from operations		**4,897,949**	1,303,703
Tax paid		**(246,282)**	(377,175)
Net cash generated from operating activities		**4,651,667**	926,528

	Notes	2015 RMB'000	2014 RMB'000
Investing activities			
Purchase of items of property, plant and equipment		**(1,596,050)**	(1,880,982)
Proceeds from disposal of items of property, plant and equipment		**563,975**	536,590
Purchase of land use rights		**(185,604)**	(239,475)
Proceeds from disposal of land use rights		**34,234**	10,104
Purchase of intangible assets		**(16,461)**	(19,377)
Redemption/(purchase) of available-for-sale investments, net		**60,170**	(84,050)
Prepayments for the potential acquisitions of equity interests from third parties		**(94,506)**	(361,554)
Acquisitions of subsidiaries		**(392,668)**	(539,262)
Increase in prepayments, deposits and other receivables		**(177,627)**	(224,175)
Dividends received from listed equity investments		**–**	1,606
Dividends received from a joint venture		**800**	–
Proceeds from disposal of listed equity investments		**40,099**	35,320
Disposal of subsidiaries, net of cash		**5,991**	–
Interest received		**67,508**	54,921
Net cash used in investing activities		**(1,690,139)**	(2,710,334)
Financing activities			
Proceeds from issue of new shares		**–**	2,023,174
Proceeds from issue of convertible bonds		**–**	2,450,308
Proceeds from issue of bonds payable		**–**	598,200
Proceeds from bank loans and other borrowings		**31,218,074**	31,717,765
Repayments of bank loans and other borrowings		**(33,117,879)**	(29,617,817)
Repurchase of shares		**–**	(2,964)
Decrease/(increase) in pledged bank deposits		**783,185**	(25,296)
Decrease in notes payable		**(364,003)**	(831,926)
Repayment of senior notes		**–**	(1,250,000)
Net proceeds from issue of short term bonds		**400,000**	–
Repayment of short-term bonds		**–**	(1,200,000)
Interest paid for bank loans and other borrowings		**(1,199,958)**	(1,277,083)
Interest paid for short term bonds		**(1,600)**	(43,100)
Interest paid for senior notes		**–**	(29,688)
Interest paid for convertible bonds	30	**(70,962)**	(34,908)
Interest paid for bonds payable	29	**(42,000)**	–
Capital element of finance lease rental payments		**(35,328)**	(49,166)
Dividends paid to the non-controlling shareholders		**(17,073)**	(2,289)
Dividends paid		**(150,181)**	(204,106)
Net cash (used in)/generated from financing activities		**(2,597,725)**	2,221,104
Net increase in cash and cash equivalents		**363,803**	437,298
Cash and cash equivalents at beginning of year		**4,091,220**	3,654,041
Effect of foreign exchange rate changes, net		**9,494**	(119)
Cash and cash equivalents at end of year		**4,464,517**	4,091,220

Huang Yi	**Li Guoqiang**
Director	*Director*

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company has established a principal place of business in Hong Kong which is located at Rooms 3504-12, 35th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 26 March 2010.

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

In the opinion of the directors of the Company (the "Directors"), the ultimate controlling shareholders of the Company are Mr. Huang Yi and Mr. Li Guoqiang.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They 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.

BASIS OF CONSOLIDATION

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PRESENTATION (continued)

BASIS OF CONSOLIDATION (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKFRS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

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

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

(i) the materiality requirements in HKAS 1;

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN JOINT VENTURES

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

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

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

BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL (continued)

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

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

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

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

FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT (continued)

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), 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, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

RELATED PARTIES

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES (continued)

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

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

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

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

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

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 estimated useful lives and residual values of property, plant and equipment are as follows:

Category	Estimated useful life	Estimated residual value
Buildings	10-30 years	5%
Leasehold improvements	5 years	–
Plant and machinery	5-10 years	5%
Furniture and fixtures	5 years	5%
Motor vehicles	5-10 years	5%

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

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

Construction in progress represents buildings, plant and machinery under construction or pending installation, which are stated at cost less any impairment losses, and are 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.

INVESTMENT PROPERTIES

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis over the expected useful life.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of profit or loss during the financial period in which they are incurred.

Any gains or losses on the retirement on disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

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:

Software	3-5 years
Dealership agreements	20-40 years
Customer relationships	15 years
Others	5-44 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. 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, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

LAND USE RIGHTS

All land in Mainland China is state-owned and no individual land ownership rights exist. The Group acquires the right to use certain land and the consideration paid for such a right is recorded as land use rights, which are amortised over the lease terms of 26 to 68 years using the straight-line method.

INVESTMENTS AND OTHER FINANCIAL ASSETS

INITIAL RECOGNITION AND MEASUREMENT

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

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

SUBSEQUENT MEASUREMENT

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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

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

LOANS AND RECEIVABLES

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

AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. 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, when the cumulative gain or loss reclassified from the available-for-sale investment revaluation reserve to 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 whilst holding the available-for-sale financial investments earned 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)

DERECOGNITION OF FINANCIAL ASSETS

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

FINANCIAL ASSETS CARRIED AT AMORTISED COST

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

FINANCIAL ASSETS CARRIED AT AMORTISED COST (continued)

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.

AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

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

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

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

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

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

FINANCIAL LIABILITIES

INITIAL RECOGNITION AND MEASUREMENT

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

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

The Group’s financial liabilities include trade and bills payables, other payables, amounts due to related parties, bank loans and other borrowings, short term bonds, bonds payables and convertible bonds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES (continued)

SUBSEQUENT MEASUREMENT

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

LOANS AND BORROWINGS

After initial recognition, banks loans and other 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 the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

CONVERTIBLE BONDS

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

OFFSETTING OF FINANCIAL INSTRUMENTS

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

TREASURY SHARES

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on 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 based on the estimated selling price in the ordinary course of business less the estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, and assets similar in nature to cash, which are not restricted as to use.

INCOME TAX

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

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

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

GOVERNMENT GRANTS

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

REVENUE RECOGNITION

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

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

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

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

(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; and

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

VENDOR REBATES

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.

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

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BORROWING COSTS

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 7.50% and 8.50% has been applied to the expenditure on the individual assets.

DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of share premium within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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 their respective functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or the 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. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

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

JUDGEMENT

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

DEFERRED TAX ASSETS

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets recognised was RMB357,649,000 (2014: RMB285,347,000) as at 31 December 2015. More details are given in note 34(b).

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.

IMPAIRMENT OF GOODWILL

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimation of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount as at 31 December 2015 of goodwill was RMB2,622,410,000 (2014: RMB2,432,635,000). Further details are given in note 17.

IMPAIRMENT OF NON-FINANCIAL ASSETS (OTHER THAN GOODWILL)

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

USEFUL LIVES OF INTANGIBLE ASSETS

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

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

4. OPERATING SEGMENT INFORMATION

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

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

INFORMATION ABOUT GEOGRAPHICAL AREA

Since over 90% of the Group's revenue and operating profit were generated from the sale and service of motor vehicles in Mainland China and over 90% of the Group's identifiable assets and liabilities were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 *Operating Segments*.

INFORMATION ABOUT MAJOR CUSTOMERS

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year, no major customer information is presented in accordance with HKFRS 8 *Operating Segments*.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

	2015 RMB'000	2014 RMB'000
Revenue from the sale of motor vehicles	**51,842,665**	47,961,591
Others	**7,299,942**	6,825,069
	59,142,607	54,786,660

(b) Other income and gains, net:

	2015 RMB'000	2014 RMB'000
Commission income	**972,167**	795,083
Rental income	**28,469**	33,007
Interest income	**68,041**	54,538
Government grants	**9,759**	9,144
Net loss on disposal of items of property, plant and equipment	**(89,624)**	(45,264)
Net gain on disposal of land use rights	**33,499**	4,241
Net loss on disposal of subsidiaries	**(9,469)**	–
Fair value gains, net:		
Financial assets at fair value through profit or loss		
– listed equity investments held for trading	**–**	7,195
Dividend income from listed equity investments	**–**	1,606
Net gain on disposal of listed equity investments	**3,891**	4,091
Others	**87,410**	80,859
	1,104,143	944,500

6. PROFIT BEFORE TAX

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

		2015 RMB'000	2014 RMB'000
(a)	**Employee benefit expense (including directors' and chief executive officer's remuneration (note 9)):**		
	Wages and salaries	**1,434,181**	1,346,697
	Pension scheme contributions	**216,048**	210,269
	Other welfare	**96,395**	96,336
		1,746,624	1,653,302
(b)	**Cost of sales and services provided:**		
	Cost of sales of motor vehicles	**50,493,492**	46,386,796
	Others	**3,979,922**	3,625,041
		54,473,414	50,011,837
(c)	**Other items:**		
	Depreciation and impairment of property, plant and equipment	**594,155**	514,174
	Depreciation and impairment of investment properties	**1,181**	1,181
	Amortisation of land use rights	**54,052**	47,323
	Amortisation of intangible assets	**161,631**	135,456
	Impairment of goodwill	**12,431**	–
	Impairment of intangible assets	**28,202**	–
	Auditors' remuneration	**5,600**	5,600
	Lease expenses	**169,034**	157,446
	Advertisement expenses	**138,652**	163,485
	Office expenses	**193,130**	196,500
	Logistics expenses	**133,356**	126,059
	Business promotion expenses	**422,394**	394,357
	Impairment of trade receivables	**–**	11,898
	Write-down of inventories to net realisable value	**657**	4,734
	Net loss on disposal of items of property, plant and equipment	**89,624**	45,264
	Net gain on disposal of land use rights	**(33,499)**	(4,241)
	Fair value gains, net:		
	Financial assets at fair value through profit or loss		
	– listed equity investments held for trading	**–**	(7,195)
	Dividend income from listed equity investments	**–**	(1,606)
	Net loss on disposal of subsidiaries	**9,469**	–
	Net gain on disposal of listed equity investments	**(3,891)**	(4,091)

7. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest expense on bank borrowings	**1,047,563**	1,108,288
Interest expense on senior notes	**–**	20,508
Interest expense on convertible bonds	**141,356**	91,591
Interest expense on other borrowings	**170,156**	135,091
Interest expense on finance leases	**3,213**	6,043
Interest expense on short term bonds	**16,577**	20,400
Interest expense on bonds payable	**42,839**	23,607
Less: Interest capitalised	**(126,007)**	(132,960)
	1,295,697	1,272,568

8. INCOME TAX EXPENSE

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

	2015 RMB'000	2014 RMB'000
Current Mainland China corporate income tax	**313,150**	384,463
Deferred tax (note 34(b))	**(78,821)**	(69,736)
	234,329	314,727

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

According to the Corporate Income Tax Law ("CIT") of the People's Republic of China, the income tax rates for both domestic and foreign investment enterprises in Mainland China are unified at 25% effective from 1 January 2008.

Certain subsidiaries of the Group enjoyed preferential CIT rates which were lower than 25% during the reporting period as approved by the relevant tax authorities or operated in designated areas with preferential CIT policies in the PRC.

8. INCOME TAX EXPENSE (continued)

(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 rates for the regions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2015 RMB'000	2014 RMB'000
Profit before tax	**715,638**	1,095,448
Tax at the statutory tax rate (25%)	**178,910**	273,862
Tax effect of non-deductible expenses	**39,240**	30,552
Income not subject to tax	**(4,042)**	(1,032)
Profits attributable to joint ventures	**(352)**	(909)
Lower tax rates for specific provinces or enacted by local authority	**16,071**	9,606
Tax losses not recognised	**4,502**	2,648
Tax charge	**234,329**	314,727

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:

	2015 RMB'000	2014 RMB'000
Fees	**728**	788
Other emoluments:		
Salaries, allowances and other benefits	**15,386**	15,282
Contributions to defined contribution retirement schemes	**409**	373
	15,795	15,655
	16,523	16,443

(a) INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid to independent non-executive directors during the year were as follows:

	2015 RMB'000	2014 RMB'000
– Mr. Shigeno Tomihei	**51**	197
– Mr. Ng Yuk Keung	**203**	197
– Mr. Shen Jinjun	**203**	197
– Mr. Lin Yong	**203**	197
– Mr. Shoichi Ota	**68**	–
	728	788

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

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

(b) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS AND THE CHIEF EXECUTIVE

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution retirement schemes RMB'000	Total RMB'000
2015					
Executive directors:					
– Mr. Huang Yi	–	2,115	–	15	2,130
– Mr. Yu Guangming	–	1,802	–	81	1,883
– Mr. Du Qingshan	–	2,918	–	67	2,985
– Mr. Si Wei	–	600	–	97	697
– Mr. Zhang Zhicheng	–	2,918	–	67	2,985
Executive director and chief executive:					
– Mr. Li Guoqiang	–	5,031	–	84	5,115
Non-executive director:					
– Mr. Leng Xuesong	–	–	–	–	–
– Mr. Adam Keswick	–	–	–	–	–
	–	15,384	–	411	15,795

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution retirement schemes RMB'000	Total RMB'000
2014					
Executive directors:					
– Mr. Huang Yi	–	2,048	–	12	2,060
– Mr. Yu Guangming	–	1,828	–	74	1,902
– Mr. Du Qingshan	–	2,920	–	62	2,982
– Mr. Si Wei	–	600	–	87	687
– Mr. Zhang Zhicheng	–	2,920	–	62	2,982
Executive director and chief executive:					
– Mr. Li Guoqiang	–	4,966	–	76	5,042
Non-executive directors:					
– Mr. Leng Xuesong	–	–	–	–	–
– Mr. Adam Keswick	–	–	–	–	–
	–	15,282	–	373	15,655

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2014: Nil).

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

(b) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS AND THE CHIEF EXECUTIVE (continued)

Notes:

(i) Mr. Shigeno Tomihei has retired as an independent non-executive director of the Company with effect from 16 June 2015;

(ii) Mr. Shoichi Ota has been appointed as an independent non-executive director of the Company with effect from 31 August 2015; and

(iii) Mr. Leng Xuesong has resigned as a non-executive director of the Company with effect from 16 June 2015.

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included two directors and the chief executive (2014: two directors and the chief executive), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2014: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, bonuses, allowances and benefits in kind	**5,834**	5,837
Pension scheme contributions	**133**	124
	5,967	5,961

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

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

11. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Proposed final – HK$0.05 (approximately RMB0.04) (2014: HK$0.09) per ordinary share	**90,153**	150,181

The calculation of the proposed final dividend for the year ended 31 December 2015 is based on the proposed final dividend per ordinary share, and the total number of ordinary shares as at 31 March 2016.

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

During the year ended 31 December 2015, a final dividend of HK$0.09 per ordinary share in respect of the year ended 31 December 2014 was declared and paid to the ordinary equity holders of the Company. The aggregate amount of the final dividend declared and paid in the year ended 31 December 2015 was HK$190,375,000 (equivalent to RMB150,181,000).

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,146,506,957 (2014: 2,131,938,346) 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, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the weighted average 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:

EARNINGS

	2015 **RMB'000**	2014 RMB'000
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**460,964**	750,905
Interest on convertible bonds	**141,356**	91,591
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**602,320**	842,496

SHARES

	Number of Shares	
	2015	2014
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,146,506,957**	2,131,938,346
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**238,560,258**	163,846,331
Weighted average number of ordinary shares used in diluted earnings per share calculation	**2,385,067,215**	2,295,784,677

EARNINGS PER SHARE

	2015 **RMB**	2014 RMB
Basic	**0.21**	0.35
Diluted	**0.21***	0.35

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the year attributable to owners of the parent of RMB460,964,000 and the weighted average number of ordinary shares of 2,146,506,957 in issue during 2015.

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 2015	**5,437,035**	**450,639**	**569,471**	**455,221**	**1,339,119**	**880,620**	**9,132,105**
Exchange realignment	**–**	**43**	**–**	**13**	**316**	**–**	**372**
Additions	**111,022**	**22,200**	**84,402**	**67,851**	**670,266**	**686,733**	**1,642,474**
Acquisition of subsidiaries (note 38)	**164,109**	**15,543**	**14,471**	**12,017**	**61,953**	**–**	**268,093**
Transfer	**824,243**	**21,944**	**1,900**	**2,751**	**–**	**(850,838)**	**–**
Disposals	**(76,967)**	**–**	**(7,786)**	**(15,487)**	**(786,295)**	**–**	**(886,535)**
Disposals of subsidiaries (note 39)	**(296)**	**–**	**(1,612)**	**(1,076)**	**(3,046)**	**–**	**(6,030)**
At 31 December 2015	**6,459,146**	**510,369**	**660,846**	**521,290**	**1,282,313**	**716,515**	**10,150,479**
Accumulated depreciation and impairment:							
At 1 January 2015	**723,176**	**223,208**	**222,777**	**256,813**	**246,090**	**–**	**1,672,064**
Exchange realignment	**–**	**43**	**–**	**13**	**135**	**–**	**191**
Depreciation and impairment provided during the year	**219,145**	**64,705**	**62,072**	**73,293**	**174,940**	**–**	**594,155**
Disposals	**(25,446)**	**–**	**(1,872)**	**(6,688)**	**(171,112)**	**–**	**(205,118)**
Disposals of subsidiaries (note 39)	**(108)**	**–**	**(1,239)**	**(953)**	**(1,267)**	**–**	**(3,567)**
At 31 December 2015	**916,767**	**287,956**	**281,738**	**322,478**	**248,786**	**–**	**2,057,725**
Net book amount:							
At 31 December 2015	**5,542,379**	**222,413**	**379,108**	**198,812**	**1,033,527**	**716,515**	**8,092,754**
Cost:							
At 1 January 2014	4,236,096	378,629	475,834	368,815	1,209,809	905,079	7,574,262
Exchange realignment	–	2	(7,028)	1	14	–	(7,011)
Additions	176,463	21,253	88,054	79,871	769,256	895,443	2,030,340
Acquisition of subsidiaries	126,018	–	22,135	7,352	68,199	48,024	271,728
Transfer	898,458	50,755	3,564	15,149	–	(967,926)	–
Disposals	–	–	(13,088)	(15,967)	(708,159)	–	(737,214)
At 31 December 2014	5,437,035	450,639	569,471	455,221	1,339,119	880,620	9,132,105
Accumulated depreciation and impairment:							
At 1 January 2014	560,570	160,456	183,026	204,665	205,930	–	1,314,647
Exchange realignment	–	2	(4,125)	1	7	–	(4,115)
Depreciation and impairment provided during the year	162,606	62,750	52,289	60,545	175,984	–	514,174
Disposals	–	–	(8,413)	(8,398)	(135,831)	–	(152,642)
At 31 December 2014	723,176	223,208	222,777	256,813	246,090	–	1,672,064
Net book amount:							
At 31 December 2014	4,713,859	227,431	346,694	198,408	1,093,029	880,620	7,460,041

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group has yet to obtain property ownership certificates for certain buildings with an aggregate net book value of RMB3,932,305,000 as at 31 December 2015 (2014: RMB3,197,576,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial titles to these buildings as at 31 December 2015 and 2014, respectively.

As at 31 December 2015, certain of the Group's buildings with an aggregate net book value of approximately RMB490,545,000 (2014: RMB351,656,000) were pledged as security for the Group's bank loans (note 27(a)(ii)).

14. LAND USE RIGHTS

	2015 RMB'000	2014 RMB'000
Cost:		
At the beginning of the year	**2,354,231**	2,227,869
Additions	**359,134**	99,597
Acquisition of subsidiaries (note 38)	**62,444**	33,818
Disposals	**(38,488)**	(7,053)
At the end of the year	**2,737,321**	2,354,231
Amortisation:		
At the beginning of the year	**168,487**	122,354
Charge for the year	**54,052**	47,323
Disposals	**(5,549)**	(1,190)
At the end of the year	**216,990**	168,487
Net book value:		
At the end of the year	**2,520,331**	2,185,744

The lease prepayments of the Group represent the cost of the Group's land use rights in respect of land located in Mainland China. The remaining periods of the land use rights of the Group are from 20 to 64 years.

As at 31 December 2015, certain of the Group's land use rights with an aggregate net book value of approximately RMB813,394,000 (2014: RMB678,045,000) were pledged as security for the Group's bank loans (note 27(a)(i)).

The Group has yet to obtain the legal titles of certain land use rights in Mainland China with an aggregate net book value of RMB355,781,000 as at 31 December 2015 (2014: RMB274,237,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial titles to these land use rights as at 31 December 2015 and 2014, respectively.

15. PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Prepaid lease for land	**162,864**	170,196
Prepayment for land use rights	**281,400**	368,922
Prepaid lease for buildings	**97,475**	74,850
Prepayments for potential acquisitions	**341,729**	538,116
	883,468	1,152,084

16. INTANGIBLE ASSETS

	Software RMB'000	Dealership agreements RMB'000	Customer relationships RMB'000	Others RMB'000	Total RMB'000
Cost:					
At 1 January 2015	**48,285**	**2,292,685**	**744,536**	**112,721**	**3,198,227**
Exchange realignment	**22**	**–**	**–**	**(1,806)**	**(1,784)**
Additions	**4,822**	**43,000**	**–**	**11,638**	**59,460**
Acquisition of subsidiaries (note 38)	**1,140**	**369,300**	**42,568**	**–**	**413,008**
Disposals of subsidiaries (note 39)	**(30)**	**(2,840)**	**(1,080)**	**–**	**(3,950)**
At 31 December 2015	**54,239**	**2,702,145**	**786,024**	**122,553**	**3,664,961**
Accumulated amortisation and impairment:					
At 1 January 2015	**24,781**	**298,644**	**180,690**	**18,845**	**522,960**
Exchange realignment	**20**	**–**	**–**	**(306)**	**(286)**
Amortisation provided during the year	**6,768**	**87,162**	**51,854**	**15,847**	**161,631**
Impairment provided during the year	**–**	**–**	**–**	**28,202**	**28,202**
Disposals of subsidiaries (note 39)	**(30)**	**(760)**	**(391)**	**–**	**(1,181)**
At 31 December 2015	**31,539**	**385,046**	**232,153**	**62,588**	**711,326**
Net book value:					
At 31 December 2015	**22,700**	**2,317,099**	**553,871**	**59,965**	**2,953,635**

16. INTANGIBLE ASSETS (continued)

	Software RMB'000	Dealership agreements RMB'000	Customer relationships RMB'000	Others RMB'000	Total RMB'000
Cost:					
At 1 January 2014	37,605	1,922,785	701,701	108,386	2,770,477
Exchange realignment	(38)	–	–	(5,107)	(5,145)
Additions	9,953	30,000	–	9,442	49,395
Acquisition of subsidiaries	765	339,900	42,835	–	383,500
At 31 December 2014	48,285	2,292,685	744,536	112,721	3,198,227
Accumulated amortisation:					
At 1 January 2014	19,941	225,339	132,283	10,696	388,259
Exchange realignment	(14)	–	–	(741)	(755)
Amortisation provided during the year	4,854	73,305	48,407	8,890	135,456
At 31 December 2014	24,781	298,644	180,690	18,845	522,960
Net book value:					
At 31 December 2014	23,504	1,994,041	563,846	93,876	2,675,267

The Group's principal identifiable intangible assets represent dealership agreements in Mainland China with various vehicle manufacturers and customer relationships acquired from third parties. The dealership agreements do not include a specified contract period or termination arrangement.

The customer relationships are amortised over 15 years and the dealership agreements are amortised from 20 years to 40 years, which are management's best estimation of their useful lives.

17. GOODWILL

	2015 RMB'000	2014 RMB'000
At the beginning of the year	**2,432,635**	2,033,576
Acquisition of subsidiaries (note 38)	**203,832**	399,059
Disposal of subsidiaries (note 39)	**(1,626)**	–
Impairment during the year	**(12,431)**	–
At the end of the year	**2,622,410**	2,432,635

17. GOODWILL (continued)

IMPAIRMENT TESTING OF GOODWILL

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

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. No growth has been projected beyond the five years. The discount rate applied to the cash flow projections beyond the one-year period is 14% (2014: 14%).

ASSUMPTIONS USED IN THE VALUE IN USE CALCULATION

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

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

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

18. INVESTMENTS IN JOINT VENTURES

	2015 **RMB'000**	2014 RMB'000
Share of net assets	**43,871**	43,263

廈門中升豐田汽車銷售服務有限公司 (Xiamen Zhongsheng Toyota Automobile Sales & Services Co., Ltd.) ("Xiamen Zhongsheng"), 中升泰克提汽車服務（大連）有限公司 (Zhongsheng Tacti Automobile Services (Dalian) Co., Ltd.) ("Zhongsheng Tacti") and 提愛希汽車用品商貿（上海）有限公司 (TAC Automobile Accessories Trading (Shanghai) Co., Ltd.) ("TAC") are joint ventures of the Group and are considered to be related parties of the Group.

(a) PARTICULARS OF THE JOINT VENTURES

Joint ventures	Place and date of registration	Authorised registered/paid-in/ issued capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Xiamen Zhongsheng	Xiamen, the PRC, 2002	RMB12,000,000	50%	50%	50%	Sale and service of motor vehicles
Zhongsheng Tacti	Dalian, the PRC, 2009	US$3,000,000	50%	50%	50%	Sale and service of accessories
TAC	Shanghai, the PRC, 2011	RMB4,000,000	50%	50%	50%	Sale and service of accessories

18. INVESTMENTS IN JOINT VENTURES (continued)

(b) The following table illustrates the summarised financial information of the Group's joint ventures that are not individually material to the Group:

Share of the joint ventures' assets and liabilities:

	2015 RMB'000	2014 RMB'000
Non-current assets	**1,408**	1,634
Current assets	**46,215**	62,523
Current liabilities	**(3,752)**	(20,894)
Net assets	**43,871**	43,263

Share of the joint ventures' results:

	2015 RMB'000	2014 RMB'000
Income	**137,996**	156,325
Expenses	**(136,070)**	(151,449)
Tax	**(518)**	(1,238)
Profit for the year	**1,408**	3,638
Dividend received	**(800)**	–

19. INVENTORIES

Inventories in the consolidated statement of financial position represent:

	2015 RMB'000	2014 RMB'000
Motor vehicles	**5,586,644**	7,650,794
Spare parts and others	**708,026**	673,307
	6,294,670	8,324,101
Less: Provision for inventories	**5,391**	4,734
	6,289,279	8,319,367

As at 31 December 2015, certain of the Group's inventories with a carrying amount of approximately RMB1,456,529,000 (2014: RMB1,350,541,000) were pledged as security for the Group's bank loans and other borrowings (note 27(a)(iv) and 27(b)).

As at 31 December 2015, certain of the Group's inventories with a carrying amount of approximately RMB1,322,884,000 (2014: RMB822,537,000) were pledged as security for the Group's bills payable.

20. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**936,326**	631,451
Impairment	**–**	–
	936,326	631,451

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 aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2015 RMB'000	2014 RMB'000
Within 3 months	**850,468**	530,582
More than 3 months but less than 1 year	**37,464**	33,521
Over 1 year	**48,394**	67,348
	936,326	631,451

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

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**914,348**	612,666
Over one year past due	**21,978**	18,785
	936,326	631,451

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

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

20. TRADE RECEIVABLES (continued)

The movements in provision for impairment of trade receivables are as follows:

	2015 RMB'000	2014 RMB'000
At the beginning of the year	–	218
Impairment losses recognised	–	11,898
Amounts written off as uncollectible	–	(12,116)
At the end of the year	–	–

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Prepayments and deposits to suppliers	2,242,994	2,467,210
Deposits paid for acquisition of land use rights	923,507	964,029
Advances to certain companies to be acquired	540,842	133,483
Rebate receivables	3,145,693	2,628,788
VAT recoverable (i)	196,661	344,223
Receivables on disposal of subsidiaries	6,824	–
Receivables on disposal of items of property, plant and equipment	49,571	19,474
Receivables on disposal of land use rights	34,425	–
Receivables from original shareholders of subsidiaries acquired	12,531	34,459
Interest receivables	1,885	1,352
Prepaid finance costs	39,991	57,753
Others	787,215	725,242
	7,982,139	7,376,013

Note:

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

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

	2015 RMB'000	2014 RMB'000
Prepayments, deposits, and other receivables	4,578,986	3,508,339
Impairment	–	–
	4,578,986	3,508,339

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	2015 RMB'000	2014 RMB'000
At the beginning of the year	**–**	30
Amounts written off as uncollectible	**–**	(30)
At the end of the year	**–**	–

22. AVAILABLE-FOR-SALE INVESTMENTS

	2015 RMB'000	2014 RMB'000
Financial products issued by financial institution, at cost	**23,880**	84,050

As at 31 December 2015, certain financial products with a carrying amount of RMB23,880,000 were stated at cost less impairment. All the financial products as at 31 December 2015 have been disposed of by the Group with respective investment incomes as of the date of this report.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 RMB'000	2014 RMB'000
Listed equity investments – Hong Kong	**–**	36,033

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

24. PLEDGED BANK DEPOSITS

	2015 RMB'000	2014 RMB'000
Deposits pledged with banks as collateral against credit facilities granted by the banks	**1,295,865**	1,887,427

Pledged bank deposits earn interest at interest rates stipulated by the respective financial institutions.

25. CASH IN TRANSIT

	2015 RMB'000	2014 RMB'000
Cash in transit	**210,920**	198,755

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

26. CASH AND CASH EQUIVALENTS

	2015 RMB'000	2014 RMB'000
Cash and bank balances	**4,338,818**	3,971,260
Short term deposits	**125,699**	119,960
Cash and cash equivalents	**4,464,517**	4,091,220

As at 31 December 2015, the cash and bank balances and short term deposits of the Group denominated in a currency other than RMB amounted to RMB151,903,000 (2014: RMB165,529,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

27. BANK LOANS AND OTHER BORROWINGS

	Notes	2015 Effective interest rate (%)	2015 Maturity	2015 RMB'000	2014 Effective interest rate (%)	2014 Maturity	2014 RMB'000
Current							
Finance lease payables (note 35)		6–18	2016	8,210	6–18	2015	32,440
Bank loans							
– secured	(a)	4–8	2016	2,478,950	5–7	2015	3,443,973
– guaranteed		–	–	–	6	2015	14,500
– unsecured		4–7	2016	10,102,131	5–8	2015	12,418,692
Other borrowings							
– secured	(b)	3–8	2016	804,017	3–9	2015	548,096
– unsecured		5–9	2016	28,285	4–9	2015	50,038
Current portion of long term bank loans							
– secured	(a)	6–8	2016	242,430	6–8	2015	172,230
– guaranteed		–	–	–	8	2015	20,000
– unsecured		7	2016	70,000	7–8	2015	145,000
				13,734,023			16,844,969
Non-current							
Finance lease payables (note 35)		6–18	2017	522	6–18	2016–2017	1,571
Bank loans							
– secured	(a)	5–8	2017–2019	632,410	3–8	2016–2017	380,445
– unsecured		7	2017–2018	56,500	7	2016–2019	175,500
				688,910			557,516
Syndicated term loan	(c)	3–4	2017–2018	1,298,319	–	–	–
				15,721,774			17,402,485

27. BANK LOANS AND OTHER BORROWINGS (continued)

	2015 RMB'000	2014 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**12,893,511**	16,214,395
In the second year	**162,240**	267,949
In the third to fifth years	**526,670**	287,996
	13,582,421	16,770,340
Other borrowings repayable:		
Within one year	**832,302**	598,134
Syndicated term loan		
In the second year	**324,579**	–
In the third year	**973,740**	–
	1,298,319	–
Finance lease payables:		
Within one year	**8,210**	32,440
In the second year	**522**	1,246
In the third year	**–**	325
	8,732	34,011
	15,721,774	17,402,485

Notes:

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

(i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying amount of approximately RMB813,394,000 (2014: RMB678,045,000) as at 31 December 2015;

(ii) mortgages over the Group's buildings, which had an aggregate carrying amount of approximately RMB490,545,000 (2014: RMB351,656,000) as at 31 December 2015;

(iii) mortgages over the Group's investment properties, which had an aggregate carrying amount of approximately RMB47,086,000 (2014: RMB48,266,000) as at 31 December 2015; and

(iv) mortgages over the Group's inventories, which had an aggregate carrying amount of approximately RMB652,512,000 (2014: RMB967,445,000) as at 31 December 2015.

27. BANK LOANS AND OTHER BORROWINGS (continued)

Notes: (continued)

(b) Certain of the Group's other borrowings were secured by mortgages over the Group's inventories, which had an aggregate carrying amount of approximately RMB804,017,000 (2014: RMB383,096,000) as at 31 December 2015.

(c) Syndicated term loan borrowed by the Company was secured by mortgages over the entire shares of BILLION GREAT CORPORATION Limited (wholly owned by WELL SNAPE Holdings Limited (BVI)), Loong Wah Motors Limited (wholly owned by Loong Wah Motors (CAYMAN) Co., Ltd.) and Zhongsheng (Dalian) Group Co., Ltd. (wholly owned by BILLION GREAT CORPORATION Limited). As at the date of this report, certain mortgage procedures were yet to be completed.

(d) All bank loans and other borrowings were denominated in RMB, except for certain bank loans which were denominated in Hong Kong dollars, US dollars and Euros, amounting to RMB163,367,000, RMB1,063,957,000 and RMB70,996,000, respectively. (2014: Nil, Nil, RMB39,740,000).

28. SHORT TERM BONDS

At the end of each reporting period, outstanding short term bonds are summarised as follows:

	Face value RMB'000	Maturity	Fixed interest rate	**2015 RMB'000**	2014 RMB'000
Short term bonds	400,000	2016	5.92%	**414,977**	–

29. BONDS PAYABLE

	2015 RMB'000	2014 RMB'000
Non-current	**–**	598,678
Current	**622,646**	23,129
	622,646	621,807

At initial recognition, the bonds payable in their original currencies are as follows:

	RMB'000
Face value of the bonds payable	600,000
Less: Issuance cost	(1,800)
	598,200

29. BONDS PAYABLE (continued)

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

	2015 RMB'000	2014 RMB'000
At the beginning of the year	**621,807**	–
Issuance of the bonds payable	**–**	598,200
Add: interest expense (note 7)	**42,839**	23,607
Less: interest paid	**(42,000)**	–
At the end of the year	**622,646**	621,807

On 13 June 2014, the Group issued bonds payable maturing on 13 June 2016, with an aggregate principal amount of RMB600,000,000 and a fixed interest rate of 7% per annum (the "bonds payable").

Interest of the bonds payable is payable annually in arrears on 13 June in each year commencing from 13 June 2015.

Interest expense on the bonds payable is calculated using the effective interest rate method by applying the effective interest rate of 7.17%.

30. CONVERTIBLE BONDS

On 25 April 2014, the Company issued convertible bonds with a nominal value of HK$3,091,500,000 2.85%. There was no movement in the number of these convertible bonds during the year. The bonds are convertible at the option of the bondholders into ordinary shares on or after the date falling 180 days after the issue date up to the close of business on the date falling ten days prior to the maturity at a conversion price of HK$12.95899 per share. The bonds are redeemable at the option of the bondholders at 100% of the principal amount together with interest accrued and unpaid to such date on 25 April 2017. The bonds carry interest at a rate of 2.85% per annum, which is payable semi-annually in arrears on 25 October and 25 April.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

30. CONVERTIBLE BONDS (continued)

The convertible bonds issued during the year have been split into the liability and equity components as follows:

	2015 RMB'000	2014 RMB'000
Nominal value of convertible bonds issued during year 2014	**2,455,238**	2,455,238
Equity component	**(204,139)**	(204,139)
Direct transaction costs attributable to the liability component	**(4,520)**	(4,520)
Liability component at the issuance date	**2,246,579**	2,246,579
Interest expense	**232,947**	91,591
Interest paid	**(105,870)**	(34,908)
Exchange realignment	**128,545**	(14,741)
Liability component at the end of the year	**2,502,201**	2,288,521
Less: portion classified as current liabilities	**13,537**	12,810
Long-term portion	**2,488,664**	2,275,711

31. TRADE AND BILLS PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**1,023,626**	688,148
Bills payable	**2,471,292**	2,397,643
Trade and bills payables	**3,494,918**	3,085,791

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

	2015 RMB'000	2014 RMB'000
Within 3 months	**3,200,783**	2,762,233
3 to 6 months	**285,342**	311,366
6 to 12 months	**4,770**	3,401
Over 12 months	**4,023**	8,791
	3,494,918	3,085,791

The trade and bills payables are non-interest-bearing.

32. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Payables for purchase of property, plant and equipment and land use rights	**152,357**	212,102
Advances and deposits from distributors	**68,919**	68,687
Advances from customers	**1,012,626**	768,324
Payables for purchase of equity interests from third parties	**118,189**	275,849
Staff payroll and welfare payables	**2,828**	2,490
Others	**298,040**	267,736
	1,652,959	1,595,188

33. EMPLOYEE RETIREMENT BENEFITS

In compliance with the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), the Company has participated in an MPF scheme, which is a defined contribution scheme managed by an independent trustee, to provide retirement benefits to its Hong Kong employees. Contributions to the MPF scheme are made in accordance with the statutory limits prescribed by the MPF Ordinance.

As stipulated by the People's Republic of China (the "PRC") state regulations, the subsidiaries in Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 10% to 22% (2014: 10% to 22%) of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

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

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 7% to 18% (2014: 7% to 18%) of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group except for these contributions to the accommodation fund.

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

34. INCOME TAX PAYABLE AND DEFERRED TAX

(a) The movements in income tax payable during the year are as follows:

	2015 RMB'000	2014 RMB'000
At the beginning of the year	**637,809**	630,521
Provision for current tax for the year	**313,150**	384,463
Transferred from deferred tax liabilities	**628**	–
Income tax payable arising from acquisition of subsidiaries	**8,763**	–
Current tax paid	**(246,282)**	(377,175)
At the end of the year	**714,068**	637,809

34. INCOME TAX PAYABLE AND DEFERRED TAX (continued)

(b) Deferred tax assets and liabilities recognised:

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

DEFERRED TAX ASSETS:

	Losses available for offsetting against future taxable profits RMB'000
At 1 January 2015	**285,347**
Deferred tax arising from acquisition of subsidiaries (note 38)	**10,394**
Deferred tax decrease due to disposal of subsidiaries (note 39)	**(1,072)**
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 8(a))	**62,980**
At 31 December 2015	**357,649**
At 1 January 2014	196,591
Deferred tax arising from acquisition of subsidiaries	13,217
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 8(a))	75,539
At 31 December 2014	285,347

DEFERRED TAX LIABILITIES:

	Fair value adjustment arising from acquisition of subsidiaries RMB'000	**Capitalisation of interest expenses and others** RMB'000	**Withholding tax** RMB'000	**Total** RMB'000
At 1 January 2015	**712,764**	**127,840**	**51,214**	**891,818**
Deferred tax arising from acquisition of subsidiaries (note 38)	**105,195**	**–**	**–**	**105,195**
Deferred tax decrease due to disposal of subsidiaries (note 39)	**(739)**	**–**	**–**	**(739)**
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 8(a))	**(52,998)**	**37,157**	**–**	**(15,841)**
Transferred to tax payable during the year	**–**	**–**	**(628)**	**(628)**
At 31 December 2015	**764,222**	**164,997**	**50,586**	**979,805**

34. INCOME TAX PAYABLE AND DEFERRED TAX (continued)

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

DEFERRED TAX LIABILITIES: (continued)

	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Capitalisation of interest expenses and others RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2014	645,051	88,410	51,214	784,675
Deferred tax arising from acquisition of subsidiaries	101,340	–	–	101,340
Deferred tax recognised in the consolidated statement of profit or loss during the year (note 8(a))	(33,627)	39,430	–	5,803
At 31 December 2014	712,764	127,840	51,214	891,818

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained profits as at 31 December 2007 are exempted from the withholding tax.

In the opinion of the directors, it is not probable that the Group's subsidiaries established in Mainland China will, in the foreseeable future, distribute earnings with an aggregate amount of temporary differences of approximately RMB5,618,066,000 (2014: RMB4,905,926,000) associated with investments in these subsidiaries for which deferred tax liabilities have not been recognised as at 31 December 2015.

35. FINANCE LEASE PAYABLES

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 finance leases, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation to reflect the purchase and financing.

Assets held under capitalised finance leases were included in its equipment.

35. FINANCE LEASE PAYABLES (continued)

At the end of the reporting period, the total future minimum lease payments under leases and their present values were as follows:

	Minimum lease payments 2015 RMB'000	Minimum lease payments 2014 RMB'000	**Present value of minimum lease payments 2015 RMB'000**	Present value of minimum lease payments 2014 RMB'000
Amount payables:				
Within one year	**8,711**	34,163	**8,210**	32,440
In the second year	**592**	1,496	**522**	1,246
In the third to fifth years	**–**	422	**–**	325
Total minimum finance lease payments	**9,303**	36,081	**8,732**	34,011
Future finance charges	**(571)**	(2,070)		
Total net finance lease payables	**8,732**	34,011		
Portion classified as current liabilities (note 27)	**8,210**	32,440		
Non-current portion (note 27)	**522**	1,571		

36. SHARE CAPITAL

Shares	**2015 HK$'000**	2014 HK$'000
Issued and fully paid:		
2,146,506,957 (2014: 2,147,041,457) ordinary shares	**215**	215
Equivalent to RMB'000	**186**	186

36. SHARE CAPITAL (continued)

During the years ended 31 December 2015 and 2014, the movements in the Company's share capital were as follows:

	Number of shares in issue	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2014	1,908,481,295	168	–	4,416,501	4,416,669
Issue of shares	238,560,162	18	–	2,026,485	2,026,503
Share issue expense	–	–	–	(12,226)	(12,226)
Repurchase of shares	–	–	(2,964)	–	(2,964)
Proposed final 2014 dividend	–	–	–	(150,181)	(150,181)
At 31 December 2014	2,147,041,457	186	(2,964)	6,280,579	6,277,801
Cancellation of shares (a)	(534,500)	–	2,964	(2,964)	–
Proposed final 2015 dividend	–	–	–	(90,153)	(90,153)
At 31 December 2015	2,146,506,957	186	–	6,187,462	6,187,648

Note:

(a) On 13 January 2015, the Company cancelled a total of 534,500 ordinary shares of HK$0.0001 each of the Company at an aggregate consideration of HK$3,755,000 (RMB2,964,000 in equivalent) on the Stock Exchange of Hong Kong Limited.

37. RESERVES

(i) DISCRETIONARY RESERVE FUND

Pursuant to the articles of association of certain subsidiaries of the Group registered in the PRC, these subsidiaries are required to transfer part of their profits after taxation to the discretionary reserve fund. The amounts allocated to this reserve are determined by the respective boards of directors.

For the PRC subsidiaries, in accordance with the Company Law of the People's Republic of China, the discretionary reserve fund can be used to offset previous years' losses, if any, and may be converted into capital in proportion to the equity holders' existing equity holdings, provided that the balance after the conversion is not less than 25% of the registered capital.

(ii) STATUTORY RESERVE

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

(iii) EXCHANGE FLUCTUATION RESERVE

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

(iv) MERGER RESERVE

The merger reserve of the Group represents the capital contributions from the equity holders of the Company.

(v) OTHER RESERVE

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

38. BUSINESS COMBINATION

(a) As part of the Group's plan to expand its motor vehicle sales and service business in Shandong province, the Group acquired 70% of the equity interests of the following companies, which are engaged in the motor vehicle sales and service business in Mainland China, from a third party on 31 January 2015 at a total consideration of RMB315,081,000. The purchase consideration for the acquisition was in the form of cash, with RMB313,841,000 paid by the end of the year of 2015.

Company Name	Acquired equity interest %
青島富茂投資管理有限公司 (Qingdao Fumao Investment Management Co., Ltd.)	70%
青島富豪汽車銷售服務有限公司 (Qingdao Fuhao Automobile Sales & Service Co., Ltd.)	70%
青島富融汽車銷售服務有限公司 (Qingdao Furong Automobile Sales & Service Co., Ltd.)	70%
煙台富豪汽車銷售服務有限公司 (Yantai Fuhao Automobile Sales & Service Co., Ltd.)	70%
臨沂富豪汽車銷售服務有限公司 (Linyi Fuhao Automobile Sales & Service Co., Ltd.)	70%
威海富豪汽車銷售服務有限公司 (Weihai Fuhao Automobile Sales & Service Co., Ltd.)	70%
濟南華泰汽車銷售有限公司 (Jinan Huatai Automobile Sales Co., Ltd.)	70%
青島捷路汽車銷售服務有限公司 (Qingdao Jielu Automobile Sales & Service Co., Ltd.)	70%

38. BUSINESS COMBINATION (continued)

(a) (continued)

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

	Notes	Recognised fair values on acquisition date RMB'000
Property, plant and equipment	13	94,673
Intangible assets	16	350,458
Deferred tax assets	34(b)	3,135
Inventories		208,687
Trade receivables		6,985
Prepayments, deposits and other receivables		112,173
Pledged bank deposits		194,497
Cash in transit		11,173
Cash and cash equivalents		15,661
Trade and bills payables		(422,485)
Other payables and accruals		(179,870)
Bank loans and other borrowings		(70,000)
Income tax payable	34(a)	(8,763)
Deferred tax liabilities	34(b)	(87,615)
Total identifiable net assets at fair value		228,709
Non-controlling interests		(68,613)
Goodwill on acquisition	17	154,985
Total purchase consideration		315,081

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

Cash consideration paid	(313,841)
Cash and cash equivalents acquired	15,661
Net cash outflow	(298,180)

Since the acquisition, the acquired businesses contributed RMB1,495,678,000 to the Group's revenue and RMB34,079,000 to the consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB59,327,266,000 and RMB480,365,000, respectively.

38. BUSINESS COMBINATION (continued)

(b) As part of the Group's plan to expand its motor vehicle sales and service business in Beijing, the Group acquired 75% of the equity interests of 北京保利星徽汽車銷售服務有限公司 (Beijing Baoli Star Automobile Sales & Service Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China, from a third party on 1 July 2015 at a total consideration of RMB61,995,000. The purchase consideration for the acquisition was in the form of cash, with RMB37,197,000 paid during the year.

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

	Notes	Recognised fair values on acquisition date RMB'000
Property, plant and equipment	13	79,523
Intangible assets	16	43,411
Deferred tax assets	34(b)	7,259
Inventories		254,435
Trade receivables		19,431
Prepayments, deposits and other receivables		32,985
Pledged bank deposits		20,488
Cash in transit		4,759
Cash and cash equivalents		38,313
Trade and bills payables		(235,079)
Other payables and accruals		(118,089)
Bank loans and other borrowings		(75,717)
Deferred tax liabilities	34(b)	(11,967)
Total identifiable net assets at fair value		59,752
Non-controlling interests		(14,938)
Goodwill on acquisition	17	17,181
Total purchase consideration		61,995

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

Cash consideration paid	(37,197)
Cash and cash equivalents acquired	38,313
Net cash inflow	1,116

Since the acquisition, the acquired business contributed RMB669,703,000 to the Group's revenue and RMB35,725,000 to the consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB59,860,416,000 and RMB470,359,000, respectively.

38. BUSINESS COMBINATION (continued)

(c) As part of the Group's plan to expand its motor vehicle sales and service business in Zhejiang province, the Group acquired 100% of the equity interests of 杭州嘉翔雷克薩斯汽車銷售服務有限公司 (Hangzhou Jiaxiang Lexus Automobile Sales & Service Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China, from a third party on 1 July 2015 at a total consideration of RMB74,863,000. The purchase consideration for the acquisition was in the form of cash, with RMB44,918,000 paid during the year.

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

	Notes	**Recognised fair values on acquisition date** RMB'000
Property, plant and equipment	13	49,750
Land use rights	14	62,444
Intangible assets	16	10,984
Inventories		4,222
Trade receivables		2,584
Prepayments, deposits and other receivables		12,909
Pledged bank deposits		3,691
Cash in transit		939
Cash and cash equivalents		7,261
Trade and bills payables		(21,305)
Other payables and accruals		(69,964)
Deferred tax liabilities	34(b)	(3,713)
Total identifiable net assets at fair value		59,802
Goodwill on acquisition	17	15,061
Total purchase consideration		74,863

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

Cash consideration paid	(44,918)
Cash and cash equivalents acquired	7,261
Net cash outflow	(37,657)

Since the acquisition, the acquired business contributed RMB90,330,000 to the Group's revenue and RMB1,833,000 to the consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB59,211,986,000 and RMB483,029,000, respectively.

38. BUSINESS COMBINATION (continued)

(d) As part of the Group's plan to expand its motor vehicle sales and service business in Fujian province, the Group acquired 100% of the equity interests of 泉州嘉華雷克薩斯汽車銷售服務有限公司 (Quanzhou Jiahua Lexus Automobile Sales & Service Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China, from a third party on 1 July 2015 at a total consideration of RMB25,196,000. The purchase consideration for the acquisition was in the form of cash, with RMB19,518,000 paid during the year.

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

	Notes	Recognised fair values on acquisition date RMB'000
Property, plant and equipment	13	28,266
Intangible assets	16	4,955
Inventories		14,705
Trade receivables		2,483
Prepayments, deposits and other receivables		5,982
Pledged bank deposits		1,269
Cash in transit		697
Cash and cash equivalents		4,827
Trade and bills payables		(1,512)
Other payables and accruals		(14,636)
Bank loans and other borrowings		(21,169)
Deferred tax liabilities	34(b)	(1,100)
Total identifiable net assets at fair value		24,767
Goodwill on acquisition	17	429
Total purchase consideration		25,196

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

Cash consideration paid	(19,518)
Cash and cash equivalents acquired	4,827
Net cash outflow	(14,691)

Since the acquisition, the acquired business contributed RMB84,740,000 to the Group's revenue and RMB3,853,000 to the consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB59,230,560,000 and RMB482,771,000, respectively.

38. BUSINESS COMBINATION (continued)

(e) As part of the Group's plan to expand its motor vehicle sales and service business in Hebei province, the Group acquired 100% of the equity interests of 石家莊富邦雷克薩斯汽車銷售服務有限公司 (Shijiazhuang Fubang Lexus Automobile Sales & Service Co., Ltd.), which is engaged in the motor vehicle sales and service business in Mainland China, from four third parties on 31 October 2015 at a total consideration of RMB26,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB21,737,000 paid during the year.

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

	Notes	Recognised fair values on acquisition date RMB'000
Property, plant and equipment	13	15,881
Intangible assets	16	3,200
Inventories		17,289
Trade receivables		1,435
Prepayments, deposits and other receivables		12,984
Pledged bank deposits		1,453
Cash in transit		1,360
Cash and cash equivalents		2,904
Trade and bills payables		(1,157)
Other payables and accruals		(4,354)
Bank loans and other borrowings		(40,371)
Deferred tax liabilities	34(b)	(800)
Total identifiable net assets at fair value		9,824
Goodwill on acquisition	17	16,176
Total purchase consideration		26,000

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

Cash consideration paid	(21,737)
Cash and cash equivalents acquired	2,904
Net cash outflow	(18,833)

Since the acquisition, the acquired business contributed RMB31,548,000 to the Group's revenue and RMB4,630,000 to the consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been RMB59,241,879,000 and RMB479,856,000, respectively.

39. DISPOSAL OF SUBSIDIARIES

	Notes	2015 RMB'000
Net assets disposed of:		
Property, plant and equipment	13	**2,463**
Intangible assets	16	**2,769**
Cash and cash equivalents		**2,471**
Cash in transit		**306**
Trade receivables		**136**
Prepayments, deposits and other receivables		**13,990**
Inventories		**30,100**
Deferred tax assets	34(b)	**1,072**
Bank loans and other borrowings		**(13,980)**
Trade payables		**(148)**
Other payables and accruals		**(15,311)**
Deferred tax liabilities	34(b)	**(739)**
		23,129
Goodwill		**1,626**
Loss on disposal of subsidiaries	5(b)	**(9,469)**
Total consideration		**15,286**
Satisfied by:		
Cash		**8,462**

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

	2015 RMB'000
Cash consideration received	**8,462**
Cash and bank balances disposed of	**(2,471)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**5,991**

40. FINANCIAL INSTRUMENTS BY CATEGORY

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

2015

FINANCIAL ASSETS

	Available-for-sale investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Available-for-sale investments	23,880	–	23,880
Trade receivables	–	936,326	936,326
Financial assets included in prepayments, deposits and other receivables	–	4,578,986	4,578,986
Amounts due from related parties	–	1,185	1,185
Pledged bank deposits	–	1,295,865	1,295,865
Cash in transit	–	210,920	210,920
Cash and cash equivalents	–	4,464,517	4,464,517
	23,880	11,487,799	11,511,679

FINANCIAL LIABILITIES

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	3,494,918
Financial liabilities included in other payables and accruals	571,414
Amounts due to related parties	4,493
Bank loans and other borrowings	15,721,774
Short term bonds	414,977
Convertible bonds	2,502,201
Bonds payable	622,646
	23,332,423

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2014

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	36,033	–	–	36,033
Available-for-sale investments	–	84,050	–	84,050
Trade receivables	–	–	631,451	631,451
Financial assets included in prepayments, deposits and other receivables	–	–	3,542,798	3,542,798
Amounts due from related parties	–	–	1,288	1,288
Pledged bank deposits	–	–	1,887,427	1,887,427
Cash in transit	–	–	198,755	198,755
Cash and cash equivalents	–	–	4,091,220	4,091,220
	36,033	84,050	10,352,939	10,473,022

FINANCIAL LIABILITIES

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	3,085,791
Financial liabilities included in other payables and accruals	758,177
Amounts due to related parties	3,895
Bank loans and other borrowings	17,402,485
Convertible bonds	2,288,521
Bonds payable	621,807
	24,160,676

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets at fair value through profit or loss	**–**	36,033	**–**	36,033

FAIR VALUE HIERARCHY

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

ASSETS MEASURED AT FAIR VALUE:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets at fair value through profit or loss: Listed equity investments – Hong Kong	**–**	**–**	**–**	**–**

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss: Listed equity investments – Hong Kong	36,033	–	–	36,033

LIABILITIES MEASURED AT FAIR VALUE:

The Group did not have any financial liabilities measured at fair value as at 31 December 2015 and 2014, respectively.

42. CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no significant contingent liabilities.

43. COMMITMENTS

(a) CAPITAL COMMITMENTS

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

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for land use rights and buildings	**190,008**	202,678
Contracted, but not provided for potential acquisitions	**199,590**	289,063
	389,598	491,741

(b) OPERATING LEASE COMMITMENTS

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

	2015		2014	
	Properties RMB'000	Land RMB'000	Properties RMB'000	Land RMB'000
Within one year	**86,214**	**75,788**	85,298	75,853
After one year but within five years	**284,991**	**328,068**	230,810	217,658
After five years	**291,864**	**635,369**	214,559	448,377
	663,069	**1,039,225**	530,667	741,888

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

44. PLEDGE OF ASSETS

Details of the Group's bank loans and other borrowings, which are secured by the assets of the Group, are included in note 13, note 14, note 19 and note 24 to the consolidated financial statements.

45. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. Li Guoqiang and Mr. Huang Yi are collectively the Controlling Shareholders of the Group. They are also considered to be related parties of the Group.

(a) TRANSACTIONS WITH RELATED PARTIES

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

		2015 RMB'000	2014 RMB'000
(i)	Sales of goods to a joint venture:		
	– Xiamen Zhongsheng	**11,418**	3,622
(ii)	Purchase of goods or services from joint ventures:		
	– Xiamen Zhongsheng	**2,764**	5,931
	– Zhongsheng Tacti	**–**	2,517
	– TAC	**1,218**	875
		3,982	9,323

The terms of sales and purchases were mutually agreed between the parties with reference to the ordinary course of business.

(b) BALANCES WITH RELATED PARTIES

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

		2015 RMB'000	2014 RMB'000
(i)	Due from a related party:		
	Trade related		
	Joint venture		
	– Xiamen Zhongsheng	**1,185**	1,288
(ii)	Due to related parties:		
	Trade related		
	Joint ventures		
	– Xiamen Zhongsheng	**4,000**	3,669
	– Zhongsheng Tacti	**173**	226
	– TAC	**320**	–
		4,493	3,895

45. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2015 RMB'000	2014 RMB'000
Short term employee benefits	**21,818**	21,719
Post-employee benefits	**545**	497
Total compensation paid to key management personnel	**22,363**	22,216

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

The above related party transactions do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

46. SUBSIDIARIES

The following is a list of the Group's principal subsidiaries, all of which are unlisted, at 31 December 2015:

Company name	Place and date of incorporation/ operations	Authorised/registered/ paid-in/share capital	Proportion of ownership interest: Held by the Company %	Proportion of ownership interest: Held by a subsidiary %	Principal activities
中升(大連)集團有限公司* (Zhongsheng (Dalian) Group Co., Ltd.)	Dalian, the PRC 1998	Registered and paid-in capital of RMB1,900,000,000	–	100%	Investment holding
大連中升集團汽車用品有限公司** (Dalian Zhongsheng Group Automobile Accessories Co., Ltd.)	Dalian, the PRC 1997	Registered and paid-in capital of US$3,000,000	–	100%	Sale of automobile accessories
大連中升日產汽車銷售服務有限公司** (Dalian Zhongsheng Nissan Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 1998	Registered and paid-in capital of US$7,500,000	–	100%	Sale and service of motor vehicles
大連中升匯迪汽車銷售服務有限公司** (Dalian Zhongsheng Huidi Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 1999	Registered and paid-in capital of RMB16,550,000	–	100%	Sale and service of motor vehicles
昆明中升汽車銷售服務有限公司** (Kunming Zhongsheng Automobile Sales & Services Co., Ltd.)	Kunming, the PRC 2005	Registered and paid-in capital of RMB12,000,000	–	100%	Sale and service of motor vehicles
昆明中升豐田汽車銷售服務有限公司** (Kunming Zhongsheng Toyota Automobile Sales & Services Co., Ltd.)	Kunming, the PRC 2002	Registered and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
大連中升之星汽車銷售服務有限公司** (Dalian Zhongsheng Star Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2005	Registered and paid-in capital of RMB90,000,000	–	100%	Sale and service of motor vehicles

46. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/ paid-in/share capital	Proportion of ownership interest Held by the Company %	Proportion of ownership interest Held by a subsidiary %	Principal activities
廣州中升淩志汽車銷售服務有限公司** (Guangzhou Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Guangzhou, the PRC 2002	Registered and paid-in capital of US$10,000,000	–	100%	Sale and service of motor vehicles
大連中升淩志汽車銷售服務有限公司** (Dalian Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2004	Registered and paid-in capital of US$17,500,000	–	100%	Sale and service of motor vehicles
泉州中升之星汽車銷售服務有限公司** (Quanzhou Zhongsheng Star Automobile Sales & Services Co., Ltd.)	Quanzhou, the PRC 2006	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
雲南中升雷克薩斯汽車銷售服務有限公司** (Yunnan Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Yunnan, the PRC 2006	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
福州中升雷克薩斯汽車銷售服務有限公司** (Fuzhou Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Fuzhou, the PRC 2006	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles
Zhongsheng Holdings Co., Ltd.	HK 1996	Registered and paid-in capital of HK$32,000,000	–	100%	Investment holding
HOKURYO (Hong Kong) Co., Ltd.	HK 1997	Registered and paid-in capital of HK$10,000	–	100%	Investment holding
大連新盛榮新實業有限公司* (Dalian Xinshengrong New Industrial Co., Ltd.)	Dalian, the PRC 2007	Registered and paid-in capital of RMB200,000,000	–	100%	Investment holding
大連新盛榮汽車銷售服務有限公司** (Dalian Xinshengrong Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2004	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
東莞中升雷克薩斯汽車銷售服務有限公司* (Dongguan Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Dongguan, the PRC 2008	Registered and paid-in capital of US$10,000,000	–	100%	Sale and service of motor vehicles
營口中升華盛汽車銷售服務有限公司** (Yingkou Zhongsheng Huasheng Automobile Sales & Services Co., Ltd.)	Yingkou, the PRC 2004	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
大連裕迪汽車銷售服務有限公司** (Dalian Yudi Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2008	Registered and paid-in capital of RMB15,000,000	–	51%	Sale and service of motor vehicles

46. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/ paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
SUPER CHARM Limited	HK 2007	Registered and paid-in capital of HK$1	–	100%	Investment holding
BILLION GREAT CORPORATION Limited	HK 2007	Registered and paid-in capital of HK$1	–	100%	Investment holding
大連裕增實業有限公司* (Dalian Yuzeng Industrial Co., Ltd.)	Dalian, the PRC 2008	Registered and paid-in capital of RMB30,000,000	–	100%	Investment holding
青島中升智通汽車銷售服務有限公司** (Qingdao Zhongsheng Zhitong Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2005	Registered and paid-in capital of RMB11,000,000	–	100%	Sale and service of motor vehicles
煙台中升匯迪汽車銷售服務有限公司** (Yantai Zhongsheng Huidi Automobile Sales & Services Co., Ltd.)	Yantai, the PRC 2002	Registered and paid-in capital of RMB60,000,000	–	100%	Sale and service of motor vehicles
OLYMPIA WELL Limited	HK 2007	Registered and paid-in capital of HK$1	–	100%	Investment holding
佛山中升之星汽車銷售服務有限公司** (Foshan Zhongsheng Star Automobile Sales & Services Co., Ltd.)	Foshan, the PRC 2009	Registered and paid-in capital of RMB100,000,000	–	100%	Sale and service of motor vehicles
南京中升之星汽車銷售服務有限公司** (Nanjing Zhongsheng Star Automobile Sales & Services Co., Ltd.)	Nanjing, the PRC 2009	Registered and paid-in capital of RMB140,000,000	–	100%	Sale and service of motor vehicles
常熟中升之星汽車銷售服務有限公司** (Changshu Zhongsheng Star Automobile Sales & Services Co., Ltd.)	Changshu, the PRC 2008	Registered and paid-in capital of RMB80,000,000	–	100%	Sale and service of motor vehicles
遼寧中升捷通汽車銷售服務有限公司** (Liaoning Zhongsheng Jietong Automobile Sales & Services Co., Ltd.)	Shenyang, the PRC 2007	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
無錫中升之星汽車銷售服務有限公司** (Wuxi Zhongsheng Star Automobile Sales & Services Co., Ltd.)	Wuxi, the PRC 2009	Registered and paid-in capital of RMB100,000,000	–	100%	Sale and service of motor vehicles
NOBLE VILLA Investments Limited	BVI 2008	Registered and paid-in capital of US$1	100%	–	Investment holding

46. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/ paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
中升（中國）企業管理有限公司* (Zhongsheng (China) Enterprise Management Co., Ltd.)	Beijing, the PRC 2009	Registered and paid-in capital of US$60,000,000	–	100%	Enterprise management
成都中升之星汽車銷售服務有限公司** (Chengdu Zhongsheng Star Automobile Sales & Services Co., Ltd.)	Chengdu, the PRC 2010	Registered and paid-in capital of RMB100,000,000	–	100%	Sale and service of motor vehicles
上海中升之星汽車銷售服務有限公司** (Shanghai Zhongsheng Star Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2010	Registered and paid-in capital of RMB200,000,000	–	100%	Sale and service of motor vehicles
福州中升福瑞汽車銷售服務有限公司** (Fuzhou Zhongsheng Furui Automobile Sales & Services Co., Ltd.)	Fuzhou, the PRC 2002	Registered and paid-in capital of RMB37,100,000	–	100%	Sale and service of motor vehicles
上海中升艦馳汽車銷售服務有限公司** (Shanghai Zhongsheng Jianchi Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2011	Registered and paid-in capital of RMB30,000,000	–	100%	Sale of automobile accessories
南京中升恒岳汽車銷售服務有限公司** (Nanjing Zhongsheng Hengyue Automobile Sales & Services Co., Ltd.)	Nanjing, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
無錫中升雷克薩斯汽車銷售服務有限公司** (Wuxi Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Wuxi, the PRC 2012	Registered and paid-in capital of RMB80,000,000	–	100%	Sale and service of motor vehicles
太倉中升之星汽車銷售服務有限公司** (Taicang Zhongsheng Star Automobile Sales & Services Co., Ltd.)	Taicang, the PRC 2011	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
營口中升仕豪汽車銷售服務有限公司** (Yingkou Zhongsheng Shihao Automobile Sales & Services Co., Ltd.)	Yingkou, the PRC 2010	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
東莞中升之星汽車銷售服務有限公司** (Dongguan Zhongsheng Star Automobile Sales & Services Co., Ltd.)	Dongguan, the PRC 2008	Registered and paid-in capital of RMB60,000,000	–	100%	Sale and service of motor vehicles
成都中升仕豪汽車銷售服務有限公司** (Chengdu Zhongsheng Shihao Automobile Sales & Services Co., Ltd.)	Chengdu, the PRC 2012	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles

46. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/ paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
溫州中升華奧汽車銷售服務有限公司** (Wenzhou Zhongsheng Huaao Automobile Sales & Services Co., Ltd.)	Wenzhou, the PRC 2009	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
深圳中升星輝汽車銷售服務有限公司** (Shenzhen Zhongsheng Xinghui Automobile Sales & Services Co., Ltd.)	Shenzhen, the PRC 2013	Registered and paid-in capital of RMB80,000,000	–	100%	Sale and service of motor vehicles
西安中升雷克薩斯汽車銷售服務有限公司** (Xi'an Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Xi'an, the PRC 2013	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
中升(大連)汽車保險銷售服務有限公司** (Zhongsheng (Dalian) Automobile Insurance Sales & Services Co., Ltd.)	Dalian, the PRC 2013	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of automobile insurance
沈陽中升仕豪汽車銷售服務有限公司** (Shenyang Zhongsheng Shihao Automobile Sales & Services Co., Ltd.)	Shenyang, the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
無錫中升星輝汽車銷售服務有限公司** (Wuxi Zhongsheng Xinghui Automobile Sales & Services Co., Ltd.)	Wuxi, the PRC 2012	Registered and paid-in capital of RMB60,000,000	–	100%	Sale and service of motor vehicles
安徽得佳汽車銷售有限公司** (Anhui Dejia Automobile Sales Co., Ltd.)	Anhui, the PRC 2012	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
鄭州中升匯迪汽車銷售服務有限公司** (Zhengzhou Zhongsheng Huidi Automobile Sales & Services Co., Ltd.)	Zhengzhou, the PRC 2011	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
信陽市得佳汽車銷售服務有限公司** (Xinyang Dejia Automobile Sales & Services Co., Ltd.)	Xinyang, the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
天津百得利之迪汽車銷售有限公司**,*** (Tianjin Betterlife Zhidi Automobile Sales Co., Ltd.)	Tianjin, the PRC 2007	Registered and paid-in capital of RMB20,000,000	–	50%	Sale and service of motor vehicles
成都百得利汽車貿易有限公司**,*** (Chengdu Betterlife Automobile Trading Co., Ltd.)	Chengdu, the PRC 2010	Registered and paid-in capital of RMB50,000,000	–	50%	Sale and service of motor vehicles
杭州百得利之星汽車銷售有限公司**,*** (Hangzhou Betterlife Star Automobile Sales Co., Ltd.)	Hangzhou, the PRC 2010	Registered and paid-in capital of RMB50,000,000	–	50%	Sale and service of motor vehicles

46. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/ paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
Betterlife International Motor Co., Ltd.***	HK 2010	Registered and paid-in capital of HK$10,000	–	50%	Investment holding
青島富茂投資管理有限公司** (Qingdao Fumao Investment Management Co., Ltd.)	Qingdao, the PRC 2012	Registered and paid-in capital of RMB45,000,000	–	70%	Investment holding
青島富豪汽車銷售服務有限公司** (Qingdao Fuhao Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2002	Registered and paid-in capital of RMB10,000,000	–	70%	Sale and service of motor vehicles
青島富融汽車銷售服務有限公司** (Qingdao Furong Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	70%	Sale and service of motor vehicles
煙台富豪汽車銷售服務有限公司** (Yantai Fuhao Automobile Sales & Services Co., Ltd.)	Yantai, the PRC 2009	Registered and paid-in capital of RMB10,000,000	–	70%	Sale and service of motor vehicles
臨沂富豪汽車銷售服務有限公司** (Linyi Fuhao Automobile Sales & Services Co., Ltd.)	Linyi, the PRC 2010	Registered and paid-in capital of RMB10,000,000	–	70%	Sale and service of motor vehicles
威海富豪汽車銷售服務有限公司** (Weihai Fuhao Automobile Sales & Services Co., Ltd.)	Weihai, the PRC 2011	Registered and paid-in capital of RMB10,000,000	–	70%	Sale and service of motor vehicles
濟南中升仕豪汽車銷售服務有限公司** (Jinan Zhongsheng Shihao Automobile Sales & Services Co., Ltd.)	Jinan, the PRC 2001	Registered and paid-in capital of RMB10,000,000	–	70%	Sale and service of motor vehicles
青島中升傑豪汽車銷售服務有限公司** (Qingdao Zhongsheng Jiehao Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2009	Registered and paid-in capital of RMB10,000,000	–	70%	Sale and service of motor vehicles
大連中升星輝汽車銷售服務有限公司** (Dalian Zhongsheng Xinghui Automobile Sales & Services Co., Ltd.)	Dalian, the PRC 2014	Registered and paid-in capital of RMB80,000,000	–	100%	Sale and service of motor vehicles
北京保利星徽汽車銷售服務有限公司** (Beijing Baoli Star Automobile Sales & Services Co., Ltd.)	Beijing, the PRC 2007	Registered and paid-in capital of RMB10,000,000	–	75%	Sale and service of motor vehicles
杭州嘉翔雷克薩斯汽車銷售服務有限公司** (Hangzhou Jiaxiang Lexus Automobile Sales & Services Co., Ltd.)	Hangzhou, the PRC 2010	Registered and paid-in capital of RMB68,000,000	–	100%	Sale and service of motor vehicles

46. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ operations	Authorised/registered/ paid-in/share capital	Proportion of ownership interest Held by the Company %	Held by a subsidiary %	Principal activities
泉州嘉華雷克薩斯汽車銷售服務有限公司** (Quanzhou Jiahua Lexus Automobile Sales & Services Co., Ltd.)	Quanzhou, the PRC 2012	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
石家莊富邦雷克薩斯汽車銷售服務有限公司** (Shijiazhuang Fubang Lexus Automobile Sales & Services Co., Ltd.)	Hebei, the PRC 2008	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
龍華汽車有限公司 (Loong Wah Motors Limited)	HK 1978	Registered and paid-in capital of HK$10,000,000	–	100%	Investment holding
深圳中升雷克薩斯汽車有限公司* (Shenzhen Zhongsheng Lexus Automobile Co., Ltd.)	Shenzhen, the PRC 2003	Registered and paid-in capital of HK$30,000,000	–	100%	Sale and service of motor vehicles
佛山市順德區中升雷克薩斯汽車銷售服務有限公司* (Foshan Shunde Zhongsheng Lexus Automobile Sales & Services Co., Ltd.)	Foshan, the PRC 2008	Registered and paid-in capital of HK$30,000,000	–	100%	Sale and service of motor vehicles
寧波中升豐田汽車服務有限公司* (Ningbo Zhongsheng Toyota Automobile Services Co., Ltd.)	Ningbo, the PRC 1994	Registered and paid-in capital of US$2,700,000	–	100%	Sale and service of motor vehicles
寧波中升雷克薩斯汽車服務有限公司* (Ningbo Zhongsheng Lexus Automobile Services Co., Ltd.)	Ningbo, the PRC 2006	Registered and paid-in capital of US$10,000,000	–	100%	Sale and service of motor vehicles
西安慶通汽車銷售服務有限公司** (Xi'an Qingtong Automobile Sales & Services Co., Ltd.)	Xi'an, the PRC 2009	Registered and paid-in capital of RMB10,000,000	–	55%	Sale and service of motor vehicles

* These companies are registered as wholly-foreign-owned enterprise under PRC law.

** These companies are registered as limited liability company under PRC law.

*** These companies are accounted for as subsidiaries as the Group has the power to control their financial and operating policies.

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and other borrowings, finance leases, short term bonds, bonds payable, convertible bonds and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade payables, other payables and advances to certain companies, 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 26).

The Group's interest rate risk arises from its borrowings, details of which are set out in note 27. Borrowings at variable rates expose the Group to the risk of changes on market interest rates.

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

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

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

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** RMB'000
2015		
RMB	**15**	**(4,453)**
RMB	**(15)**	**4,453**
2014		
RMB	15	(8,517)
RMB	(15)	8,517

FOREIGN CURRENCY RISK

Most of the Group's assets and liabilities were denominated in RMB, except for certain cash and cash equivalents, bank loans and other borrowings and the liability component of convertible bonds denominated in HK dollars, US dollars and Euros as disclosed in note 26, note 27 and note 30, respectively.

The Group's assets and liabilities denominated in HK dollars, US dollars and Euros were mainly held by certain subsidiaries incorporated outside Mainland China who had HK dollars and Euros as their functional currencies and the Group did not have material foreign currency transactions in Mainland China during the year. Therefore, the Group had immaterial foreign currency risk.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK

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

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

LIQUIDITY RISK

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

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

	2015					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	–	5,354,075	8,712,380	2,136,791	–	16,203,246
Short term bonds	–	–	423,680	–	–	423,680
Trade and bills payables	–	3,200,783	294,135	–	–	3,494,918
Other payables	–	290,815	280,599	–	–	571,414
Amounts due to related parties	4,493	–	–	–	–	4,493
Convertible bonds	–	–	73,815	2,626,904	–	2,700,719
Bonds payable	–	–	642,000	–	–	642,000
	4,493	8,845,673	10,426,609	4,763,695	–	24,040,470

	2014					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	–	6,318,240	10,781,490	613,141	–	17,712,871
Trade and bills payables	–	2,231,626	854,165	–	–	3,085,791
Other payables	–	257,125	501,051	–	–	758,176
Amounts due to related parties	3,895	–	–	–	–	3,895
Convertible bonds	–	–	69,506	2,543,050	–	2,612,556
Bonds payable	–	–	42,000	642,000	–	684,000
	3,895	8,806,991	12,248,212	3,798,191	–	24,857,289

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CAPITAL MANAGEMENT

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

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

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes bank loans and other borrowings, short term bonds, convertible bonds, bonds payable, amounts due to related parties, trade, bills and other payables and accruals, less cash and cash equivalents, cash in transit and pledged bank deposits. The gearing ratios as at each reporting date were as follows:

	2015 **RMB'000**	2014 RMB'000
Bank loans and other borrowings	**15,721,774**	17,402,485
Short term bonds	**414,977**	–
Convertible bonds	**2,502,201**	2,288,521
Bonds payable	**622,646**	621,807
Trade and bills payables	**3,494,918**	3,085,791
Other payables and accruals	**1,652,959**	1,595,188
Amounts due to related parties	**4,493**	3,895
Less: Cash and cash equivalents	**(4,464,517)**	(4,091,220)
Cash in transit	**(210,920)**	(198,755)
Pledged bank deposits	**(1,295,865)**	(1,887,427)
Net debt	**18,442,666**	18,820,285
Total equity	**12,615,995**	12,380,928
Capital and net debt	**31,058,661**	31,201,213
Gearing ratio	**59.4%**	60.3%

48. EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, the Company and Hainan Jiahua Holdings Co., Ltd. (海南嘉華控股有限公司) ("Hainan Jiahua") have agreed on the principle terms with respect to a potential acquisition of the equity interest of certain subsidiaries of Hainan Jiahua which includes, among others, 18 automobile dealership stores, but no definitive agreement has been entered into.

As at the date of this report, Famous Great International Limited ("Famous Great International"), an indirect wholly owned subsidiary of the Company, Teal Orchid Investment Limited ("Teal Orchid") and Mr. Patrick Hsiao-Po, Chou (周小波) ("Mr. Chou"), the ultimate controlling shareholder of Teal Orchid, have generally agreed on the reorganization (the "Reorganisation") arrangement of B&L Motor Holding Co., Ltd. ("B&L Motor"), but no definitive agreement has been entered into among the parties. The Reorganisation, should it materialise, will involve (i) a transfer of 100% equity interest in certain companies by B&L Motor and Mr. Chou to Famous Great International or any designated wholly-owned subsidiaries of Famous Great International (the "Transferred-in Transaction") and (ii) a transfer of 50% equity interest in B&L Motor by Famous Great International to Teal Orchid, which will result in a transfer of 50% equity interest in the remaining companies under B&L Motor from Famous Great International to Teal Orchid (the "Transferred-out Transaction"). The Transferred-in Transaction and the Transferred-out Transaction are inter-conditional and each forms a part of the Reorganisation.

49. 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:

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**2,092,057**	1,969,922
Amounts due from subsidiaries	**7,342,154**	6,034,828
Total non-current assets	**9,434,211**	8,004,750
CURRENT ASSETS		
Prepayments, deposits and other receivables	**32,489**	–
Financial assets at fair value through profit or loss	**–**	36,033
Cash and cash equivalents	**152,765**	109,133
Total current assets	**185,254**	145,166
CURRENT LIABILITIES		
Other payables and accruals	**97**	9,004
Convertible bonds, current portion	**13,537**	12,810
Total current liabilities	**13,634**	21,814
NET CURRENT ASSETS	**171,620**	123,352
TOTAL ASSETS LESS CURRENT LIABILITIES	**9,605,831**	8,128,102
NON-CURRENT LIABILITIES		
Convertible bonds	**2,488,664**	2,275,711
Bank loans and other borrowings	**1,298,319**	–
Total non-current liabilities	**3,786,983**	2,275,711
NET ASSETS	**5,818,848**	5,852,391
EQUITY		
Share capital	**186**	186
Treasury shares	**–**	(2,964)
Reserves	**5,818,662**	5,855,169
Total equity	**5,818,848**	5,852,391

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

	Share premium RMB'000	Equity component of convertible bonds RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Proposed final dividend RMB'000	Total RMB'000
As at 1 January 2014	4,416,501	–	(603,142)	(86,054)	204,106	3,931,411
Total comprehensive loss for the year	–	–	11,336	(101,460)	–	(90,124)
Issue of shares	2,026,485	–	–	–	–	2,026,485
Share issue expenses	(12,226)	–	–	–	–	(12,226)
Issue of convertible bonds	–	203,729	–	–	–	203,729
Final 2013 dividend declared	–	–	–	–	(204,106)	(204,106)
Proposed final 2014 dividend	(150,181)	–	–	–	150,181	–
As at 31 December 2014	6,280,579	203,729	(591,806)	(187,514)	150,181	5,855,169
Total comprehensive income for the year	–	–	290,420	(173,782)	–	116,638
Cancellation of shares	(2,964)	–	–	–	–	(2,964)
Final 2014 dividend declared	–	–	–	–	(150,181)	(150,181)
Proposed final 2015 dividend	(90,153)	–	–	–	90,153	–
As at 31 December 2015	6,187,462	203,729	(301,386)	(361,296)	90,153	5,818,662

50. APPROVAL OF THE FINANCIAL STATEMENTS

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

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial information and financial statements is set out below.

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	**59,142,607**	54,786,660	52,527,376	50,048,288	41,903,414
Cost of sales and services provided	**(54,473,414)**	(50,011,837)	(47,766,636)	(45,764,357)	(37,595,170)
Gross profit	**4,669,193**	4,774,823	4,760,740	4,283,931	4,308,244
Other income and gains, net	**1,104,143**	944,500	759,403	689,459	367,362
Selling and distribution expenses	**(2,609,155)**	(2,373,479)	(2,130,114)	(1,951,472)	(1,325,790)
Administrative expenses	**(1,154,254)**	(981,466)	(929,548)	(838,531)	(616,267)
Profit from operations	**2,009,927**	2,364,378	2,460,481	2,183,387	2,733,549
Finance costs	**(1,295,697)**	(1,272,568)	(1,075,227)	(1,032,130)	(549,375)
Share of profits and losses of:					
Joint ventures	**1,408**	3,638	4,791	5,309	9,549
Profit before tax	**715,638**	1,095,448	1,390,045	1,156,566	2,193,723
Income tax expense	**(234,329)**	(314,727)	(366,958)	(291,023)	(550,637)
Profit for the year	**481,309**	780,721	1,023,087	865,543	1,643,086
Attributable to:					
Owners of the parent	**460,964**	750,905	1,010,067	750,480	1,417,279
Non-controlling interests	**20,345**	29,816	13,020	115,063	225,807
	481,309	780,721	1,023,087	865,543	1,643,086

	31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**38,725,315**	38,908,251	33,735,178	31,494,853	27,860,382
TOTAL LIABILITIES	**(26,109,320)**	(26,527,323)	(24,038,052)	(22,664,963)	(19,582,569)
NON-CONTROLLING INTERESTS	**(1,347,484)**	(1,262,131)	(1,278,154)	(1,291,173)	(1,185,580)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**11,268,511**	11,118,797	8,418,972	7,538,717	7,092,233